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Conference Call Transcript

GE - General Electric Q1 2006 Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to the General Electric first-quarter 2006 earnings conference call. At this time, all participants are in a listen-only mode. My name is Rachel and I will be your coordinator for today's conference call. As a reminder, this conference is being recorded. I would now like to turn the presentation over to your host for today's conference, Mr. Dan Janki, VP of Investor Communications. Please proceed, sir.

Dan Janki - ***General Electric - VP Investor Communications***

Rachel, thank you. Joanna and I are pleased to host today's earnings conference call. First of all, we'd like to say welcome and we do understand that today is Passover and tomorrow is Good Friday, so we do apologize for any inconvenience this may have caused you or your family.

Hopefully you saw our press release that went out at 6.30 this morning. We will be walking through slides that are available on our website at www.ge.com/investor along with some supplemental information. If you don't see it, please hit refresh. You can also download that information and print it to follow along.

Remember, this is a webcast, so you may need to hit refresh as you go through it. Also, as we always say, today, our presentation does contain forward-looking statements that are based on the world and economic environment as we see it today. That is subject to change. Please view that in your information in light of that.

Today, we will cover first-quarter earnings, second-quarter outlook and then we'll open it up to questions. To do that, we have our Chairman and CEO, Jeff Immelt and our Senior Vice President and CFO, Keith Sherin. So at this time, I'd like to turn it over to Jeff.

Jeff Immelt *- General Electric - Chairman & CEO*

Thanks, Dan. Good morning, everyone. We had a strong quarter in a good economy in the first quarter of 2006. The GE business fundamentals remain positive. Our first-quarter orders were up 33% and we saw strength across the portfolio, a very strong performance on orders. Equipment backlog grew 22% as did our CSA backlog. We had very strong asset quality.

The execution in the first quarter continued to be strong; revenues were up 10%, a little bit better than planned. Industrial operating profit, ex the Olympics and pension, were up 0.5 points. Earnings from continuing operations were up 14% and EPS was up 18%, so very strong performance on those lines.

Cash generation was very strong, up 132% overall and industrial CFOA at $3.3 billion were up 24%. We accelerated the stock buyback. We bought back $3 billion in the first quarter of '06 and our ROTC, very important metric to us, is up 1.4 points to 17%. So we have kind of seen the turn and are progressing towards our 20% goal.

The growth initiative is performing very well. Our organic growth was up 9%, better than expectation, and growth platforms were up 22% and service sales were up 10%. So, again, a pretty good set of numbers and a very strong first quarter 2006 from an execution standpoint.

I think each and every quarter is a proof point in terms of our strategic execution and I think this really gives us some good sense of the Company going forward.

Some of the big themes that we see going on inside the Company -- the first really winning and global infrastructure business and growing the installed base. Our equipment order rate in the infrastructure businesses 2X the first quarter of 2005. So, again, a very strong momentum that we have in the business right now.

We have sustained our financial service growth with higher ROE in an increasing interest rate environment. We, again, feel very great about how our commercial finance and consumer finance businesses are positioned and our exit of the insurance business is on track. We build a diversified healthcare business with leading technologies. We are really seeing consistent double-digit performance. Revenues up 10% at an expanding operating profit rate. We feel great about how that business is positioned.

We continue to focus on industrial execution and expand operating profit rate. We had a very good strong quarter by consumer industrial. It offset slightly weaker performance in plastics as we continue to manage through price and volume trade-offs, but on balance, our industrial businesses are expanding the operating profit rate and we continue to turn around NBC primetime performance, but really have a strong diversified business mix. So we are really executing a strategy that we think is very solid for the long term and should give us good momentum for the Company.

The next page on the growth initiatives -- just to give you an update on this organic growth initiative that we have launched more than a year ago. From an organic revenue growth standpoint, up 9% in the quarter. Pretty solid performance across the portfolio and, again, we think this bodes well for the future, about 2X our historic rate and a very favorably -- that we think compares with our peers.

Services was one of the fuels for that organic revenue growth, growing 10%. We received 2.4 billion of new CSA commitments and the backlog is growing and seeing good revenue growth across the board. Our growth platforms were up 22% for the quarter with 8% organic growth. Our global revenues were very strong, op 10% ex FX. China continued to grow with orders up 21% and our orders in Middle East and Africa were up 60%. So it shows some of the importance of globalization. And our imagination breakthroughs, which we use to drive incremental growth, were also doing very well.

Our healthcare financial vertical had volume of 29%. We continue to expand our digital footprint in the entertainment business and we're seeing strong new MR orders behind a HDMR product line.

So, again, we have said this was an initiative that we thought was going to help fuel future growth in the Company. We continue to build out that capability and we think this initiative is in great shape. So with that, I'll turn it over to Keith to really talk about the performance of the Company.

Keith Sherin - ***General Electric - SVP & CFO***

Thanks, Jeff. Well, as Jeff said, orders were terrific and if you look at our first-quarter orders of $24 billion, they were up 33% overall. On the left side of this chart, you can see the major equipment orders. We've said in the past that major equipment orders are a little lumpy on a quarterly basis, but we just had tremendous strength in the first quarter. You can see $10.8 billion of orders up 67%.

By business, as you go down the list, you can see the strength of aviation was up three times over last year in the first quarter. Energy huge, up 60%. Healthcare up 2%, but on an organic basis, up 6% impacted by FX. Oil and gas and transportation both had terrific quarters and the backlog here is very strong at $29 billion, up 22%.

In the middle, services, you can see the orders were up 20%, $7.5 billion and we have solid activity across the board. Aviation -- energy had a huge quarter with some nuclear fuel reloads, even excluding some of those items, they are up close to 20%. Healthcare, good at service orders, oil and gas and transportation tremendous performance and the CSA backlog is up double digit at $86 billion. So, again, you see the progression there and the strength.

Finally, on the right side, our average daily order rates, which excludes the impact of foreign exchange or acquisitions or dispositions, are also stronger. You can see in the fourth quarter of '05, we had a flow orders rate of about 3% and we have taken that up in the first quarter to 8%. You can see the strength in C&I. Security, good quarter. Plastics for the quarter was up to -- for the month of March was up 14%. So pretty good economic performance.

If you look around the world, the U.S. was solid, up 6%. Europe rebounded in the fourth quarter. Europe -- our flow orders were down 12% and in the first quarter, they are up 8% and then in Asia, it was very strong, up 17%. So we had a very strong March, up 11% and just good economic activity across the board and you look at those major equipment and service orders, they really do bode well for the future. So obviously a great orders quarter for the Company from top to bottom.

On the next page, portfolio quality, this just continues to be a very strong story. On the left side are delinquencies over thirty-day past due for both the consumer finance and the equipment financing businesses. You can see they are flat year-over-year or down and we are seeing stable consumer credit quality in the consumer portfolio. We are seeing the equipment delinquency remain low. I will show you some of the metrics later in the commercial and consumer finance businesses, but non-earning assets are down, write-offs are down and there is quite a bit of detail about this in the supplemental information.

On the right side, utilization for the equipment services businesses continues at a very high level indicative of the economic activity that is out there. 85% over the portfolio. You can see Penske down a couple of points, but, again, at 92%, it's just a tremendous activity level and rail and trailers were both up in the quarter. So good economic activity and great strength in the balance sheet from GE Capital.

So next is a summary of the first-quarter consolidated results. Revenues at $37.8 billion, up 10%. You can see we had both strong industrial and financial revenue growth in the quarter. Earnings at $4 billion, up 14%. We get about 1.5 point benefit on the buyback and then EPS at $0.39, up 18%. Cash flow -- we're just off to a great start to the year on cash flow with the total CFOA at $6.7 billion, up over 130% and the industrial cash flow was up over 24%. So a tremendous cash story.

On the right side, you can see the earnings impact of pension. We had $3.6 billion of earnings last year. We had an increase in earnings from the operations of about 17% and pension is a full $0.01 per share drag on the quarter and it is non-cash, but it is a $0.01 per share drag and that is probably what we're going to see every quarter this year, $0.04 for the year. So that gets you to the $4 billion.

Then on the bottom right, just to give you an update on tax rates for the quarter, first, our industrial rate ex GECS at 24% was down about two points. It is lower than last year and that is really driven by the increased benefits we had from international activities and the GECS rate at 14% is higher than last year. It is up 4 points and the consolidated rate, when you look at the total Company for taxes year-over-year, is at 18.4% and up 0.4 of a point also. So tax rates were higher in the quarter year-over-year.

The GECS rate was 4 points higher than last year and that is principally driven because we didn't have a repeat of the benefits from the reorganization of the aircraft leasing business and the last thing I would say about tax rates, just for the full year, these are our current rate estimates for the year that you see in the first quarter. As you know, things can change based on our geographic mix of earnings and other tax planning opportunities and if you want to use a range, we're still very comfortable with the range on the industrial tax rate of 24% to 26%. I would use 13% to 15% for the GECS rate for the year. That doesn't change really how we think about the GECS earnings. That is just the mix of earnings and GECS will come from some additional tax benefits versus what we had originally planned last year at the end of the year.

Next, I wanted to give you a one-page update on executing insurance strategy. On the left set side of this page, you can see the earnings in EPS numbers and we reported $4 billion, as a just said, at $0.39 a share from continuing operations. We do have a positive in the quarter in discontinued operations and I will show you the pieces of that. That rounds to 0.3 and so then in the bottom, it's total reported net earnings, including continuing and discontinued operations, $4.3 billion and the $0.41 on earnings per share.

So if you look at the right side, here is the piece of what happened in discontinued operations. There are really couple of things going on. First, in the beginning of March, we sold the remaining position we had in Genworth and that gave us the $2.5 billion of cash, which helped us in the GE Capital cash flow. We got that special dividend.

We also had a $300 million gain on the sale of the Genworth shares. So we have completed our exit at Genworth. We now own zero. Last year, if you compare in the first quarter, we still owned 71% of Genworth we had almost a quarter -- a full quarter -- three-quarters of their operations basically. We have zero in that this year in the first quarter.

The second thing we did was we are actively proceeding with the exit of GE Life and that is a business that we had retained when we did the Genworth IPO. That impact of exiting GE Life has been included in discontinued operations this quarter. The only thing to point out is that, in the supplemental schedules, we gave you the GE Life revenue impact by quarter for 2005 because now that it is in discontinued operations, it will come out of the 2005 base revenue. I think you need to think about that when you look at the 2006 revenue. Going forward, we will lose somewhere around $600 million a quarter of revenue from GE Life.

It really didn't impact us from a profit perspective and you can see that in the detailed schedules. There isn't a lot of income that went with taking out GE Life. The loss on the exit is around $175 million partially offsetting that Genworth gain.

And then finally the third thing in the discontinued ops is the results for insurance solutions in the quarter. The insurance solutions team earned about $135 million after-tax and you can see that is also included in the disc ops.

So the good news I would say is we are very pleased with the progress. We're working cooperatively with Swiss Re and the insurance solutions sales on track for closing in the second quarter and when we get this deal closed, we expect to receive up to $3 billion in cash in the second quarter, down some stock and notes. So we're pleased with the continued progress on executing the insurance strategy.

Next is cash flow. As I mentioned, we feel great about starting the year up very strong in cash flow. $6.7 billion in the quarter, really driven by both industrial, which in the bar on the left side, you can see our industrial cash flow went from $2.7 billion last year to $3.3 billion this year, up 24%. We had good net income performance and growth and we also had benefits from working capital.

Then on the GECS dividend at the top of the bar, last year in the first quarter, basically we had the last quarter where we had only a 10% dividend from the retained earnings of GE Capital Services. This year we got a 40% dividend, which is about $900 million and we got the proceeds from the Genworth sale. So total $3.4 billion. We did buy back $3 billion of stock in the quarter, as Jeff mentioned. That is about 88 million shares and in total, year-over-year, we had about 160 million share on average reduction in our share count, which shows you the benefits of the buyback last year and this year.

Over on the right side is just the cash [walk] starting with the $2 billion. You can see the add from the CFOA on the left side. We paid our dividends of $2.5 billion, $2.6 billion, stock repurchase of $3 billion, a little plant and equipment and we had one acquisition, one major acquisition that closed with the IDX acquisition. It was about $1.4 billion, $1.6 billion balance of debt giving you the March balance of $1.8 billion. So off to a great start on cash and feel very good about the total year being up 10% to 15%. Very solid.

So next, let me get into the business results. I'm just going to start with a summary of the first quarter and the second quarter and then go into the details for each of the businesses. If you look at the first quarter, what we laid out here is both the performance against revenue and segment profit and then how did we do versus our previous guidance that we gave you.

On the left side, the revenue, you can see we had just great top-line growth, very solid across the portfolio. Pretty much everyone was in line with our previous estimate. I would say Commercial Finance was a little better than we thought. We did get some benefit from the carryover from the fourth quarter that we talked about. And then NBC Universal, the revenue was a little higher than guidance and that was driven by the Olympics and some of the other strength in the other parts of NBC portfolio.

On the right side on the segment profit, we had a great quarter. If you look, Commercial Finance and healthcare were slightly above the previous estimates. Industrial, we got a check minus. They are just below our estimate. That is driven by plastics. I'll show you that, but, again, our guidance was around 15 to 20. So 14 --they had a very good quarter and everyone else was on estimate. So broadbased strength. We delivered on the expectations and after the next page, I'll go through the details by business.

Just to give you a look at the second quarter. As you would expect, we see a similar profile than what we had in the first quarter. You can see the revenue guidance was pretty similar. The only real difference on revenue is if you look down at the bottom NBC Universal, there is no comparable to the Winter Olympics. So you see a flat revenue estimate for NBC and the segment profit guidance is consistent with Q1 across the board.

And then the box on the right, you can see the total Company metrics. Revenue of $39 billion to $40 billion, up 6% to 9%. Again, you can look at the supplemental schedule and look at the impact of the GE Life to take some of that revenue out, but it would be a very solid quarter and a similar profile, as I said, to the first quarter.

Earnings, $4.8 to $5 billion, up 10% to 14%, a terrific outlook. And the earnings per share range unchanged, $0.46 to $0.48. So no change to the second-quarter guidance, up 12% to 17% and let me jump into the businesses.

The first business is infrastructure. Infrastructure had a very solid quarter. You look at revenues up 8, segment profit up 11. If you look down at the bottom left at the key business results, there are just incredible strengths everywhere with the exception of energy. I am going to go through energy in detail on the next page, so I'm not going to cover a lot of it here. But we had -- if you go to the top right -- tremendous quarter here in infrastructure. Orders for the infrastructure segment at $14 billion were up 61%. We are really getting the benefits of our investments in technology and globalization, services. Equipment backlog is up 25%. We had very, very strong revenue growth in this set of businesses.

I just use a couple of them here. If you look at aviation, the aviation team shipped 424 commercial engines in the quarter. That was 79 more than last year, up 23%. And the service revenues in aviation were up 11%. If you look at transportation, they shipped 219 locomotives in the quarter. That's 66 units more than last year, up 43% and the service revenues were up 20%. So they just have tremendous strength. Oil and gas is similar. Equipment was up 27%, service up 12% and then energy -- the principal driver for energy being down year-over-year was less gas turbines and it is pretty much right in line with what we thought, a little light, but it more than accounts for all the decline in revenue, be it 13 gas turbines less than last year.

Now when you go to segment profit, you see tremendous leverage in these businesses. I think what I would like to do is just step back and take a look at the business model here and let's use transportation as an example anchored by the locomotives sales. We have stronger equipment deliveries. I've talked about the numbers and that is based on leading technology with the EVO locomotive. We have a growing installed base as we put those locomotives out into the field in record numbers and we have a growing high return service business. So when all the pieces are operating here, you get tremendous financial results and you can see that with the leverage in transportation with revenues up 35 and segment profit up favorable, up more than 100%. The same thing applies to aviation. The same thing applies to oil and gas and that is what Dave and his team, Dave Calhoun and his team, are doing in the infrastructure business. So a tremendous quarter from a profit perspective.

In addition, the financial services verticals remained strong. They had good volume. They had strong double-digit earnings. They got good earnings quality. In GECAS for example, there are only two aircraft on the ground, but we continue to manage that portfolio very effectively.

When you look at the second-quarter profit dynamics, we see a similar profile. Overall, the industrial business is up 10% to 15%, continue to have strong equipment deliveries. We will have an improved profiled in energy, which I'll take you through in second and services will continue strong through the quarter.

Financial services' verticals were estimating up 0 to 5. They have a little tougher comparison in the second quarter, but on track for the full year. So second-quarter outlook for all of infrastructure is up 10% to 15% on segment profit.

Now I would like to go into more detail on energy. Really two things. First, I would like to explain why we were lower than our previous guidance for the quarter and then I want to show you the profile for the year and why we're confident that John Krenicki and his team are going to be able to achieve double-digit operating profit growth for the year.

I tried to lay that out on the page. I start on the top left. For the first quarter, we came in below what we were looking for. Really there were three main drivers. First, we had some gas turbine and [aero] unit timing, customer timing that we thought could be a little better. We were a little light on that. Second, we accelerated NPI investment timing. Baglan Bay is our show site for the age technology turbine. We pulled an outage into the first quarter and upgraded that technology. That cost us on revenue and NPI expenses and then we also accelerated some new product investments.

For coal gasification, certainly the customers are clamoring for us to get that technology in play so that we can deliver on some big orders that are out there. Age technology, I mentioned with Baglan Bay and then the new boiling water reactors. So we accelerated quite a bit of investment in the quarter and then the last piece is hydro. Hydro is improving, but it's a little less than planned and so those are the three drivers when you look at the actual results versus what we are hoping to get to of flat.

The way to express that financially is down in the bottom table. If you look at the bottom chart, we were lower in the quarter in power generation, which includes the thermal business, the wind and the hydro business. You see that is about down $200 million in the quarter, but that was partially offset by great services' performance, $100 million better. They made over $550 million of op profit in the service business. So very strong and that was up 19% in the quarter.

At the very bottom, you can see the driver. It is the gas turbine profile. The market is pretty good. We always knew we were going to ship more units during 2006 and the year builds in number of units as you go through the first half to the second half. So the gas turbine impact is really timing. In the first quarter, we shipped 21 units. That's 13 less than last year. Then as you go forward into the second quarter, we are about flat with last year. We're going to be one up is the current estimate and then the second half, we go from delivering 49 units in the first half to 91 units in the second half. So the total year units of 140, up 13, and 90 plus percent of those are all committed, we feel great about the profile.

When you get into the second quarter, we start to see the benefits financially. You can see that in the second-quarter estimate. The impact for power gen is down less and service continues its strong performance. The service orders were up 37% in the first quarter. So we continue to get the benefits of services and growth will be a little stronger even than what we saw in the first quarter and you get back to profit growth in the second quarter. We're estimating today 5 to 10 and in the second half, you can see it just gets better as both the power gen business improves with both the gas turbine deliveries being higher, plus the wind business, plus hydro and the service business continues its excellent performance.

So our message is we are on track in energy. We feel great about where this business is in the planning and the dynamics obviously continue to improve throughout the year and we feel like that is in good shape.

So let me turn to the next business, Commercial Finance. Commercial Finance had another record quarter. You can see the numbers here. They are phenomenal. Revenue is up 8, segment profit at $1.174 billion, up 27%. Asset growth up 4% and you can see the key business results down on the bottom left. Just a tremendous quarter in both capital solutions and real estate. Earnings up 19% in cap solutions and up 42% real estate. The dynamics are pretty strong here. The volume growth that we're seeing across these businesses is great. We see a lot of economic activity. Capital solutions is very strong. Real estate is incredibly strong. In the first quarter we had $4.7 billion of volume with both strong growth in Asia and Europe.

Corporate Financial services also had good volume, up 20%. So that volume, good core growth and lower losses and a little benefit from acquisitions gave us the nice profit growth in cap solutions. Our real estate had both; a continued portfolio investment, as I said, with strong volume globally and capitalizing on market opportunities with the property sales and some of the carryover that we had from the fourth quarter giving us a real -- just a terrific quarter and finally the portfolio is in great shape.

The nonearning assets at $1.3 billion here are down $260 million. Delinquencies of 1.3% are down 23 basis points. Write-offs at $93 million, down 22 basis points. So just -- it is the best time from a portfolio perspective here. We expect the outlook to continue. When you roll into the second quarter, view the strength of the portfolio, the global growth and performance from the asset quality giving us a segment profit of about 15%. Real estate will be up about 15 to 20 and cap solutions up about 15 to 20 for the quarter.

Next business is industrial. If you look, industrial had a very good quarter. Revenue is up 6. Excellent leverage. 14% segment profit. You can see the businesses down in the bottom left. C&I had a great quarter. Op profit up 33%. Plastics had a challenging quarter with a price line [equation]. I'll talk about that more in a minute. Equipment services obviously had a very good quarter. If you look at the segment in total and look at the dynamics, the order rates are really terrific. The appliance order rates were up 16%. Organically plastics was up 2%. You can see volume was up 6% and price was down 4%, but for the month of March, they were up 14%. So we saw a lot of build in economic activity in plastics during the quarter. And overall, just amazing revenue here for these businesses in the quarter.

The C&I business had tremendous revenue and it is pretty broad-based. If you look, appliances was up 14% in the quarter, industrial was up 11%. (indiscernible) supply was up 13%. Lighting was about flat. So you are seeing some really good economic activity here. Plastics had, as I said, overall volume, very strong up 7% globally and we improved our operating profit in the segment one-half point.

Now plastics -- we are managing the price line equation. Price was down about 3%. Volume was up about 7% and we have looked at the current dynamics competitively. We think Charlene and the team are doing a good job managing this business. And we are poised for a pretty good second quarter. I'll show you -- from our perspective, we think we're going to be up about 5 to 10 in plastics.

Appliances continues to drive the strategy to go to the high end and you can see the benefits of that with monogram and profile both up strong double digit and equipment services is going to have a -- had a good quarter and will continue to have a good quarter. So in the second quarter, we see pretty similar dynamics. We're looking for a 15% to 20% improvement in segment profit driven by a little better plastics performance. They have a few less headwinds in the second quarter than they faced in the first quarter and C&I should continue to have a very solid year based on the order rates and the growth we see in their marketplace.

Next is NBC Universal. On the top left, the reported financials -- the reported financials -- the revenues were up 24% and the segment profit was down 8%, but the winter Olympics in Torino really have a large impact on the reported numbers and so what we tried to do was strip out the Olympics here and show you what was the performance of the business ex the Olympics and that would be -- revenues would have been up only 5 and segment profit would have been up 6. So I'll cover more on the Olympics in a second, but it obviously does have a pretty material impact in the quarter on NBC's results.

Bottom left are the segment profit dynamics. We tried to give you this framework to show you that the businesses that are impacted by our prime ratings, what percent are they of our segment profit and how did they perform both in the quarter and what do we expect for the year and you can see that the prime network performance stations, which is also impacted by the prime ratings and then the TV production division, they represent about 25% of our segment profit and they were down about 25% in the quarter. The rest of the business and most of the profit, you can see 75% of the profits performed very well and that is highlighted up in the top right in the dynamics.

You know entertainment cable op profit was up 25%. We continue to get great ratings and performance from our cable channels. USA now is the number one rated entertainment cable network. Bravo and Sci-Fi are doing very well. News cable ratings are up over 25%; both CNBC and MSNBC are improving. We had a very solid film quarter both in terms of the theatrical releases, we had very solid movies and certainly the DVD performance. The film team made $300 million of op profit in the quarter, up 13%. The King Kong release is the most successful Universal release in the first couple of weeks in the history of Universal. 6.5 million DVDs and so that has gone very well and the op profit results I stated also include the benefits we have from the agreement to exit our DreamWorks relationship, which offset the impact of the Olympics in the quarter.

In the Olympics, performance was what we expected. We had a pretty good primetime viewership. Cable coverage was very strong. It helped a lot to have all the different outlets for the content and the NBCOlympics.com had a very good performance and financially the Olympics had $684 million of revenue. They lost about $70 million in the quarter. For the year, the Olympics is slightly profitable when you include the effect of the contributions that our affiliates give us that come in every quarter. So Olympics performed as expected even though in the quarter it was a loss. That is how we had profiled the year and what we really thought we were going to have.

In primetime, we're making progress. We have spent a lot of time on development and we feel good about the process, the team and the shows that we have got lined up. Deal or No Deal is doing very well and Earl and The Office are doing very well and we are confident as we enter into the period here where we look at the upfronts about where they are and we continue to make progress in digital media.

So when we look overall, there is so much of the business that is performing very well and we're down to the one issue of turning around primetime. That will still impact us in the second quarter. The prime and TVPD will be down, but the film and cable and the rest of the enterprise will be strong. Then in the second quarter, we also have two events that are balanced. Last year, we got the benefits from the unwind of the Daihyaku partnerships from the Universal merger. That was a positive and this year, we expect to close a couple of station sales that were announced at the end of March. That will partially offset the benefits from Daihyaku last year. So right now, we're calling that with the business profile that we see, segment profit will be about down 10 in the second quarter and overall on track for the year, about flat.

And finally the final two businesses here on this page. Healthcare just had a great quarter. If you look at revenues up 10%, very strong globally, great leverage. Segment profit up 21%. Operating profit was up 1.2 points and really great performance here. Organic revenue growth up 9%. If you look at the pieces of that, CT was tremendous, up 31%, x-ray was up 17%, ultrasound up 22%. We continue to do very well with the VCT. We sold 151 T. VCT -- [60.32] slice units in the quarter, but we took orders for 185 units. So we got 300 in backlog. It is up 16% from the end of the year and those revenue rates led to some excellent op profit performance and it is pretty broadly spread. The technology business, equipment and services up 18%. Biosciences and the clinical systems business were up 30%. Healthcare services alone up 15% in op profit. So very strong broad-based profit growth across the revenue streams there and the IDX acquisition and the integration is off to a great start. So we see the strength continuing. When you look at the second quarter and we look forward to segment profit up 15% to 20%.

On the right side, Consumer Finance had a very good quarter. If you look at the revenues and the segment profit, revenue up 9%, segment profit up 14%, assets up 6%. And this business was impacted by the stronger dollar. Ex FX, the assets were actually up 13%. The strong core growth -- organic growth was up about 10%. So a good performance across this business and if you look, it is pretty broadly based. America has had a very strong quarter. Europe was up, Australia was up. Asia overall was about flat driven by Japan, but overall strong just great core growth.

We are getting some benefit from the acquisitions that we made and the partnerships around the world and the second-quarter outlook looks like more of the same. Segment profit will be up about 15%, strong global growth and great asset quality. So that covers the six businesses and let me turn it back to Jeff to wrap it up.

Jeff Immelt - ***General Electric - Chairman & CEO***

Great, Keith. Just to recap, it is a strong first quarter and 2006 for GE. Revenues were up 10%. Orders were up 33%, which is phenomenal for us and it really gives us a great sense going forward. Organic growth is above our internal target at 9%. EPS was $0.39 a share, up 18% despite the headwind of pension, which was almost $0.01 -- a little bit more than $0.01. So great EPS growth and cash a boomer at -- up -- more than double and strong industrial cash flow as well.

I think more importantly, we are really executing on Company strategy. The global infrastructure business led by Dave Calhoun is only going to get stronger as we keep going forward. Great backlog, great service momentum. Financial Services with Mike Neal and Dave Nissen continue to execute in this environment and we think that will continue going forward in the future.

We really are driving consistent growth in our diversified healthcare business, strong product line, good execution. We think we will get great consistent performance out of that business. Improving -- John Rice and his team improving the industrial operating profit rate, really working to drive great results there and we think that will continue to build strength during the year and improvements in NBC Universal, as Keith said. Most of the portfolio operating very well and just continuing to focus on the primetime lineup.

So I think if you think about the big drivers of the business, we have got a lot of momentum inside the Company and I think great strength going forward.

Lastly on capital management, the Company will do more than $10 billion of free cash flow for the year. We are on track for the buyback with $3 billion in the first quarter and a commitment to do $7 to $9 billion for the year. The ROTC is expanding and we think that really portends to great things as we look forward in the future. So a very strong quarter. We are reconfirming total year guidance up 13% to 17% on an earnings per share basis. We think the Company has got very good momentum in terms of the initiatives and the business themes. With that, Dan, I'll turn it back over to you for questions.

Dan Janki - ***General Electric - VP Investor Communications***

Great. Thank you, Jeff and Keith. We would like to open it up now to questions, Rachel.

QUESTION AND ANSWER

Operator

(OPERATOR INSTRUCTIONS). Bob Cornell, Lehman Brothers.

Bob Cornell - ***Lehman Brothers - Analyst***

Good morning, everybody. I am impressed with the organic growth numbers in the quarter, the 9%. I think you mentioned you had a 10% number a year ago. First of all, did we have a straight up days comparison this quarter versus a year ago?

Keith Sherin - ***General Electric - SVP & CFO***

I am happy to say yes, Bob.

Bob Cornell - ***Lehman Brothers - Analyst***

It looks like the quarter accelerated as it went through. Maybe you could just flesh out a little bit why March was strong a little bit?

Keith Sherin - ***General Electric - SVP & CFO***

Well, if you look --

Bob Cornell - ***Lehman Brothers - Analyst***

Geographically, I think you said Europe came back.

Keith Sherin - ***General Electric - SVP & CFO***

I think Europe was one of the big drivers. Again, the flow was the thing that you saw progress through the quarter, but major equipment has been strong all quarter long and services was strong all quarter long. So really the only thing we saw -- we did see a pickup in flow at the end of March, in all of March. That was primarily plastics. The rest of the business has been strong all quarter long.

Bob Cornell - ***Lehman Brothers - Analyst***

Has that strength continued? It's early in April, but is it fair to say that is something you see as being continued here?

Keith Sherin - ***General Electric - SVP & CFO***

The economic activity is pretty good, Bob. I would say that our forecasts for the second quarter are similar to what you saw in the first quarter in terms of services. Double-digit services, 5 to 10 on the flow and major equipment is going to be lumpy. We will have to see what that is in total, but the economic activity is pretty good. You can see that in the volume in the financial services. You can see it in the consumer activity with low delinquencies. You can see it in the order rates in plastics, appliances, industrial. So we feel pretty good about the economic activity. Maybe you want to comment, Jeff.

Jeff Immelt - ***General Electric - Chairman & CEO***

No. I think, Bob, in the segments continue to see good strength. I think having service orders up 20% is very positive for us because you know how important that is to margin and profit rates and it also is pretty indicative of customer usage of the products. So I think seeing that order rate very strong and seeing the order rate very strong in energy in terms of services as well, I think is very positive for us going forward.

Bob Cornell - ***Lehman Brothers - Analyst***

How about when it might be time to look at the guidance with regard to the range, still 13 to 17. I understand it is April, but it sounds like things are pretty good. When might we be able to point to something off just that broad range?

Jeff Immelt - ***General Electric - Chairman & CEO***

You know, Bob, it is early in the year and that is why we do a range. So again, we just want to see how things continue to progress, but 13 and 17 is a good range and we're off to a good start with earnings per share up 18% in the first quarter.

Operator

Jeff Sprague, Citigroup.

Jeff Sprague - ***Citigroup - Analyst***

Just a couple questions around energy. First, the 60% equipment order growth there, what type of product is that for? Is that a resurgence in gas turbine orders, is it wind, is it something else? A little color there.

Jeff Immelt - ***General Electric - Chairman & CEO***

Sure. Gas turbines, the quantity in the quarter was pretty good economic level. We had about 34 orders in the quarter. That is about flat in terms of the number of units with last year, and pricing was up about 3%. So we're seeing pretty good order activity there. The main driver in the delta year-over-year was wind. Wind had 1.5 billion of orders. It is up 1.3 billion, and again pricing on wind was up about 4%, so in terms of the 60%. But we had good orders across oil and gas also. We had good orders in the rest of that business, and services especially. So pretty good. We feel pretty good about this, especially the gas turbine order activity levels giving us a good indication of the future on that business.

Jeff Sprague - ***Citigroup - Analyst***

So I guess just to extend that thought, I mean you showed the power gen profit walk a little bit over the course of the quarter, or the course of the quarters, but with price picking up is there maybe some upside in power gen margins when we look out a year or two? Are we fleshing out kind of the really tough stuff in the backlog and have a better look into '07 and '08 in that business now?

Jeff Immelt - ***General Electric - Chairman & CEO***

Sure. I mean, I think if you look at turning and improving price on gas turbine orders we're taking today, between 12 and 18 months you start to see that flow through the backlog. You know, we have seen some other indications from others in the marketplace that that has strengthened and improved also. So I think that is a positive indicator, and you're certainly going to see it in wind. You're going to see improvements in profitability in wind as you go through the year and you're going to see it in hydro.

Jeff Sprague - ***Citigroup - Analyst***

Then just one final on IGCC, I forget, Jeff, if it was you or Keith that made a comment there, but I know there is some stuff in the near-term with American Electric Power waiting on regulators and such. Is there something that should happen in the very near-term in that business to advance another step forward?

Jeff Immelt - ***General Electric - Chairman & CEO***

You know, Jeff, I think just broadly speaking about energy, I think this is -- we feel pretty bullish about energy going forward, just given the global demand across the product line, the way the service business is going and the way the team is executing. So I feel like there is a good momentum there. I think on the NPI front, the decisions we made to accelerate a little funding in IGC and some of the nuclear business as well, I think really portends the fact that there is a lot of interest in customers. And it is our expectation that we get some really solid orders for that technology in the second half of the year, and I think it is pretty exciting actually what that looks like going into the future.

Operator

Scott Davis, Morgan Stanley.

Scott Davis - ***Morgan Stanley - Analyst***

Good morning, everybody. I wanted just to dig in a little bit with NBC because from my model at least, it was NBC and power gen were the two big misses. The table -- the slide is a little bit confusing. Am I to understand then that pretty much the entire loss in the quarter or delta in the quarter between what we were expecting was probably the loss from Olympics?

Keith Sherin - ***General Electric - SVP & CFO***

Well, I don't know what we guided that NBC Universal would be down 10, and it is down 8. So this is pretty consistent with what we thought and the way we modeled it out, Scott.

Scott Davis - ***Morgan Stanley - Analyst***

Okay, so maybe we modeled it wrong.

Keith Sherin - ***General Electric - SVP & CFO***

I don't know. That is the guidance we gave out in January, and the team delivered on that for us.

Scott Davis - ***Morgan Stanley - Analyst***

Okay, fair enough. I guess my question then would be, it says here the Olympics performed as expected. Did the Olympics actually lose money and you were expecting that, or were the Olympics flattish?

Keith Sherin - ***General Electric - SVP & CFO***

Yes, the Olympics in the quarter that you reported actually lost about $70 million. We have given you in the supplemental schedules kind of revenue and earnings for the Olympics, and on a year-over-year basis it is a little worse than that. And what happens is we flow the revenue when we show the Olympics and we record the ads, and then we get -- so that is how we had a $70 million loss in the quarter. But we get contributions from our affiliates to help us pay for the Olympics that are nonrefundable. They happen every quarter. And for the year, the Olympics will be slightly positive on a profit basis, and overall the Olympics are a very positive and profitable franchise. But in the quarter, it is a loss of about $70 million in the quarter.

Scott Davis - ***Morgan Stanley - Analyst***

Fair enough. And then in power gen, just trying to get an understanding, I understand that certainly profitability quarter from here should improve. Is there any way you can translate that into a margin expectation and a certain -- give us a little bit of a guidance then on what we should expect going forward maybe quarter by quarter as far as improvement in margins?

Keith Sherin - ***General Electric - SVP & CFO***

Well, if you take our guidance that we have given you, we have actually reported energy quarter by quarter for 2005, and then you look at on the page 13 where we did energy on track for the year, and you do the op profit guidance by quarter of up to 10 in the quarter and then the second half up 25 to 30, you should be able to model what that impact will be on your margin rates.

Scott Davis - ***Morgan Stanley - Analyst***

Fair enough. Okay. And then just lastly quickly, how much of that is just wind contracts becoming more profitable with the new contracts kicking in versus the old ones running off?

Keith Sherin *- General Electric - SVP & CFO*

Well, wind will be several hundred million dollars more profitable in 2006 than 2005 in total, and you see the volume really picks up through the year. So it will be a good contributor to the energy growth. We had in the quarter about 400 units versus about 280 units last year. Revenue was only up about $160 million in the quarter and they did make money in the quarter. They are above breakeven, which is on track for the year that we're looking for here for wind.

Scott Davis *- Morgan Stanley - Analyst*

Very helpful. Thank you.

Operator

Deane Dray, Goldman Sachs.

Deane Dray *- Goldman Sachs - Analyst*

A quick follow-up on energy and then a question on Consumer Finance. On the energy, just to be clear, there was no change in the guidance on deliveries for the year and no terminations, but is there any risk that you have customers pushing out deliveries further?

Jeff Immelt *- General Electric - Chairman & CEO*

Well we -- when you look at it, we have, as we said, we have about 140 units in the year. Over 90% of them are committed. This is our estimate from the team today, what we think we're going to deliver working with our commercial base. So it is our estimate today. We think this is going to happen the way we have laid it out here and, as I said, the market is pretty good. So there are no terminations really forecast. As you know, we had about $50 million of terminations last year in the first order. That did not repeat and that was part of the year-over-year change in the business, but we do not have any really modeled in for the year.

Deane Dray *- Goldman Sachs - Analyst*

Great. And then just to switch over to Consumer Finance, it looks as though you weathered that whole change in the bankruptcy laws without any blip there. Could you comment on that and then if you look out the next couple of years on the Consumer Finance side, it looks like you're going to be getting a higher contribution of growth outside the U.S. and might there be any change in the risk profile of some of the business that you're taking on there and how do you expect that to be managed?

Keith Sherin *- General Electric - SVP & CFO*

Well, first, really we saw what the whole industry saw from a bankruptcy law change perspective. As you know, there was a real spike in bankruptcy filings in the fourth quarter ahead of that law change. The bankruptcy filings subsequent to that have gone down to significantly lower levels and that's continued into the first quarter. The way that manifests itself is we had the write-offs associated with the bankruptcy. You end up with lower delinquencies and the quality of the portfolio is in better shape. So we really didn't have any blip other than what we saw last year in the fourth quarter. Really in the first quarter, we've continued to see very low filings and very consistent with what the industry has seen I would say.

In terms of the profit growth, about three-quarters of our profitability for the Consumer Finance business is outside the U.S. We are obviously very experienced there. We don't really see any change in the risk profile of the business. We have got broad diversification of the portfolio. We have got -- from a size of an individual exposure to any individual person who borrows from us, it is very small. We have got great diversification geographically and the business models that we're pursuing are things that we have proven that we can do in many countries and then Dave Nissen and his team, as you know, spread them around to other countries where we get a little platform.

So I think we have got a tremendous risk management team in place for the consumer franchise and we feel good about the growth prospects globally. We're such a small part of the global consumer finance marketplace that we feel pretty good about the opportunities that Dave has globally. Jeff, I don't know if you'd like to add something on --.

Jeff Immelt *- General Electric - Chairman & CEO*

No, I would just echo what Keith said. I think this is pretty consistent with the strategy we've been executing and we don't see any specific change to that. Going back to the first part of your question on energy, I think the team sees a fair amount of activity across the product line, but even in gas turbines, primarily outside of the United States.

Operator

Robert McCarthy, CIBC World Markets.

Robert McCarthy *- CIBC World Markets - Analyst*

Just want to go back to Bob's question just in terms of the guidance for the year. It looks like there has been some nice pickup in orders and granted they are more of a long cycle nature, but what do you think could drive you to the lower end of your stated range now for 2006?

Keith Sherin *- General Electric - SVP & CFO*

I'm sorry, Rob. What could drive to the lower end?

Robert McCarthy *- CIBC World Markets - Analyst*

Yes.

Keith Sherin *- General Electric - SVP & CFO*

Again, I just think any change in economic activity that we don't necessarily see right now. I think we always watch kind of what happens, vis-à-vis NBC, in terms of ratings upfront, things like that. I think the price inflation environment seems to be in check for right now, but that is always something that we look at and I think it is still early in the year. So I would say that there is always a little bit more volatility around NBC and plastics, vis-à-vis short-term economic changes that we look at, but I think when you look at businesses like infrastructure, healthcare, consumer and commercial finance, we feel very strongly about those businesses not just throughout 2006 but into 2007 and beyond. And then I think it is some of the more volatile business like plastics and NBC that can be the swing.

Robert McCarthy *- CIBC World Markets - Analyst*

Right. And then I guess the implication would be that you're building very strong momentum actually going into '07 if you think about it.

Keith Sherin *- General Electric - SVP & CFO*

Well, 33% orders are pretty good. I think when you look at -- again, I think when you look at 33% orders, 10% revenue, 9% organic growth, strength across the Company, I don't know, there may be a few puts and takes, but it is not bad.

Robert McCarthy *- CIBC World Markets - Analyst*

Right. And then just to your point on plastics. It sounds like volumes have begun to pick up most recently in March and it sounds like I guess in the fourth quarter of this past year is really a game of kind of holding away from volume to get price and then it looks like you started to sacrifice some price to get some volume. I mean prospectively forward, how do you look at the dynamics for plastics for the back half of the year to the extent you can?

Keith Sherin - ***General Electric - SVP & CFO***

You know, Rob, what I would say is that I think we came into the year with a projection on plastics of it being up about 20. I think what I am counting on now is having plastics probably flat to up 10, something like that, but I think that is going to be more than offset by other parts of the portfolio that are going to do better; businesses like rail, energy in the second half, things like that.

So I think plastics is going to have a challenging year, but not an ultra tough year. In other words, volume is still pretty good. Pricing is still relatively -- I think pricing kind of more or less offsets [benzing] today. I think where the business took some nicks in the first quarter were in things like natural gas and some of the other costs let's say around the business. So I think it's going to have a decent year, probably not as good as what we thought in December, but we're going to offset that in the balance of the Company.

Robert McCarthy - ***CIBC World Markets - Analyst***

Okay. And then on commercial construction in the U.S., there has been a lot of commentary that there should be acceleration of the back half of the year. Across the businesses, what are you seeing there in terms of any kind of prospective uptick in nonresidential or commercial construction?

Keith Sherin - ***General Electric - SVP & CFO***

When I looked at the orders and revenue in the industrial part of Consumer and Industrial and even GE supply, extremely strong orders and extremely strong revenue for those businesses. Double digits, which in those businesses, is rare.

Robert McCarthy - ***CIBC World Markets - Analyst***

Okay. And then finally just on Europe, any further complexion there? Where you're seeing the strength, where you're starting to see the rebound, any particular regions, countries, etc.?

Keith Sherin - ***General Electric - SVP & CFO***

On the plastics side, again, I think it was just general economic growth. I can't give you really a country by country view because again a lot of what we do in Europe tends to be in the infrastructure business, which is driven by other factors.

Robert McCarthy - ***CIBC World Markets - Analyst***

Understood. Thank you for your time.

Operator

Peter Nesvold, Bear Stearns.

Peter Nesvold - ***Bear Stearns - Analyst***

I guess a question on NBC as a follow-up to the question earlier. It seems like it is a lot of work to make a relatively small amount of money in the broadcasting area. In the past, you've said that there are a lot of synergies between having the broadcast rights and some of the infrastructure contracts. Now that we have gotten through the Olympics, can you quantify how did the Olympics benefit the infrastructure business?

Jeff Immelt - ***General Electric - Chairman & CEO***

I would say, Peter, we got about $60 million of business in Torino, but the big magilla here is Beijing. Beijing, we have got a funnel of about $1.2 billion. I expect us to get maybe $800 million to $1 billion out of that. So look -- I still like the Olympics. I think Torino was a tough venue, a tough set of dynamics. To Keith's point earlier, still when you look at Torino all in, it is probably breakeven to positive. I think Beijing is going to be a whole other story. Beijing is not only from a network standpoint in terms of viewership interest, but also from an infrastructure standpoint. I think it is going to be highly beneficial for both NBC and the rest the Company.

Dan Janki - ***General Electric - VP Investor Communications***

And we have a follow-up question on the industrial side.

Ann Duignan ***Analyst***

Hi. It's Ann Duignan. I spent the last couple of days with your wind and solar teams at the renewable energy show and my assessment is that both those businesses are significantly supply constrained. Can you talk a little bit about the outlook for both in terms of what the potential might be for those businesses if there were no supply constraints? And then what are the teams doing to dissipate the impact of some of the supply constraints that are out there? Then finally would you ever consider spinning off either solar or wind assets given the valuations that are out there for pure play when you build businesses right now?

Jeff Immelt - ***General Electric - Chairman & CEO***

Well, what I would say is that there is lots of demand. I think you have to almost put wind and solar into different buckets. I think on the wind side, the run rate this year is going to be somewhere between $3.5 billion to $4 billion. I don't know -- how many units is that, Keith?

Keith Sherin - ***General Electric - SVP & CFO***

We have about 2000 units in the plan versus about 1500 last year and we are sold out as Ann said. The market is very strong. There's a lot of demand globally for this capacity.

Jeff Immelt - ***General Electric - Chairman & CEO***

And we have got all the same teams that worked on the gas turbine bubble back in the late '90s working on this. So again we feel like we have got all the right capability to continue to grow the supply chain of wind. Solar is a little bit of a different story. Our play in solar is a smaller business. It is more materials, specialty materials driven. We will continue to debottleneck some of that, but it is on a smaller scale than the wind business.

In our view, it is all about the customer. We have common customers between particularly wind and our base business and we think having a renewable portfolio makes us more effective, vis-à-vis our customer base, and we want to keep that going.

I'll tell you another business we don't talk much about is our Jenbacher business that we acquired in the 2002 time frame. It does diesel and things like that and that business has almost tripled in size since we have had it. We are a big energy player. We think we're going to ultimately be the winner or a winner in wind and we think we can leverage [each] capability to do it.

Ann Duignan ***Analyst***

I guess I can appreciate the wind side. The solar side doesn't seem to me to be quite so strategic in terms of synergies with your other energy businesses.

Jeff Immelt - ***General Electric - Chairman & CEO***

I think, again, it is still early days for us in solar. So we will continue to work on the business.

Operator

Brian Langenberg, Foresight.

Brian Langenberg - ***Foresight - Analyst***

First of all, on energy, you mentioned some acceleration in -- well, there are a number of let's call it takes in terms of numbers. If we could put into buckets and dollars, how much the positive impact would have been timing, how much would have been acceleration of new product, how much would have been hydro so we can discuss that and then a second question.

Jeff Immelt - ***General Electric - Chairman & CEO***

Sure. I will give you a rough estimate. I would say on the timing of units versus what we were looking to get is probably about $25 million impact. On the NPI and investment timing, including Baglan Bay, is about 75 million.

Brian Langenberg - ***Foresight - Analyst***

And that would have started from Q2 into 1Q or maybe throughout the year?

Jeff Immelt - ***General Electric - Chairman & CEO***

Later in the year. And then it is probably another 25 from what we wanted to get to hydro. Those are rough estimates of about what we saw.

Brian Langenberg - ***Foresight - Analyst***

Okay. Good. The other thing is on the (indiscernible) for the full year, you got services up $500 million, power gen down $100 million for the year and you cited height -- I'm sorry -- wind as having profits being up several hundred million dollars. Unless I am misreading that, that suggests that for the full year, energy ex wind, ex services would be down significantly more than $100 million. If you can comment on that.

And then one last part, if we could talk about Commercial Finance after. Where there any gains in the results in this quarter and maybe compare that to year-over-year?

Keith Sherin - ***General Electric - SVP & CFO***

If you look at energy -- again, wind is a part of the profit growth, but it is not all the profit growth. The services is a huge part of the profit growth in energy and just stripping out wind, we'd still have some profit growth as the service business continues to offset the structural changes in the thermal business.

Brian Langenberg - ***Foresight - Analyst***

Oh, that's clear. Services up $500 million, power gen overall down $100 million, but it looks if I took that power gen, split it and I'm going to make this number of, if wind was up $300 million or $400 million --

Keith Sherin - ***General Electric - SVP & CFO***

It's not that much.

Brian Langenberg - ***Foresight - Analyst***

Pardon?

Keith Sherin - ***General Electric - SVP & CFO***

It's not that much.

Brian Langenberg - ***Foresight - Analyst***

Not that much. Okay. So maybe a couple hundred million --.

Keith Sherin - ***General Electric - SVP & CFO***

Right.

Brian Langenberg - ***Foresight - Analyst***

Okay. And then on the Commercial Finance side, were there any gains in the quarter?

Keith Sherin - ***General Electric - SVP & CFO***

The only thing we had -- we sold some of our SCS shares in the quarter. That was -- the number that we have as far as the profit from that was about 70 million after-tax, but again if you go back to last year in the first quarter, we sold our remaining stake in Shinsei, which was 63 million after-tax. So on a year-over-year basis, there wasn't anything that was really a one big item that stuck out.

Brian Langenberg - ***Foresight - Analyst***

Finally on healthcare, if you could just give us the year-to-year sales of profit, break it down by diagnostic imaging versus the biosciences versus services and IT? We've got a couple of pieces of data points here like revenues on diagnostics and profits on bio, but if you could give us a bit more of a full picture on each of those pieces.

Keith Sherin - ***General Electric - SVP & CFO***

I gave you the op profit performance. The technology business was up 18.

Brian Langenberg - ***Foresight - Analyst***

Being diagnostic imaging?

Keith Sherin - ***General Electric - SVP & CFO***

Yes. Healthcare services was up 15 and the biosciences and clinical systems were up 30 on op profit.

Brian Langenberg - ***Foresight - Analyst***

The year-on-year profits on the diagnostic imaging?

Keith Sherin - ***General Electric - SVP & CFO***

That's the technology, Brian. It's up 18. So that's up 18.

Brian Langenberg - ***Foresight - Analyst***

Okay. That's perfect. That's the -- got it. Okay. Thank you.

Dan Janki - ***General Electric - VP Investor Communications***

Rachel, we have time for one more question.

Operator

Nigel Coe, Deutsche Bank.

Nigel Coe - ***Deutsche Bank - Analyst***

I just had a question, Keith, on the GE Capital tax rate. I think you said it'd be in the range of 13% to 15% this year. That is a bit lower than your previous guidance and I just wonder what has changed since 4Q? And does this now mean that GE Cap is more likely to meet the top end of its estimates?

Keith Sherin - ***General Electric - SVP & CFO***

I guess really two things on the capital tax rate I'd say. Number one is when we gave out the previous guidance, we had completed our budget process at the top level and during the first quarter, we do a detailed operating plan, which is by business, by geography, bottoms up globally. We understand the global mix of international earnings and the transaction opportunities. So I think the detailed planning has led to a better estimate. At the end of the day, what it means is we have more international earnings, lower tax, non-U.S. jurisdictions in GE Capital and when I look at how we plan GE Capital, what we do with Mike and with Dave Nissen and the teams is we work on net income. And today what I'd say is we have a detailed operating plan that -- the mix of net income will have a little slightly lower tax rate than what we gave you before, but in total, we still expect their businesses to be on track with what we gave you as guidance for the year.

Nigel Coe - ***Deutsche Bank - Analyst***

Thanks a lot.

Jeff Immelt - ***General Electric - Chairman & CEO***

Nigel, I would add to that and just say it would be my expectation for the year that the industrial earnings grow equal to or faster than the financial service earnings for the year.

Nigel Coe - ***Deutsche Bank - Analyst***

Very helpful. Thanks.

Dan Janki - ***General Electric - VP Investor Communications***

Great. Thank you, everybody. JoAnn and I will be around all day to answer questions and also there will be a transcript out next week on the call and a replay of the webcast later on this afternoon. Thank you again.

Operator

Ladies and gentlemen, this concludes your conference call. Thank you for your participation today. You may now disconnect.