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Conference Call Transcript

GE - General Electric 3Q '05 Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to the General Electric third-quarter 2005 conference call. At this time, all participants are in a listen-only mode. My name is Rachel and I will be your conference coordinator today. (OPERATOR INSTRUCTIONS). As a reminder, ladies and gentlemen, this conference is being recorded. I would now like to turn the program over to your host for today's conference, Bill Cary, VP of Investor Communications.

Bill Cary - ***General Electric - VP Investor Communications***

Rachel, thank you very much and good morning, everybody. Welcome to our third-quarter call. JoAnna and I are very pleased to host this call this morning. Please remember that this is a webcast so you can find the materials at www.GE.com/investor. You can download the slides and follow along as well as print the materials for your use. If you don't see the slides just hit the refresh button. They are up there now.

Please remember, as always, elements of this presentation are forward-looking and are based on our best view of the world and our businesses as we see them today. Of course those elements can change as the world changes and we would ask that you interpret our comments in that light.

This morning, we're going to cover the third-quarter performance. We'll give you an outlook for the fourth quarter and as usual, we'll set some time aside at the end to take your questions. For the call this morning we've got Jeff Immelt, our CEO and Keith Sherin, our Senior Vice President and CFO and with that, Jeff, why don't we tee off.

Jeff Immelt - ***General Electric - CEO***

Great, Bill. Thanks. Good morning, everyone. I'll just go straight into the third-quarter performance. Another strong quarter for the company. Our business fundamentals remain positive. We have continued strong orders growth in third quarter, up 11% across the company. Stable asset quality and again throughout the organization, lots of stability and execution at a very high level.

In terms of the financial performance in Q3, we had organic revenue growth up 8%. Total revenue up 9% to $42 billion. Our earnings were up 15% to 4.7 billion. EPS at $0.44, up 16%. Our operating profit rate expanded 1.3 points in the quarter. CFOA was very strong, up 51% and industrial CFOA was up 20% to $9.2 billion and based on the strong cash performance, we increased our buyback to over 4 billion for the year.

Our initiatives around growth continued to deliver and accelerate. Services were up 9%, and our CSA backlog is now to $83 billion. Our growth platforms were up 24% and our revenue outside the United States grew 16% in the quarter. So lots of strong performance on the initiatives.

As we think about the fourth quarter and to the total year, we see 8% organic growth for the year. We guided our EPS to the high-end to $1.81 to $1.83. We think we'll get 10% industrial revenue growth in Q4. So we see continued strength and CFOA will be very strong to $20 billion, which is up more than 25% and above our operating plan. So operational performance, strong and our guidance into Q4 and the rest of the year is also very healthy.

On the next page, just some quick customer wins and Keith will go through the segments in more detail. But infrastructure continues to win through technology. We got a contract for the Joint Strike Fighter, which we think is going to offer long-term opportunity for the company. We were named by Continental Airlines the engine on their 787 purchase and so we continue to get good technical growth in infrastructure.

Healthcare extended their capability further into information technology. We agreed to acquire IDX, which we think is going to expand our performance in that fast growth segment. In commercial finance, we had some great asset growth but at the same time we continue to execute on our insurance strategy with a successful secondary offering at Genworth. Consumer finance continues to expand globally. We are excited about improving our position in Korea. We signed an intent to buy a 25% stake in Garanti, which gives us a great position in Turkey. We expanded in the Philippines and continue to grow around the world.

Our industrial businesses had a particularly strong quarter. Our plastics business in China grew 61%. We continue to grow margin rates, had an excellent quarter in security and the high-end investment in appliances continues to pay off and you can see that in our margin rates.

NBC Universal had strong film performance. The Today Show continued its lead and we are really proud of the news coverage of the hurricanes and continue to gain in viewership based on that. We had a number of strong wins in the quarter, which we think gives us momentum for the total year. On the key initiative of driving organic growth, again, we hit our goal of 8% and what we have always said about driving growth is really focused on key initiatives and the key initiatives are all delivering. Our product service sales were up 9%. Our backlog of services are growing and we really see broad-based performance throughout our service businesses, which we are really excited about.

Our growth platforms continue to deliver. Our security and water business expand powered both by our acquisitions and organic growth. Oil and gas had great orders growth for the quarter and strong revenue growth as well and again, across these platforms, we are getting 9% organic revenue growth, which is what we have always said is that they are going to help power the growth in the entire company.

Globalization continued to expand. Our global revenues were up 16%, more or less twice the core and again the strength around the world; China, Asia, Europe and really growth everywhere. The imagination breakthroughs continue to drive we think about a point of incremental growth. This just gives you an example of a technical imagination breakthrough in clean coal and focused and consumer finance and developing countries both delivering. So, with that, I'll turn it over to Keith to take you through the financials of Q3 and an outlook for the future. Keith.

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

Thanks, Jeff. Let me start with orders. You can see we continue to have a very good orders quarter. On the left side, we outlined the major equipment orders. The larger Vs that we have there overall, the major equipment orders were up 16% in the quarter. You can see that sometimes the large equipment orders are a little bit lumpy but these are great order levels and the fourth quarter rolling average, which we depicted down below in the line chart, shows the strength -- the rolling average at $6.9 billion and up significantly year-over-year.

In the middle, services continued to accelerate, 13% services growth in the quarter. You can see the strength across the businesses and again, on a fourth quarter rolling average there, $6.9 billion. So that is a tremendous result for us. On the right side, the flow orders. You can see it by business, 5% in the quarter. That was pretty consistent with the second quarter and September was pretty consistent with that rate by business that you can see, the 5% average. So $5.6 billion in the current quarter of flow orders.

Overall, total quarter orders were $19.2 billion, up 11% and great momentum across the portfolio.

The next topic I wanted to just touch on was portfolio quality. Two measurements here that we can cover; greater than 30 days past due delinquencies is on the left side. You can see the consumer finance delinquencies; the credit quality remains strong with delinquencies up slightly driven by our U.K. secured portfolio. But when you look across the world, rest of the portfolio is actually flat or slightly down. In North America, the delinquency is down about 20 basis points to 4.5% on a huge part of our portfolio here. So pretty good news there.

Commercial finance delinquencies actually down. You can see year-over-year and quarter-to-quarter. Nonearning assets in commercial finance are down. We ended the quarter with three aircraft on the ground, a couple of regional jets that we're going to place soon and so overall, the portfolio quality is just in great shape.

On the right side, utilization continues to be very strong, 87% across the equipment services businesses and you can see some of the rates across Penske railcar (ph) trailers. It's hard to get equipment today to move goods and services in this country. So solid and stable portfolio and the utilization rates continue to give us good momentum.

Now a little more about how we run the company on the next page. We are dealing with volatility in the world. On the left side, everyone knows that energy costs are up and so what do we do? We protect the margins. We've been working on price increases. We've been dealing with higher input costs for more than a year and our businesses are out there recovering that in the marketplace. And in plastics and appliances, we've done a good job of that. We also drive productivity. We have obviously -- all the time, the teams are working on lowering their material cost, simplifying their organization. But if you look in the third quarter, our price increases more than offset the pressure we had from material inflation and the total in the quarter is $59 million. So we are dealing with it and we're more than recovering it across our portfolio with our operation.

The second part of that is we play often. We have the most energy-efficient products in the world. There in great demand. If you look at the H turbine with a 60% efficiency or you look at the EVO locomotive, which has sold out through 2006. The new GEnx engine is going to do tremendously well with its great fuel efficiency. We also go where the money is. We're growing the oil and gas orders. Third quarter were up 55%. Major equipment is up 16% and we reposition and refocus our human resources. If you look at the orders that we have across the portfolio and in energy rich regions, oil and gas is up 106%, healthcare is up 49, aviation is up 28 and we expect those to continue. So we know how to deal in a period where you have rising energy costs and we're operating in a way that is beneficial for the shareholders.

Now on the right side is a similar story. Everyone knows interest rates are up and they are going up and what we do is we stick to proven discipline. Our matched funding here in this company is a requirement, the central tenet of our risk management. We are committed to the AAA. We use capital to drive returns on equity and we believe in diversification across the portfolio, global diversification, diversified collateral of product types. And so if you look at what has gone on in the graph, while short-term rates have been rising, we've been able to hold our risk-adjusted spread flat in consumer and we have increased our risk-adjusted spreads in commercial. So this is just another example that even with volatility out there, our operating teams are focused on making sure that we operate for the benefit of shareholders. So with discipline and operating focus, we're winning in this environment.

Let me turn to the quarter. You have seen the results in the press release. We had a great quarter. Revenues at $41.9 billion, up 9%. Our industrial sales, 21.6 billion, were up 3%. They were up 8% if you adjust for the effect of the 2004 Athens Olympics. We had about 930 million of sales last year with the summer Olympics that don't repeat. So 8% sales growth adjusting for that. Financial services revenue is up 16. A great earnings quarter, $4.7 billion, up 15%. We delivered the $0.44 a share, up 16%. And Jeff talked about the great cash performance. I'm going to show you the details in a few pages. But $14.7 billion of overall cash flow from operating activities, up 51%. And then taxes, in the quarter, in line with expectations, 25.1% in the quarter for the industrial rate, up 5.3 points. Basically we don't have a counterpoint to the 2004 favorable settlements we had with the IRS and the GE Capital services rate, a little higher than it has been this year. It is up 20.1% in the third quarter.

We continue to realize the benefits from the reorganization of our aircraft leasing business. For the total year estimate on tax rates, the year-to-date rate at the end of the third quarter is 25.2 and the industrial is up more than five points and the year-to-date rate on the capital side is 18.6.

Those are what we expect the year to be right now and obviously we have still more tax planning things that we are always working on. But a great performance in the quarter and I will take you through the details now.

The next page is the third-quarter segment operations. This is a summary on a six business basis. You can see, as we've said, all six businesses reported double-digit operating profit growth for the quarter. I am not going to go through them here but the teams did a great job to deliver these results and this sets up the details. I'll take you through every single segment here in the next few pages.

Broad-based strength. Cash was terrific. Third-quarter year-to-date cash flow, on the left side, you can see our growth in cash flow, last year, we had 9.7 billion through the third quarter. We're up to 14.7. We're getting a benefit from GE Capital two ways. Number one, we have increased the dividend back to 40%, which is tremendous. So that is going to be -- through the third quarter, that is about 2.9 of the 5.5 and then we also got a dividend of 2.6 billion of the Genworth proceeds in the quarter to give us the 5.5 year-to-date.

On the industrial side, $9.2 billion year-to-date. It's up 20%. We're getting great conversion of our net income into cash and with that extra cash that we have in the quarter and for the year estimate, we have raised the buyback from our estimate of $3 billion to over 4 billion. In the third quarter, we bought back $1.5 billion of stock with the third quarter year-to-date now at 2.2 billion. We'll buy back more than $1.8 billion in the fourth quarter.

On the right side is the cash balance walk that we'll show you. We started the year with 3.2 billion. The CFOA that we have delivered from the left side of the page, 14.7 billion. We paid out 7 billion of dividends. We bought back 2.2 billion of stock. The P&E is 1.6 billion to date. We have had acquisitions of about 3.5 and debt is down a little bit, in total 0.3. So September actually ending with cash of 3.2 and it is a little lower net debt. So it's a great story on cash and we feel good about the outlook for future cash flow generation.

A little bit more about capital allocation. Just a look at two measurements here. First on the left side, incremental return on incremental capital. Basically this is a leading indicator for future changes in our return on total capital. The measurement is pretty simple. It is the change in our net operating profit after tax, divided by the change in our total capital. And you can see the growth from last year to this year. It's up over 50%. The estimate for the year, our ROTC is 16% this year. This is the leading indicator. We keep delivering these incremental returns on incremental capital and we expect to get up to 20% by 2008 on return on total capital.

The double-digit earnings growth and the accelerating stock buyback help here obviously and we're going to continue our insurance strategy. We're increasing the focus, as I said last week, on the exit from Insurance Solution. That will give us redeployment opportunities to higher ROEs just like we have done with Genworth and other pieces of Insurance Solution.

On the right side is free cash flow. Just a simple look from us of our cash flow from operating activities plus our dividend plus our capital expenditures. Last year, the free cash flow was about $5 billion. This year, it's up to around 8 billion plus basically we are getting growth out of GE Capital by going to the 40% dividend. We have had growth out of GE from growing industrial cash flow and then the dividends are up this year. So we are prepared and committed to grow the dividend in line with earnings. We have been able to fund the stock buyback. We're ahead of plan on the $15 billion program. We're going to do selective industrial acquisitions with capacity to do 4 to $5 billion a year and that is after self-funding the financial services growth with the retained earnings. So this is a great story about more financial flexibility with cash than we have had and we feel great about that outlook.

Now, before I jump into the businesses, we're going to continue to do the same format we have done where we show you the third-quarter results and what were the drivers and then the fourth-quarter outlook. Here is a total framework for the fourth quarter. You can see the profile for the fourth quarter is consistent with what we saw in the third quarter, good strong top-line growth, great profit (indiscernible) Vs. I will take you through the details of each business on the next couple of pages but there's a couple of things I would like to point out.

First, we have solid double-digit operating profit growth across the portfolio. One business I'll talk about in a second is NBC. Second, when you look at the fourth-quarter outlook, you can see the commercial financial results show down 20 in revenue. But if you remember, last week when we talked about Genworth, we sold down from a 52% position in Genworth to a 27% position. That results in a deconsolidation. We will remove the Genworth financial results from our financial statement and we will only include their earnings in the going forward basis for our 27% share of the ownership. So basically we won't have the revenue at Genworth anymore. X that impact on commercial finance, it's a more normal part of the 10% up on revenue.

The other thing I would point is just NBC. We're going to continue to be pressured by the prime performance at the network and I'm going to show you the details on that when I get to the NBC page. So overall, a pretty good profile for the fourth quarter. And then on the right side, here is the total company outlook. You can see revenue estimates around $44 billion, up 5%plus. Industrial revenue, up 10%; nice, strong top-line growth. And the earnings, 5.9 to 6.1 billion. The V, six to nine. You can see last year when we did our correction for FAS 133 in the first quarter of last year, in the fourth quarter, we added 250 million to net income. So before the correction, our operating Vs were up 10 to 14% on both earnings and earnings per share. And that is consistent with our underlying growth that we have had all year. So fourth quarter EPS guidance raised the bottom end of the total year range and left fourth quarter at $0.56 to $0.58.

So now let me jump into the businesses. Let me start with infrastructure. You can see infrastructure overall had a great quarter. Revenues over 10 billion, up 12% and segment profit up 17%. If you look at the key business results in the bottom left, aviation revenues were up 13% and segment profit was up 17. The aviation industry continues to be pretty strong and provide us with strong growth. We had orders in the quarter, which were up 25%. Revenue obviously was up 13%. That was driven by both commercial engines. We had 371 units versus 323 units last year as well as services. Services revenue were up 7. They were up 12 if you exclude the Garrett disposition. And the operating profit growth of up 17 was driven by price improvements, some deflation and strong productivity in this business. So overall, a great result.

Aviation financial services had a very strong quarter. You can see $195 million of earnings. They continue to benefit from the American Jobs Creation Act that I mentioned earlier with the tax benefits and those have been partially offset in the quarter by about $98 million after-tax of reserves that we posted for Northwest as they went into bankruptcy and we also had slightly higher impairments, about 50 million after-tax more impairments this year than we had last year in that segment. But overall, just a tremendous quarter for Henry and the team.

Next is energy. It remains solid. You can see the top line was up 8% and the op profit up six. Volume was up 17 and we've had price pressure down about 8 here. So those are the dynamics on the top line but we had very strong services. Revenue was up 10, op profit was up 11. We were expecting a bit more here but we had some unit slip. We had about six gas turbine units slip into the fourth quarter and just under 200 less wind units than we expected slip into the fourth quarter. That should give us a little bit of opportunity as we close out the year.

If you look at energy, financial services had a great quarter. We had solid gains in the oil and gas investment partnerships and then oil and gas had a tremendous quarter. Revenues were up 15, op profit up 9, but they have just been doing a great job in the marketplace. Then equipment and services growth, the third-quarter orders were up 55%. Equipment was up 75%, services were up 33%. It's over 1.1 billion of orders and they are really well positioned as we go into the fourth quarter here.

The rail business had a good quarter. Solid momentum here. We are sold out through 2006. We shipped 178 EVO locomotives. We had strong services. The operating profit lagged the revenue growth a little bit. We continue to deal with the costs related to EVO and a little commodity inflation. But the team has a tremendous backlog and it is really well positioned in services.

The water business is basically what is left in the infrastructure segment with the businesses we show. It was adversely impacted in the quarter by the hurricanes. The revenue was up 35%. That was driven by the Ionics acquisition, which is doing great and the operating profit was down about $4 million year-over-year. So it had an impact from the hurricane on our customers in the region and we've also continued to invest in the business with some investment in our integration cost of the acquisition. When you look at this segment overall and you turn to the fourth quarter, we see aviation still up strong driven by commercial. Military still a little soft. Energy up very strong, 10 to 50%. The real driver is going to be services up over 25%. Shift about five more, six more gas turbine units in the quarter than last year and wind units are going to be up big in the fourth quarter.

Natural services vertical should continue to have a great quarter. Gas is really well positioned for a very strong quarter with a great backlog, revenue and op profit both up over 20 plus percent. And then rail has a tremendous outlook with the EVO shipments and services growth. So fourth-quarter outlook for the whole segment, segment profit up about 15%.

I will shift now to commercial finance. They absolutely had a great quarter. If you look at the total results for the segment, all this now includes Mike Neal's business, including the insurance businesses that report to him. Revenue up 16, segment profit up 28, assets down 22. The asset number on the total consolidated segment again is because of the Genworth deconsolidation. Assets in the commercial finance business you can see were up 4%. We took about $83 billion of assets off the balance sheet with the Genworth deconsolidation at the end of the third quarter.

If you look at the commercial finance Vs ex insurance, revenue up nine and segment profit up 19, a tremendous quarter. You can see the growth came from down below. Both the capital solutions business, 440 million, 4 million of earnings, up 26% and the real estate business, 343 million, up 40%. On capital solutions, we continue to see growth across all the business segments. The volume was strong, upward 30% plus. We had great core growth and lower losses. We had a little benefit from acquisitions, City Cap (ph) and Bombardier. But assets were up 9% in that segment and we're seeing good economic activity.

We continue to manage the portfolio in real estate. Assets were down as we continue to take advantage of low cap rates. But overall, volume was strong. It is up over 50% and the team is well positioned for the fourth quarter with over $35 billion of assets. Insurance net income of 239 million, really there's two pieces there. The Insurance Solutions business was impacted by the hurricane. We announced last week that it was -- Katrina and Rita were going to cost us 377 million after-tax. On Katrina, we've modeled this at a $40 billion industry loss. We have limited personal line exposure. We have no flood coverage. We think we have got this grounded and we have been through all the risk models on that. So we think we have captured that in the quarter. Fortunately for us, that was partially offset by the secondary gain that we had on the sale of Genworth. We sold our shares from 52% down to 27% resulting in an after-tax gain of $254 million. So if you look at insurance in the quarter, it is up about $120 million. Basically we had additional losses in Insurance Solutions offset by the extra profit from the Genworth gain in the quarter.

So if you look at the fourth-quarter dynamics, capital solutions overall up 10 to 15%, continued broad-based growth and good economic activity in their business lines. Real estate up 20% plus, continue to manage the portfolio and we will continue to drive the insurance strategy in operations as we go into the fourth quarter.

So overall segment profit, up 20 plus percent is the outlook we have for 4Q. Next is industrial. They just had a terrific quarter. The team is here. If you look with revenue up eight, segment profit up 56. You can see the consumer and industrial business performance remains very strong; revenue up three and operating segment profit up 20. They have been able to achieve price increases to exceed material inflation, about 40 million positive in the segment. If you look, appliances continues to gain share at the high-end with the monograms up 17%. Overall, we lost about a point of shares as we continue to make price-line trade-offs at the low-end.

The profit growth in the segment was principally driven by industrial. They had a great global performance. Asian (ph) industrial is up over 40%. Large motors were up almost 20% and the appliance business on the op profit was up about 9%. So a good quarter there. Plastics, you can see had a tremendous quarter for us. The op profit was up $103 million. We continue to benefit from the strong pricing actions that we've taken to deal with the higher material costs.

In the quarter, revenue price was up about 20%; volume was down about 8%. You can see that we dealt with continued volatility here. Benzene at 2.83 a gallon for the quarter was down versus last year but we have continued to see volatility. In October, we settled at $3.10 a gallon. So we continue to see volatility. I think the most encouraging thing about plastics is really the volume. Our third-quarter orders volume in tons was flat with last year at about 5500 metric tons at day. It is driven by the Pacific up 19, polymers is up offsetting auto, which was down about nine and overall, we grew our backlog by over 20,000 metric tons and the backlog is over 100,000 metric tons for the first time since third quarter '04. So we feel great about where we are positioned there.

Equipment services had a nice quarter, 66 million income up over $35 million. Just everything that we see in the economy, higher utilization, benefits of managing the fleet delivered that result and security had a great quarter. Revenues up 99%, op profit up over 100%, both acquisitions and core growth. So when you turn to the fourth quarter for this segment, we think the order rates support good strong revenue growth. We had total orders in the quarter up 8%. C&I should be up over 20% plus; plastics should be up about 15 plus percent as we look at price continuing to drive (indiscernible) above inflation. Plastics has tougher comparisons in the fourth quarter. Last year, if you recall, that is kind of the first quarter we started to realize the benefits of the price actions that we had been taking during the year and then equipment services should have a great quarter with continued strong utilization. So overall, the segment outlook is up 20 plus percent.

Next, Healthcare. Healthcare had a great quarter. Obviously if you look at revenue up seven and segment profit up 17%. The operating profit rate went from 15.1 to 16.5. So nice expansion in profit rate. Great orders. Overall orders for the business were up 8%. On the technology business, we had strong equipment orders, overall up 9%. VCT was very strong, up 39%. We're getting great demand for the VCT product. We had the quarter orders up over 300%, over 160 units in the quarter and over 440 year-to-date with a nice backlog. Ultrasound continues to have a great performance, up 18% and those offset MR, which was lower by about 5%, a little softer globally.

Europe and Asia remain robust. You know orders in Europe on the technology side were up 11. China, orders were up 10 and Japan orders were up 17 and the biosciences business had a great quarter. Revenue growth in medical diagnostics, up 10, protein separations, up 16 and services continues to perform here. So overall, we feel good about the quarter and about the outlook, operating profit 20 plus percent based on better biosciences and services strength in the fourth quarter and continue broad-based equipment growth.

On the right side is consumer finance. Another business and a team that had a great quarter. If you look at the Vs, revenue up 22, segment profit up 19, assets up 25. The team benefited across the world from core growth. The segment profit growth was driven by core growth, over $100 million. About $40 million from acquisitions partially offset by about $20 million lower securitization. So good core growth story everywhere. You can see the numbers. America's assets were up strongly. Net income was up very strong, core growth. In our private label credit card business in the Americas alone was a 25 points of that 46 point V. Europe assets continue to grow and net income is up 11%. We have strength in Eastern Europe, France and Spain, which continues to offset -- more than offset the fact that the U.K. market remains slow, especially in the U.K. security (technical difficulty). And in Asia, assets are up 70%, net income is up 15%. Our acquisitions, like our partnership with Hyundai, continue to perform very well and our Apeg (ph) acquisition in Australia is performing well.

The team has a great focus on disciplined risk management and if you look at the fourth-quarter outlook, net income up 20 plus percent off a continued global asset growth and good risk management performance.

To wrap up with NBC. NBC had a good quarter really showing the benefits of the Universal combination here. If you look at revenue, down 26%. Again, we've got to compare -- we're comparing to last year where we had the summer Olympics in the quarter, about 930 million of revenue. So about 4% down ex that impact. Segment profit up 13% where you had great film performance. Revenue was about flat in films. Similar number in type of movies that were released in the quarter but op profit was up about $50 million on better margins. So we had a terrific performance there.

News is performing very well. The Today Show widened its lead. CNBC, both the new programming and the higher sub fees resulted in a great op profit performance. We continue to see strength in entertainment cable and the network prime has been a tougher cycle and when we look at where we are so far the fall lineup we feel like we're making progress. In the first three weeks, we had six out of 20 shows in the top 20 in the adult 18 to 49 demo and the scatter markets improved versus the second quarter. Scatter in the third quarter was down about 7%. So that's an improvement and we are going to deal with these dynamics as we finish out the year and go into next year.

On the bottom half of the chart, we try to give you a breakout of how to think about the different profit streams at NBC Universal. And if you look on the left side, about 30% of our operating profit comes out of prime, plus the stations, plus the TV production. (indiscernible) the network. So if you look at the third quarter, about 30% of our operating profit was there and it was down about 11%. But the other 70% of the business is doing great. I mean news, cable, film, parks, 68% of the operating profit, up 30 plus percent. Overall in the quarter you can see how that gives us the 13% growth in segment profit. If you look at the total year, the estimate today is about -- 30% of the operating profit will come out of the prime and stations and TV productions will be down about 25%. And about 70% of the operating profit from the rest of the business will be up about 50 resulting in about $3 million of operating profit for the year, up about 15%.

And then you know on the right side, what we have tried to do is give you a profile for 2006. We're going to complete our detailed planning in the next six weeks but based on everything that we know today, this is how we see the outlook for next year. The prime and stations and TV production will be down about 20 to 25%. We will continue to have tougher comparisons through the first half of next year and then they will obviously get a lot better. We are rebuilding prime programming and we feel good about the progress we have made and that is going to be a journey as we continue to work on the lineup and the other 70% of the business is going to be up 10 to 15%. We're going to build off this strong performance we have this year. Cable will be up over 20%, film up 15 to 20, CNBC, MSNBC, parks, all up. So Jeff is going to show you how this fits together with the overall 2006 planning, which we will bring to you in December but I wanted to give you a construct, you know a framework, for how to think about NBC and see that within the context of the total GE Company we feel great about where we are and how NBC overall is going to do.

The fourth-quarter outlook for us, the segment profit is to be down about 15% and we're totally focused on rebuilding the program. So with that, let me turn it back to Jeff to go through a couple more thoughts.

Jeff Immelt *- General Electric - CEO*

Great, Keith. Thanks. And just to wrap up on a couple of initiatives. You know the organization that we talked about that we reorganized in July is in great shape. People are stabilized and driving progress. We think it really allows us to leverage key talent to drive growth and initiatives and execution. The risk disciplines are sustained and we really think it allows us to get more speed and cost out.

If you look from an infrastructure standpoint, we're already making progress on global projects and key technologies like desalination. In industrial, we're working on enterprise selling and the Olympics are a key example of that. From a revenue standpoint in commercial finance, it just allows us to continue to drive key verticals where we can bring operating excellence as well as financing capabilities.

From a cost standpoint, we're really looking to get over the next few years about $1 billion of cost out and these are really in hundreds of projects from service consolidations to rooftop reductions to improving logistics, G&A reductions. And again, we think we can get both revenue synergies here as well as cost synergies and we think that gives us even more momentum as we execute in the environment that we are in today.

If you just take a look at our outlook, we are about ready to start our detailed operating planning for 2006 and then we present that to you in December. Again, 2005 will happen, as Keith outlined it, with $1.81 to $1.83, up 12 to 14%. We feel that 2006 is shaping up nicely in the 10 to 15% range. If you look at the right hand side, it really is based on the key segments we've got and the momentum that they have. Our infrastructure businesses are about 30% of GE. We think they're in very strong shape driven by strong global growth, tremendous services backlogs and sustained productivity. And that combination is an excellent combination when we look at driving growth in the future.

Commercial finance is about 25% of GE, again, very well positioned for sustained earnings performance really based on global growth and very solid asset quality; some of the best we have seen in our history. Consumer finance is about 15% of GE. Again, very solid momentum as they build out their global platform and we've already completed a number of acquisitions that will be awarded (ph) and the 2005 run rate will be in 2006, which will give us good momentum in that business for next year.

In industrial, we think we will see a little bit more of the same. That is about 10% of the company, continued margin expansion, strong productivity. We think some of the best earnings days are ahead for those businesses. Healthcare, again more of the same, 10% of the company. Solid earnings growth really driven by globalization and really a diversified healthcare franchise that is we think in a pretty good market and a pretty good spot from a technical standpoint. And Keith talked about NBC Universal. 10% of our earnings, we think that will be kind of flattish next year as we deal with prime time issues but have strength in the balance of the portfolio. So again we see strong order rates going into the fourth quarter, rate services backlog, very good asset quality, very strong cash flow, all of these things adding up to give us great flexibility for the future.

And lastly just to wrap up. A little bit of volatility in the quarter with the hurricanes and things like that but you know we will deliver in 2005. It really shows the power of the totality of GE. I think good visibility to sustainable performance in 2006 and beyond really given our services backlog, our global position, the excellence in the businesses. Productivity, we are driving. I think those all bode well for the us in the future. Very capital efficient. We have always talked about once we pay down parents supported debt, how much free cash flow expansion we have got. And using that to drive share on returns and gives us tremendous financial flexibility and then just a strong balance sheet. AAA, great people, great culture. So we're proud of the team on track for earnings, good visibility into next year and again, Bill, I'll turn it over to you answer some questions.

Bill Carey - ***General Electric - VP Investor Communications***

Great, Jeff, Keith, thank you very much and Rachel, we would like to go ahead and open up the line for Q&A now if you would please?

QUESTION AND ANSWER

Operator

(OPERATOR INSTRUCTIONS). Jeffrey Sprague, Citigroup.

Jeffrey Sprague - ***Citigroup - Analyst***

Thank you very much. Good morning, everyone. I wonder if we could, Jeff and Keith, drill into kind of price cost and inflation issues a little bit further. Just first looking at your comments on price and cost, I just wanted to be clear, was that the total company or what that just appliances and plastics?

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

That was every industrial business except NBC, Jeff.

Jeffrey Sprague - ***Citigroup - Analyst***

I guess you said the price was down 8% in power if I caught that right. A lot of that is probably legacy backlog type stuff. I'm just wondering what pricing is like in the order book and when you see maybe that turning around.

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

We are continuing to see pressure on the global energy prices. I think the unit orders were about 14% down on price in the quarter. This is a very competitive business. I think on the unit side what we're seeing is we're going to continue to go back to the pre bubble days where we have got to deal with this from a cost and competitiveness perspective. We are seeing pretty good pricing in services and pretty good pricing in oil and gas. But the units in gas turbines are pretty competitive globally.

Jeff Immelt - ***General Electric - CEO***

I think, Jeff, it's kind of what we -- if you go back in time to maybe 2002 at the end of the bubble, I think we expected that pricing would come down and that units would stabilize maybe between 60 and 80. Actually there's more units now than we had thought there were going to be. But pricing to Keith's point has remained competitive and so the gas turbine business is going to be breakeven to up a couple of hundred million dollars. But the services model is holding strong and we think that is going to be very attractive as that business goes forward in the future.

Jeffrey Sprague - ***Citigroup - Analyst***

And then just one other kind of follow-up on this topic. I mean clearly the orders sound like they are pretty good. But I'm wondering if there is -- in general, I'm talking across kind of the entire company. But is there in your view yet any sign of kind of a negative demand response to the attempt of you and others to push prices into the marketplace in response to the cost pressures everybody is seeing?

Jeff Immelt - ***General Electric - CEO***

I think, Jeff, if you look at maybe plastics and appliances, we may have lost some shares. We have kind of focused on margin rates. But when we just look at raw order rates on a global basis, you know they are pretty strong right now. And that includes October. The market transparency in China is probably the highest in the world in a business like plastics and our orders are up 50, 60% in China in the plastics business at higher prices. So again, I think we are just not seeing a big headwind yet.

Jeffrey Sprague - ***Citigroup - Analyst***

Perfect. Thanks a lot.

Operator

Deane Dray, Goldman Sachs.

Deane Dray - ***Goldman Sachs - Analyst***

There is an interesting point you make in the press release that I would like to get some comments on if we could where you say we continue to explore additional ways to return cash to investors. So what might you be looking at? There has been some speculation, potential partnerships in some of the legacy industrial businesses. But where does that stand today?

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

You know, Deane, I think if you look at it, the commentary we make is -- we are really not counting on any moves with the portfolio per se, any huge moves with the portfolio other than our continued focus on insurance and Insurance Solutions. What we have always talked about is the capital efficiency of this company. If you look at having cash flow from operating activities in excess of $20 billion and CapEx of $3 billion, it is that delta that really is the strength of the company and we look at dividends, we look at buyback and the last thing is our industrial acquisitions at this point are going to be very opportunistic. In other words, we are growing this company organically 8%. We don't need a lot of deals to boost that. And so we can be very opportunistic in that sense. I think between that 20 and the 3, lots of good things exist for our investors as it pertains to what we can do. So other than our already stated focus on insurance and Insurance Solutions, the rest of the industrial portfolio we continue to run them with great effectiveness.

Deane Dray - ***Goldman Sachs - Analyst***

Just a follow up there when you say that you are looking at opportunistic acquisitions on the industrial side, a number of your strategic growth platforms, whether it is water security, oil and gas services, some of the valuations might be getting a little frothy there. Has that tempered some of your expectations and some business development there?

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

Sure. I think you know, Deane, when we did some deals at the end of last year, we said those gave us enough girth to be able to grow on our own in those markets so that we could then be more let's say opportunistic as time goes on and we like where we are. We are not done yet and we think we can continue to grow those platforms but we can grow those platforms organically for a long time and with good margins, good cash flow and good returns.

Operator

Nicole Parent, Credit Suisse First Boston.

Nicole Parent - ***Credit Suisse First Boston - Analyst***

Jeff, I was just wondering -- I know it is not huge in terms of size, but could you talk a little bit about the strategic rationale for IDX Systems and I guess yesterday, Alliance Imaging talked about overcapacity of imaging equipment in the market. Are you guys seeing anything like that?

Jeff Immelt - ***General Electric - CEO***

You know, what I would say, Nicole, is we have always liked the healthcare IT space. We started this in 1998. We really went after a kind of a strategy that started on the clinical side and built into the enterprise. We have been successful in places like radiology, cardiology, and the like. What IDX gives us is really more of an enterprise play and the thing we liked about IDX is that a big portion of the revenue was services. It gives us some global opportunities and it really fills in -- it is very complimentary. There is not really overlap and so we think it gets us with as full as suite of IT products as anybody in the industry and we just think that market is going to continue to grow.

I think if you look on the MR side on the Alliance Imaging commentary and things like that, I mean I think there is an interplay between hospitals and clinics from the standpoint of where healthcare is going to be delivered and I would say, Nicole, as early as maybe 18 months ago we saw clinic business declining just because there probably was some overcapacity there. But the overall orders for the U.S. diagnostic imaging market continue to be in the mid to high single digit, which is fine. We think that is not bad.

Nicole Parent - ***Credit Suisse First Boston - Analyst***

Great. And I guess just one last follow-up on healthcare. In terms of fourth quarter, the guidance you put forth, the 20% plus, as we think about the seasonality and the drivers of the business, how should we think about biosciences kicking in in the fourth quarter?

Jeff Immelt - ***General Electric - CEO***

My sense for that, Nicole, is that it will continue to be on more or less the same pace it has been for the year, which has got kind of revenue up high single digits and they are operating profit growth probably on par with the business in total. But I will have Bill and JoAnna give you the details of that just to be more specific.

Operator

Peter Nesvold, Bear Stearns.

Ann Duignan - ***Bear Stearns - Analyst***

Hi. Ann Duignan and Peter. My question is around your order growth, in Q2, you reported total order growth of 13% and this quarter you reported revenues of 9% but order growth of 11%. How should we interpret the change in orders quarter-over-quarter? On the one hand, look we could look at it and think there is good momentum because orders are greater than revenues. On the other hand, if we look at it sequentially it might suggest that order growth is slowing. Can you help us understand how we should think about that going forward?

Jeff Immelt - ***General Electric - CEO***

My sense is that the orders are pretty close and the momentum is pretty close. I think if you go back to the chart Keith went through on order growth and kind of take it piece by piece, major equipment orders tend to be more lumpy over time, but if you look at the increases across the board, you know, we think those will continue to be between 15 and 20%. And there is a real strength, let's say global strength, in those elements, and we don't see that necessarily slowing down.

Service is actually accelerating. Service is actually higher, and that is a pretty good indication of customer usage, if you will, of the products and services. So I think that is a good barometer of overall kind of activity. And then the flow orders are kind of more or less the same than they were. And again, one of the things I said in the second quarter that I would say again here is that we have really focused on margin rates in these segments. So in some cases, the overall market may be growing slightly faster than what you're seeing with the GE orders. So I would say given the businesses we are in and the global nature of the Company, we just haven't seen what I would call a slowdown.

Ann Duignan - ***Bear Stearns - Analyst***

And just a follow-up on the energy side. Could you just speak a little bit about order growth and revenue growth in energy in China? Your competitors, your European competitors, have been making a lot of noise about order wins in China over the last couple of months. Can you just give us some color on what is going on over there?

Jeff Immelt - ***General Electric - CEO***

I know the run rate of the business is about $1.5 billion. Do you have the specifics?

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

In China in the quarter, we had about 307 of revenues and orders were about $200 million. So we are continuing to see pretty good business in the energy side and then in the oil and gas side, we had a tremendous quarter. If you look, we won the largest pipeline order ever there for the East-West gas pipeline. So we really had a terrific quarter in China. Total orders were about 190, $244 million in the oil and gas business, which just was an outstanding business for us. So overall when you look at oil and gas plus energy, the orders in China are still pretty strong.

Jeff Immelt - ***General Electric - CEO***

I think we're on track for about $1.5 billion for the year in the total energy business and we are -- we will probably be slightly over $5 billion for the company for the year in China.

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

If we can ask a quick question on the consumer finance side. It's Peter Nesvold. It seemed like consumer finance margins came in a little bit light in the quarter at least versus our expectations. Can you quantify the impact of the October 17th bankruptcy deadline? Did you get any pull for it there and do you expect that to reverse out going forward?

Jeff Immelt *- General Electric - CEO*

We had a pretty minor impact, Peter. I think it was less than $20 million in the quarter of accelerated bankruptcies and we anticipate that number to be less than that even in the fourth quarter as things finally go past the October 17th date. So it is a pretty insignificant impact on the total business but it is something that obviously we have to deal with and I think the team has done a pretty good job of managing through that.

Operator

Don MacDougall, Banc of America Securities.

Don MacDougall *- Banc of America Securities - Analyst*

Jeff, a question on Jackson and the payout ratio. You had raised the possibility I think it was at EPG this year of perhaps considering the payout ratio going to 50% through the parent. We're still up 40%. Maybe you could just walk us through the thought process around if and when and why you would make that decision?

Jeff Immelt *- General Electric - CEO*

What we have tried to build, Don, is a solidly growing high return financial service business. If you look at commercial finance and consumer finance today, they are both solidly in excess of 20% ROE. So I think ultimately what we're going to have is businesses that can grow 10 to 15% a year with a 20 to 25% ROE and that ultimately is going to give us a little bit of flexibility to think about where between 40 and 50 and the payout ratio we would like to go. For right now, I'd count on 40 but again we're always looking at ways to continue to sustain double-digit earnings growth with expanded returns on total capital. One of the ways to do that is to continue to look at return on equity in the financial service businesses and what the payout ratio is. But you know what I am very pleased with is in those major segments of financial services, our ROE performance has been outstanding and that is a key metric with me.

Don MacDougall *- Banc of America Securities - Analyst*

Jumping over to aerospace and I apologize if you said this. I missed it if you did. The aircraft engines and aviation services margins were both down sequentially from second quarter. My guess is that there might be something in there for Northwest and/or Delta. Did that affect the margins at all in the third quarter?

Keith Sherin *- General Electric - SVP & CFO*

No, if you look, the op profit rate for engines went from 19.4 to 20.1 in the quarter. So I will have to look what -- we'll have Bill look at what numbers you're pulling from. We had actually increasing margins in the quarter as we continue to grow the services business. The engines business itself didn't have a really any impact from Northwest or Delta in the quarter. The only impact was what I talked about in the GCAS business, Don.

Don MacDougall *- Banc of America Securities - Analyst*

The engines business, that was, yes, it was up over last year but it was just down sequentially. Was there anything going on?

Keith Sherin *- General Electric - SVP & CFO*

Well, there may be some cyclicality in the third quarter. Really year-over-year is kind of what we should be looking at it here.

Operator

Bob Cornell, Lehman Brothers.

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

The commercial finance business was a huge in the quarter and you called out a number of the onetime items; Genworth, Katrina for sure also you mentioned, Keith, the tax benefit and the Northwest reserve. Any other onetime items of note in commercial finance for modeling purposes?

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

I think the one item you might think about for modeling outside of -- in the equity business, we did sell some SES shares that people have written about. It was about 100 million after-tax in the quarter. That would be the only item that I would say that really sticks out. The other things were kind of flow in the normal course of the businesses that we have there.

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

Anything in the real estate portfolio that stands out in that regard? I know you have taken advantage of the market in that regard.

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

(indiscernible) you would say it was a big part of the acquisition we did a couple of years ago of Security Capital and that is something. They did complete the sale of that in the third quarter. When I think about real estate, if you look, the overall volume in the portfolio was up 50% and we're constantly moving properties in and out there. So I think that is more in the flow of the business the way I think of that, Bob, but that was an asset sale that was completed in that business.

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

A bigger picture of thought, back to some of the things Jeff said, the flow businesses are up, orders are like 5%. What do you guys see in the flow businesses post Katrina in September and how does that converge with the 10% industrial growth rate you guys are talking about for the fourth quarter?

Jeff Immelt - ***General Electric - CEO***

Well you know, what I would say, Bob, is I would say -- let's say noninsurance, I would say Katrina probably cost us, what, 80 million bucks, something like that across the company.

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

Across the portfolio including capital and industrial pretax.

Jeff Immelt - ***General Electric - CEO***

In margins. So it is not zero and so we did lose a little bit of revenue and things like that and I would say kind of in the second half of September into October, we continue to see pretty solid order rates. And I think if you look just specifically around rebuilding in that area, when you think about equipment services from a standpoint of storage units, transformer repairs, temporary power, things like that, those are all massively sold out as it pertains to things that are going to be not overly material for the company but around the edges of positive.

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

Do you have any view of how the economy has sort of reacted and then stabilized with regard to Katrina and the post Katrina energy or is it too early to say from your prospective?

Jeff Immelt - ***General Electric - CEO***

Bob, our own view is only GE. I just think this is a massively resilient economy and I think outside of the short-term impacts, vis-à-vis the energy chain, natural gas, and things like that, we still see pretty good economic activity in the world we look at.

Operator

Steve Tusa, JP Morgan.

Steve Tusa - ***JP Morgan - Analyst***

Just looking at healthcare and some of the other industrial businesses and maybe the guidance that you provided for these various segments at the beginning of the year, doesn't hold true anymore given the new segment alignment. But depending on how much over 20% you come in for the fourth quarter it looks like you're going to be a little bit short of the 2.8 billion you had forecast there for operating profit. It looks that way depending on what we strip out for transportation and GE and rail, you're going to be a little bit light there too and just some general I would say modest underperformance in the industrial side.

You know if this continues, at what point do you reevaluate the structure of the portfolio? Genworth has been a great success. You guys are reaping tremendous rewards there. At what point do you think that maybe 10 to 15% earnings growth without some solid upside from your industrial businesses just isn't good enough for the market and you do something with some of the more core pieces of the financial business?

Jeff Immelt - ***General Electric - CEO***

You know Steve I would disagree with your premise. I would say healthcare is going to be on plan. Transportation is going to be on plan. Probably the only industrial business that is going to be below the kind of the guidance we gave last December is NBC Universal. So I think if you look at the overall portfolio -- I mean I just sit here and look at infrastructure up 17, industrial up 56, healthcare up 17. These are massively good numbers and I think in '06 you're going to see again massively good numbers and in the fourth quarter, you're going to see massively good numbers. So I think we feel good about the shape of the portfolio like we said on the year. The industrial financial split will be about 50-50. As we continue to sell off pieces of Insurance Solutions, it will be probably more than 50% industrial and less than 50% financial

Steve Tusa - ***JP Morgan - Analyst***

So you think it remains an issue of executing on what you have out there and you think the market will appreciate that over time?

Jeff Immelt - ***General Electric - CEO***

I think the -- look, Steve, I mean infrastructure, revenue up 12, op profit up 17, industrial revenue up 8, op profit up 56, healthcare 7 and 17. These are really good performances and for the quarter, revenue up 9, earnings per share up 15, 16%. So these are pretty good.

Steve Tusa - ***JP Morgan - Analyst***

Yes, that's fair. Thank you.

Jeff Immelt - ***General Electric - CEO***

Not being defensive or anything.

Steve Tusa - ***JP Morgan - Analyst***

Thanks. I agree.

Operator

John Inch, Merrill Lynch.

John Inch - ***Merrill Lynch - Analyst***

Just want to go back to the point of provisioning for U.S. airlines. Where do we stand on that, Keith, in terms of some of the bankruptcies that have occurred, the provisions for Northwest? How should we be thinking about that in terms of the outlook in particularly '06 perhaps?

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

Well I think our view is that we are in great shape here on this. We have seen so many carriers go in and now additionally Delta and Northwest go in and in the quarter basically we think we have provided for everything that we see that is going happen here for these carriers. We are senior; we are secured; we like the assets. If anything today, what we're having a challenge is getting assets out of these carriers. There is strong global demand. I feel great about the position of where we are. We did do, as I said, about 164 million pretax, 98, $100 million after-tax reserve for Northwest. We're going to negotiate with them. We're on the credit committee and we will see what we've got there. But we think we are appropriately reserved for whatever risk position we have and feel great about our secured position in the rest of these carriers.

John Inch - ***Merrill Lynch - Analyst***

And then just want to split to organic growth. I know you've thrown out the 10% for the fourth quarter. Does that translate into about 10% organic growth for the company and preliminarily, Jeff, how would you like us to be thinking about 2006 given what you have put up, some pretty impressive growth numbers but also perhaps some difficult comps in some of the things that you have talked about on this call.

Jeff Immelt - ***General Electric - CEO***

What I would say, John, is that the fourth quarter again will be around 8% and we will finish the year at 8% for the year and then I would say we are still going to do the S2 planning for next year. I think if you think about the segments, we will have five segments that are 8% or above in terms of organic growth and NBCU, we will deal with some of the pressures, vis-à-vis the ratings certainly in the first half of the year. But it is early to say but, John, we just -- you know the initiatives. If you break it down -- organic growth is kind of an output but the inputs are services, globalization, new products. Those things are very healthy and that momentum continues.

John Inch - ***Merrill Lynch - Analyst***

So Jeff, you're feeling good about sustaining the 8% number?

Jeff Immelt - ***General Electric - CEO***

I really do.

Bill Cary - ***General Electric - VP Investor Communications***

Rachel, we probably have time for just one more question given that we are kind of running long here.

Operator

Alright. Gentlemen, your last question comes from the line of Scott Davis with Morgan Stanley.

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

I wanted to touch on two quick items. One, what should we be reading into kind of your recent -- the pass that you took on the DreamWorks deal and there was another rumor that you took a pass on an oil services transaction. Are we at that stage of the investment cycle for you guys where you're purposely getting more picky and a little bit more focused on making sure you get the exact right price and the right returns?

Jeff Immelt - ***General Electric - CEO***

I think we've always wanted to be that way, Scott. Again, I think we like the company the way it looks today and as it pertains to transactions, they really have to make a lot of strategic sense and be good returns.

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

Okay, fair enough. But it does seem that the margin at 12 months ago or 18 months ago you were willing to take some bigger swings at the bat.

Jeff Immelt - ***General Electric - CEO***

We always would like to keep investing in the businesses we are in and will in the future. But again I think the portfolio is very strong today. We like the businesses we are in and those businesses that we are in today are capable of generating this high single digit revenue growth. So I think we can be opportunistic and strategic, vis-à-vis what we buy.

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

As a follow-up, your return on capital goal of 20% intrigues me a bit and I guess my question is how do you get there? Is it a combination of the three levers, margins, asset turns and leverage or is it one particular item, for example margins, where you think you have got tremendous upside or is it just making incremental acquisitions that are substantially higher return than for example an Amersham or a Universal?

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

Look, I think, Scott, the best way to think about that is we need to grow the company. That's why the 8% organic growth in the gross initiative throughout the company that we are driving is so important. With that growth we will be able to expand our total earnings plus we are working on lots of productivity initiatives and price line trade-offs to make sure that we grow our margin and we're trying to make sure we return capital. If you look between the dividends and the buybacks, that is a terrific way for us to continue to increase the return on total capital. So it is a little over a point a year is what we're trying to do through our strategic plan and get up to that 20% goal of return on total capital.

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

Now Keith, does that include increasing some modest amounts of leverage in the industrial businesses?

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

Probably not. I think you are going to see us keep around the 10 billion kind of debt level and maybe grow that as the company grows a little bit. But I think that has been a AAA framework and that is what we are committed to.

Bill Cary - ***General Electric - VP Investor Communications***

Jeff, any sort of last comments?

Jeff Immelt - ***General Electric - CEO***

Just again, I think the company is very well positioned to deliver for our investors in the fourth quarter and beyond and I'm really proud of the GE team for what they did in the third quarter and I just think the company is in great shape and the best days are ahead. So thanks, Bill and thanks to everybody for weathering this wet weather and stay dry.

Bill Cary - ***General Electric - VP Investor Communications***

Great. Jeff, Keith, thank you very much. And thanks to everybody who dialed in on the call. The materials from today's discussion will of course be available on our website. Early next week we will also post a transcript of today's call. For our global investors, we will be posting it in seven languages now so you'll be able to see that next week. A replay of this call will be available this afternoon and will remain on our website for 14 days. You can find the call-in number at www.GE.com/investor and with that, JoAnna and I are around if you guys have any further questions. Thanks, everybody.

Operator

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