

# Digital Industrial Company



J. R. Immelt  
December 14, 2016

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

**Non-GAAP Financial Measures:**

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

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

**Imagination at work**

# Framing 2017 + 2018

- + Most optimistic we have been about U.S. economy in many years ... reform + general economic growth; in addition, a lot of our markets are quite good
- Oil market is tougher than we envisioned on 4/15 ... has put pressure on our business & some of our markets ... pricing has stabilized

✓ A few things I want you to know about GE

- 1 Alstom & Baker Hughes are good deals
- 2 Digital & Additive are gamechangers ... GE is (way) out front
- 3 Digital & Alstom have given us new ideas on how to run GE more productively
- 4 We still see big opportunities in being a global company
- 5 We all get rewarded @ \$2 EPS in 2018



# 2016 operating framework

	<u>Dec. '15</u>	<u>Today</u>
<b>1 Operating EPS<sup>-a)</sup></b>	<b>\$1.45-1.55</b>	<b>\$1.48-1.52</b>
- Organic growth	2-4%	0-2%
- Core margins	+	+
- Corporate <sup>-b)</sup>	\$2.0-2.2B	~\$2.0B
- Alstom	~\$.05	~\$.05 ex. FX
- FX impact	~\$(-.02)	\$(-.04)-(-.06)
<b>2 Free cash flow + dispositions</b>	<b>\$28-31B</b>	<b>\$32B+</b>
- GE CFOA <sup>-c)</sup>	\$30-32B	\$32B+
- GE Capital dividends	~\$18B	~\$20B
- Dispositions <sup>-c)</sup>	\$2-3B	~\$4B
- Net P&E	~\$4B	~\$4B
<b>3 Cash returned to investors</b>	<b>~\$26B</b>	<b>~\$30B</b>
- Dividend	~\$8B	~\$8B
- Buyback	~\$18B	~\$22B



(a- Industrial operating + Verticals EPS

(b- Excludes gains and restructuring & other items

(c- Deal taxes are excluded from CFOA and included in dispositions

Tracking consistent with 3Q guidance

# GE is uniquely positioned

Leading today

+

Tomorrow

Premium Industrial businesses

+ Essential ... builds,  
powers, moves, cures

+ Valuable ... foundation of  
GE Store

Leadership in analytics  
& software for assets

Leadership in next  
generation manufacturing

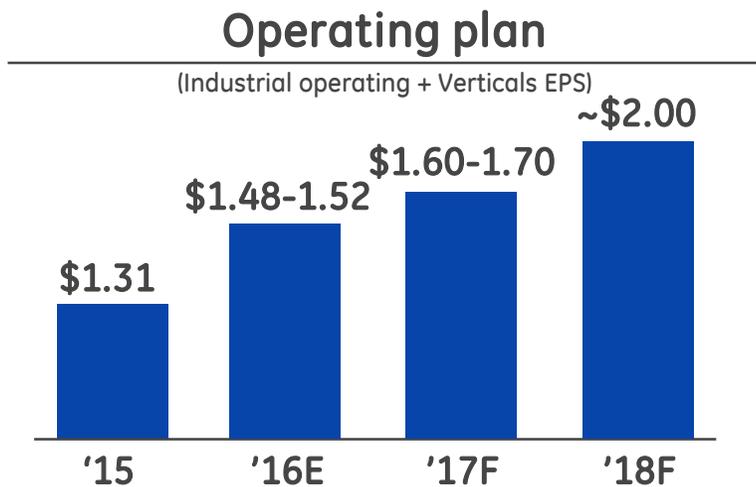
New levels of  
productivity for GE,  
our customers &  
the world

## 2017 outlook

- 1 Build a strong Digital Industrial company
- 2 Invest in GE Store ... a performance & competitive differentiator
- 3 Position to hit \$2 EPS in 2018 despite oil & gas headwinds



# Executing the bridge



In line with April '15 announcement



Dynamics			
\$2 today vs. original plan		2016-2018 EPS walk	
	<u>Δ EPS</u>		<u>Δ EPS</u>
Original plan	~\$2.00	2016E EPS	\$1.48-1.52
Oil & Gas related	(.10)-(.15)	Buyback	~.16
Capital allocation	.05+	Capital allocation	~.15
Cost actions	~.10	Operations	~.18
Today	~\$2.00	2018F EPS	~\$2.00

## Operations ~\$.18

**1** Run rate ...

~3-5% organic growth + ~50 bps. margin expansion

~\$.10

**2** New cost out program ...

~\$1B cost out → ~50 bps. incremental margin expansion

~\$.08



# Most valuable Industrial portfolio

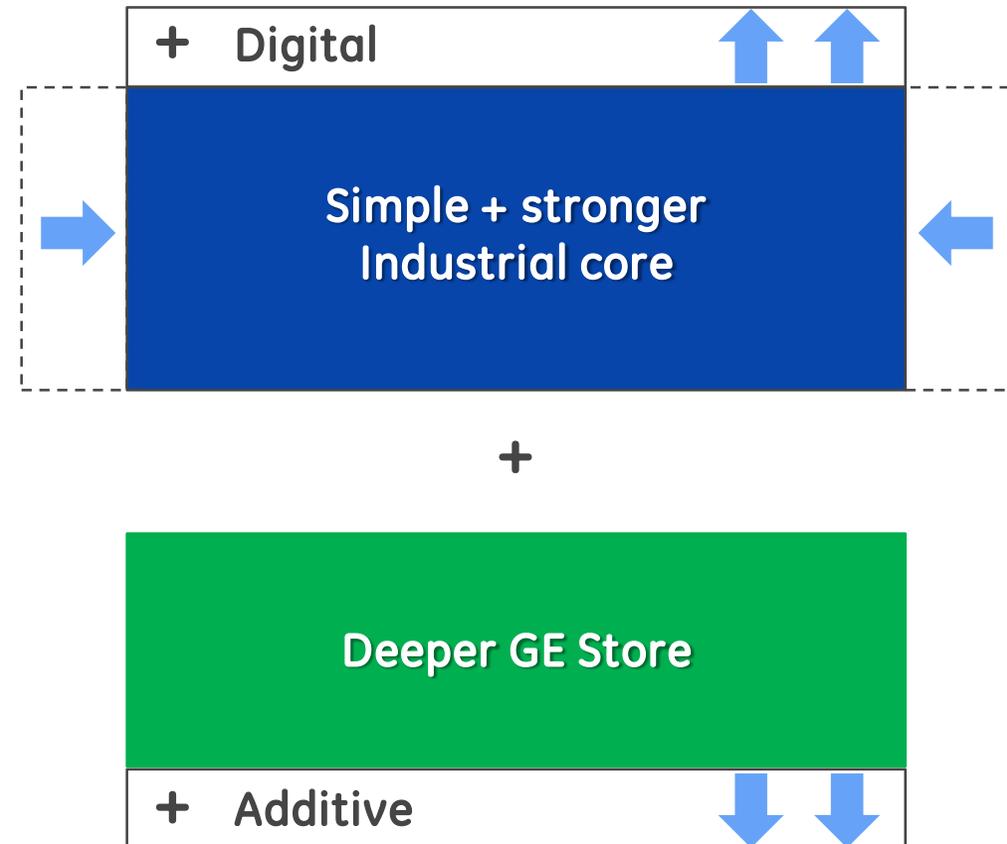
## Investing

- 1 Invest in digital capability  
+ Drive Predix, APM, thread
- 2 Strengthen core businesses  
+ Alstom  
+ Baker Hughes
- 3 Capture supply chain value

## Simplifying

- 4 Execute GE Capital pivot
- 5 Simplify portfolio

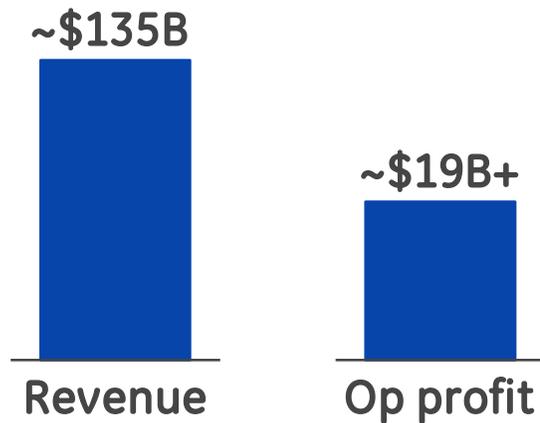
## GE today



# Leadership businesses

## Strong portfolio

(2017 Industrial segments + Corporate + Verticals)



- Leadership businesses in big ecosystems
- Win with big technical launches
- Diversified model ... services, product, geography
- Expanding margins & returns

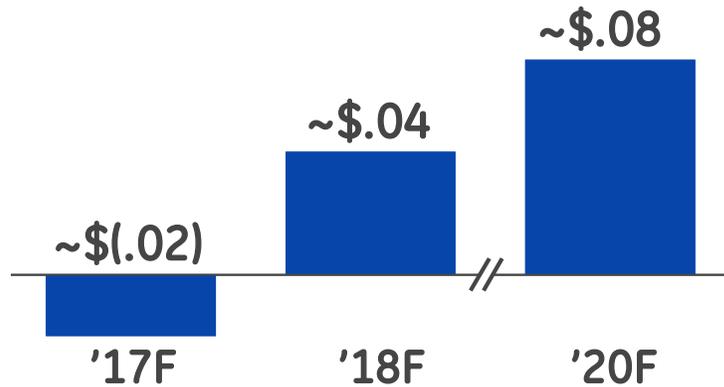
## Portfolio value creation

- + Execute big deals that strengthen the core ... deliver growth & synergies
- + Create the leading Digital Industrial
- + Invest in manufacturing leadership & recapture supply chain value ... lead in Additive
- + Embrace “build + buy” in fast-growth segments
- ✓ Exit businesses where others can run better
- ✓ Evolve toward an industrial balance sheet ... creates incremental leverage



# Baker Hughes, a GE Company

## GE EPS impact



## Creating “full-stream” capability

- + Productivity leader in Oil & Gas industry ... customer support
- + Substantial cost & revenue synergies
- + Right time in cycle ... capitalize on recovery

## Investment impact

### + Competitive industry player:

- ✓ Unmatched capability
- ✓ Customer value
- ✓ Diversified in cycle

Extended  
scope

### + GE Store adds value:

- ✓ Digital/operational
- ✓ Global scale

Technology  
+  
Predix

### + Multiple ways to create investor value:

- ✓ Earnings growth
- ✓ Balanced through cycles

Strong returns for GE + Baker Hughes



# Alstom integration

## EPS outlook



## Year 1 observations

- + Can execute the synergies
- + Incremental growth opportunity (i.e., steam)
- + Hidden value in technology
- + Can manage projects
- Lengthy closure process hurt value

## Investment impact

- + **Makes GE more competitive:**
  - ✓ Installed base growth
  - ✓ Filled product gaps
- + **GE Store adds substantial value:**
  - ✓ European restructuring
  - ✓ Global footprint
  - ✓ Service & sourcing
  - ✓ Digital
- + **Creating investor value**
  - ✓ EPS on track for high end of range vs. original plan

### Grid



### Cost



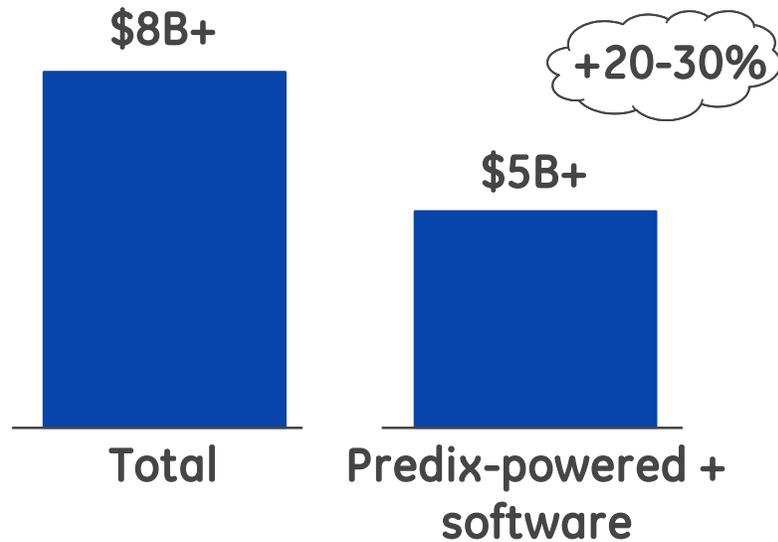
Mid-teens returns

Transaction successful for GE



# Digital Industrial leader

## 2017F orders



## Metrics improving

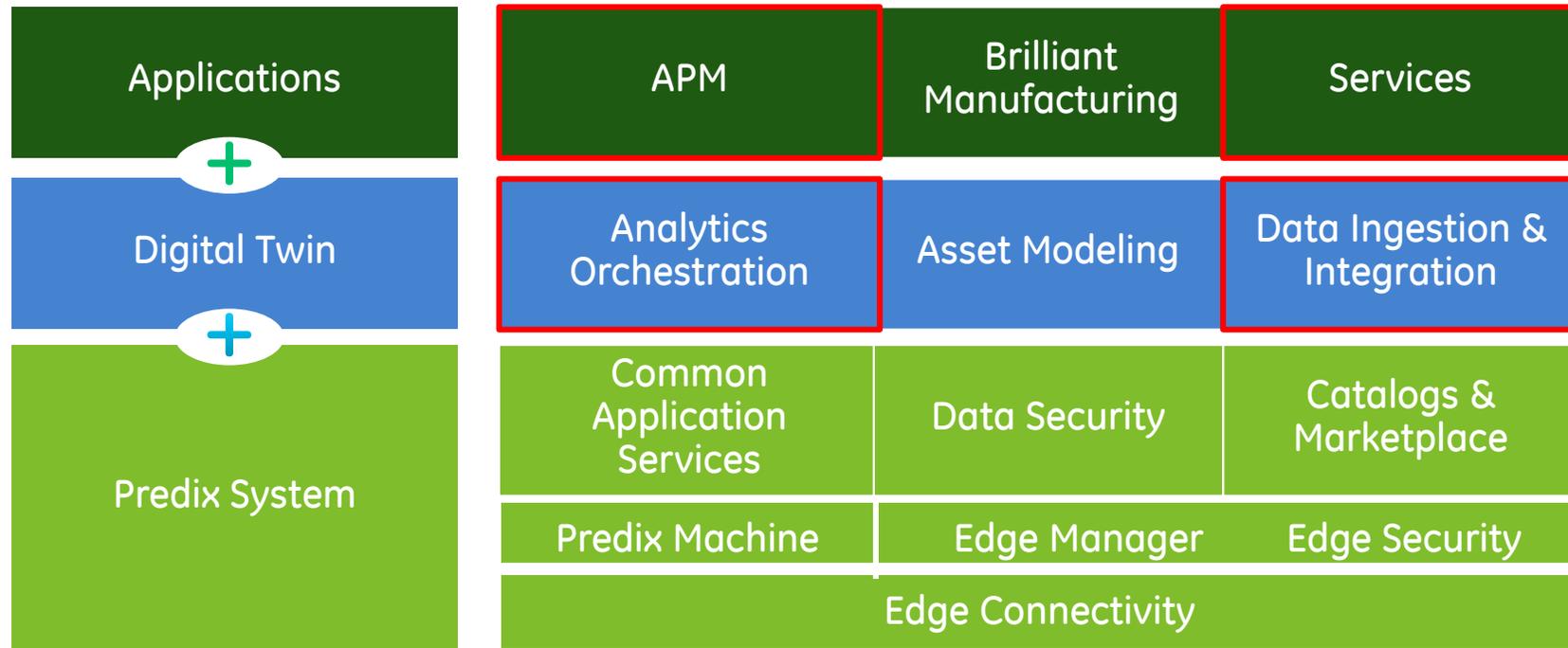
	'16E	'17F
Developers	20K	35K+
Partners	300+	~500
Reference customers	50	++
Predix-powered orders	\$300MM	\$1B+
Productivity	\$500MM	\$700MM

## Priorities for 2017

- 1 Accelerate Predix adoption ... build scale
- 2 Grow APM & digital thread
- 3 Generate productivity for GE & customers



# Establish Predix as a leading platform



capabilities	 <ul style="list-style-type: none"> <li>• APM</li> <li>• Product architects</li> <li>• Commercial domain</li> </ul>	 <ul style="list-style-type: none"> <li>• Field service solutions</li> <li>• Product architects</li> <li>• Software engineers - cloud</li> </ul>	 <ul style="list-style-type: none"> <li>• Advanced machine learning</li> <li>• Data science/statistics</li> <li>• SaaS-based backend system</li> </ul>	 <ul style="list-style-type: none"> <li>• Data → asset models</li> <li>• Utility industry software domain</li> <li>• Data science</li> </ul>
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# Asset performance management

Digital Twin

+

Apps catalog

+

Meridium (Non-GE)

## Delivers outcomes (Power example)

		Customer KPI	Current potential	2H'17	2018+
ASSET PERFORMANCE MANAGEMENT 	Gas/Steam	Starting reliability	+5%	+7%	+10%
		Total plant availability	+1%	+2%	+3%
OPERATIONS OPTIMIZATION 	Gas	Startup fuel ↓	-10%	-20%	-30%
		Heat rate ↓	-1.0%	-1.5%	-2.0+%
		Capacity ↑	+3-4%	+4-5%	+5-6%
		Heat rate ↓	+0.75%	+1.0%	+1.25%
		Emissions ↓	-10%	-15%	-20%

## Customer delivery

CSA

Software/SAAS

Microservice

Outcome models

Upgrades

- ✓ Industrial internet ... physical + digital → outcomes
- ✓ Every GE business has a “value framework” for APM



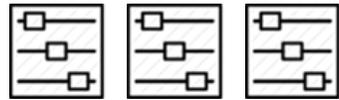
# Digital service market

## Assets

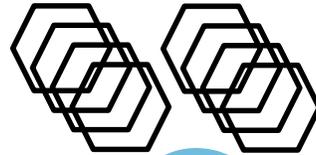


## GE Digital Portfolio

ASSET PERFORMANCE MANAGEMENT



DIGITAL TWIN



## Digital Thread Services



## GE content



## Large value pool

\$25B+



Digital services market

- 1 GE leads in service content
- 2 ServiceMax offers a gateway to customers ... 400 customers, \$/customer
- 3 Accelerate GE service productivity



# Value of scale

## Win the ecosystem



+ Speed to market  
+ New industries

## Early examples



- Predix running on Azure - 2017 launch
- Hololens & other Microsoft tech. to be Predix compatible



- 1K developers trained on Predix in '16
- 50+ Predix-based apps/micro-services in TCS Digital Store

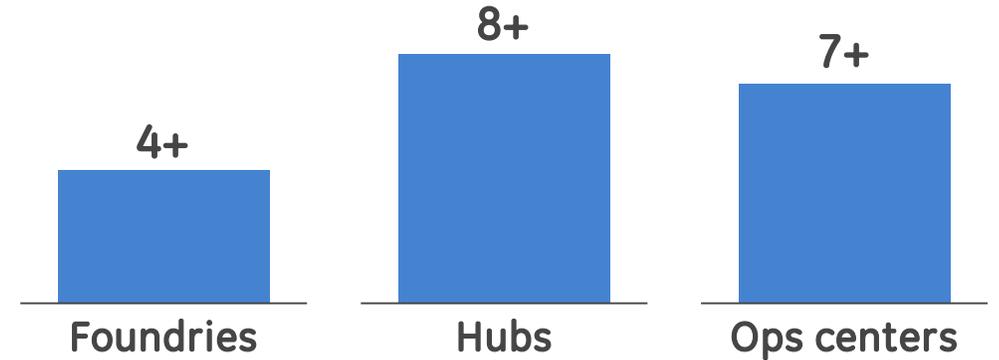


- Reliance providing connectivity infra. in India through Jio
- Develop joint IoT solutions on Predix

Customer co-development ... more value in IB



## Build the infrastructure



## Driving

Paris

- >150 unique visits; >1,600 visitors
- BPI, Numa, 4 university partnerships

Shanghai

- >150 unique visits; >3,700 visitors
- Customer solutions: CT, Huawei, Comac

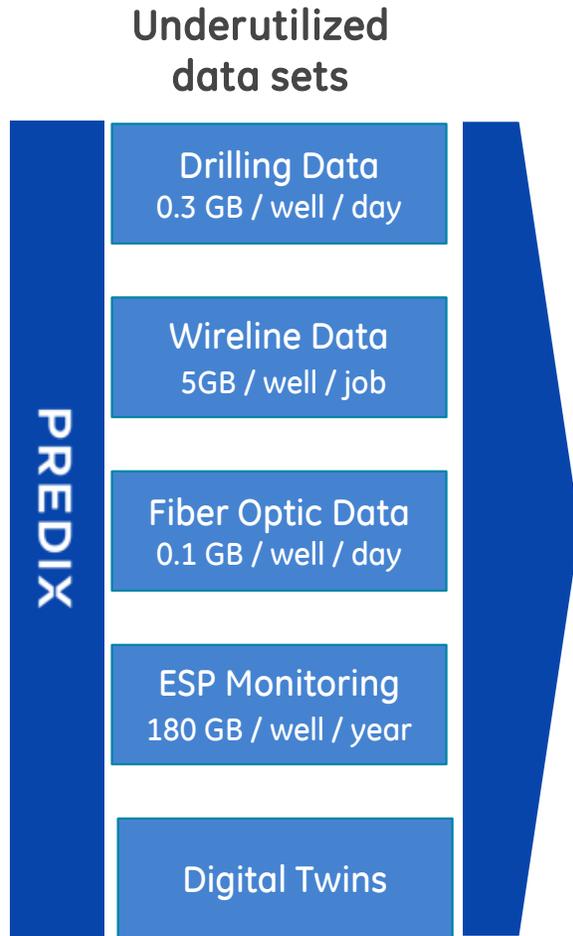
New Orleans

- Home to "FieldVision" & other services products
- 200+ software engineers & growing

Link internal with external

# Digital is a differentiator

Oil & Gas + Baker Hughes 

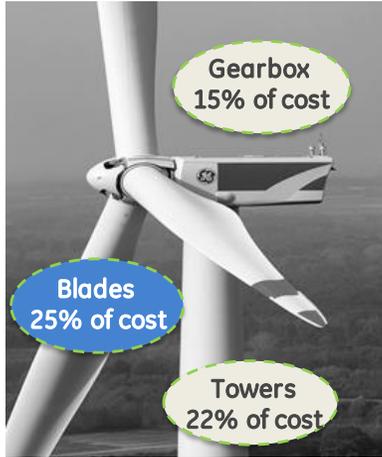


Digital use cases	Desired customer outcomes	Opportunity
Equipment & Process Reliability	Increase daily production	~2-5% operating efficiency
Automation & Remote Operations	Reduce cost / barrel	~20-30% cost op-ex reduction
Production Optimization	Maximize ultimate recovery	~20-40% improvement in RoA
Field Service Enablement	Safety	Reduced recordables
Design-build-operate collaboration	Increase booked reserves	~8-15% increase in production

**~\$200B industry productivity opportunity by 2020**



# Manufacturing: Backward integration



- ✓ Significant presence, technology and global footprint
- ✓ Leading manufacturing & design capabilities

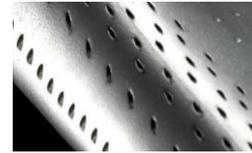
**Provides GE with integrated blade capability**

## Financial & strategic benefits

- ✓ Margin recapture opportunity
- ✓ Drives performance
- ✓ Supply chain capacity and flexibility

## Insourcing value creation

### Investment castings



- + 100% outsourced pre-2016
- + Developing internal capability
- + Utilize additive potential
- + **METEM acquisition**

~\$2.0B  
annual buy

### Generators



- + Power Conversion driving NPI to serve Power & Renewables
- + 40% → 90% internal make
- + **Utilize Alstom technology**

~\$0.8B  
annual buy

### HRSB/Boiler



- + Plant efficiency/output
- + Insourcing capability
- + **Doosan acquisition**

30+ /year  
w/ Alstom

Will add ~\$.02-.03 EPS by 2018



# Manufacturing: leadership in additive

## CONCEPTLASER

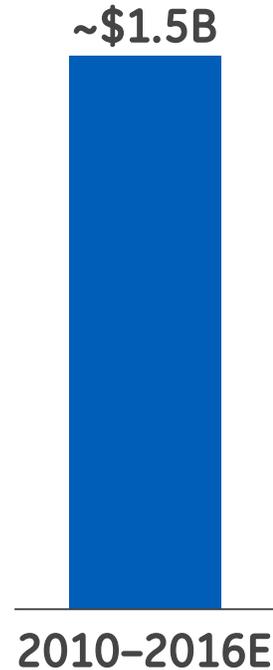
- Location: Germany
- Revenue 2016: ~\$100M
- Products: Metal Additive machines (Laser technology)
- Industries: Aerospace, Medical, Auto, Jewelry



- Location: Sweden
- Revenue 2016: ~\$70MM<sup>(a)</sup>
- Products: Metal Additive machines (Electron Beam technology)
- Industries: Aerospace, Medical, Auto, Tooling



## Leverage GE investments



### Productivity

- Machine technology
- Additive repairs
- Analytics & Control

### Materials

- Process modelling
- Powder recovery/reuse
- Material science

### Digital

- Brilliant factory

## Harnessing the GE Store

- ✓ Global Research Centers
- ✓ GE Digital
- ✓ Additive Development Centers

- ✓ Additive Production Facilities
- ✓ GE Advanced Manufacturing Works

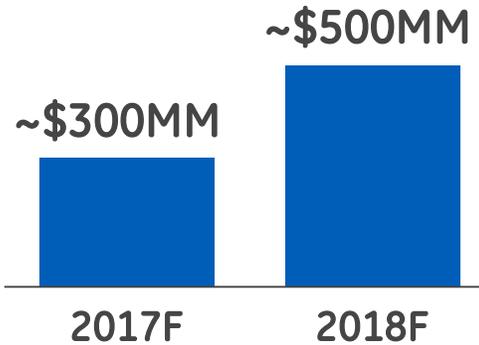


(a- consensus estimate)

# Additive business plan

## Build a market<sup>-a)</sup>

GE revenues



Machines (#)

~330      ~550

### Scale

	<u>Before</u>	<u>With GE</u>
# Engineers	100	300
# Products	7	12
Financing	Limited	Full

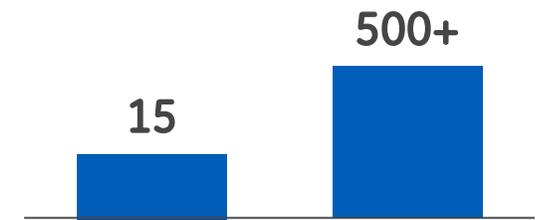
## Internal productivity

\$3-5B



Cost out productivity

Production parts (#)



2017F

2020F

## Accelerating internal deployment



CT Collimator

- ✓ Design tiger team
- ✓ Use cases
- ✓ New products



HA Shroud



A-CT7 Frame



(a- Based on GE pro-forma estimates

# GEnx example ... a proxy for systems level thinking

## Phase 1 Re-design existing parts for additive

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• Fan platform</li><li>• HPC cases</li></ul> | <ul style="list-style-type: none"><li>• HPT shroud hangers</li><li>• HPT case</li></ul> |
|--|---|

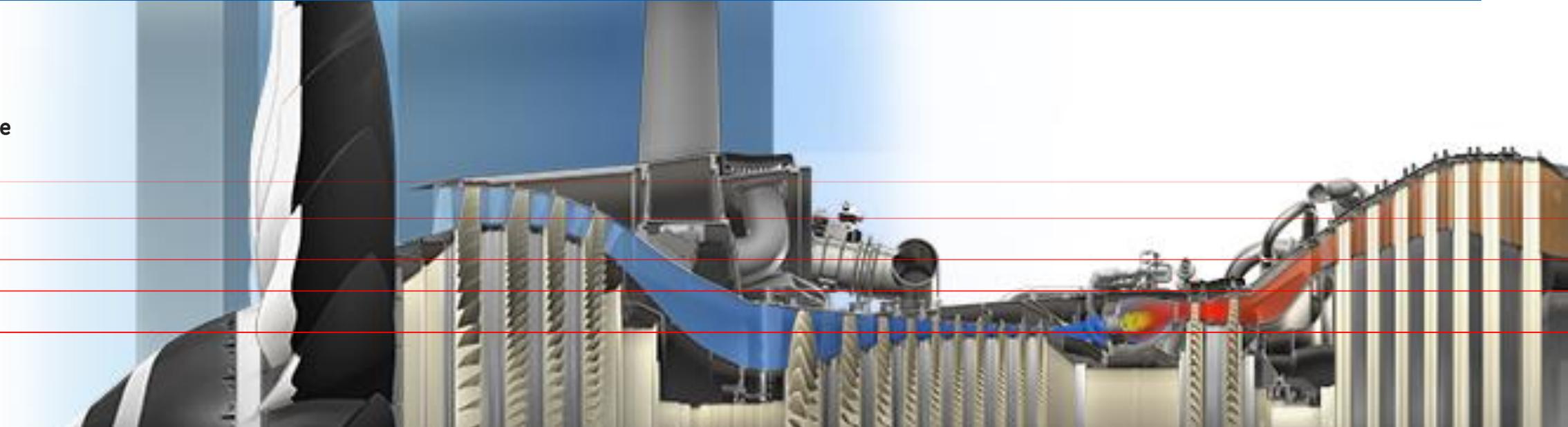
## Phase 2 Design new parts and systems for additive

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• Turbine center frame</li><li>• HPT shrouds</li></ul> | <ul style="list-style-type: none"><li>• HPC case treatment</li><li>• Fan OGV heat exchanger</li></ul> |
|--|---|

Developing a process that we will institutionalize and adopt across all businesses

### Machine size

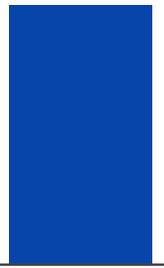
- 1000 mm
- 800 mm
- 600 mm
- 450 mm
- 250 mm



# Buy + build

## Life Sciences

\$4.2B



Revenue

Growth ~10%  
Margins 25%+  
FCF conv. 1.3x

## Buy + build strategy

Amersham foundation  
+ 8 bolt-ons

GE Store leverage:  
Global build out  
GRC impact  
Service expansion  
Industrial finance

Performance > industry

## Building a position in cell therapy (\$1B by 2025)



- 1 Organic build ... launch Harvester, media, separators ... reagent portfolio
- 2 Buy niche technologies ... BioSafe
- 3 Partner: Vitruvian Networks ... service model JV with cancer centers (Mayo + Parker)

Create value through buy + build



# Simplifying the company

## GE Capital



- 95% signings complete
- ~\$24B in dividends paid in 2015-2016, \$6-7B in 2017
- Exit European regulation in 2017
- GE Capital positioned to support Industrial franchise

## Water



- Substantial interest in platform
- Provides opportunity to reposition business for growth
- Targeting mid-2017 close

## Industrial Solutions



- Electrical distribution, protection and critical power
- Synergy opportunity for buyer
- Targeting late-2017 close

~\$4B net proceeds ... ~\$2.5B gains to fund restructuring

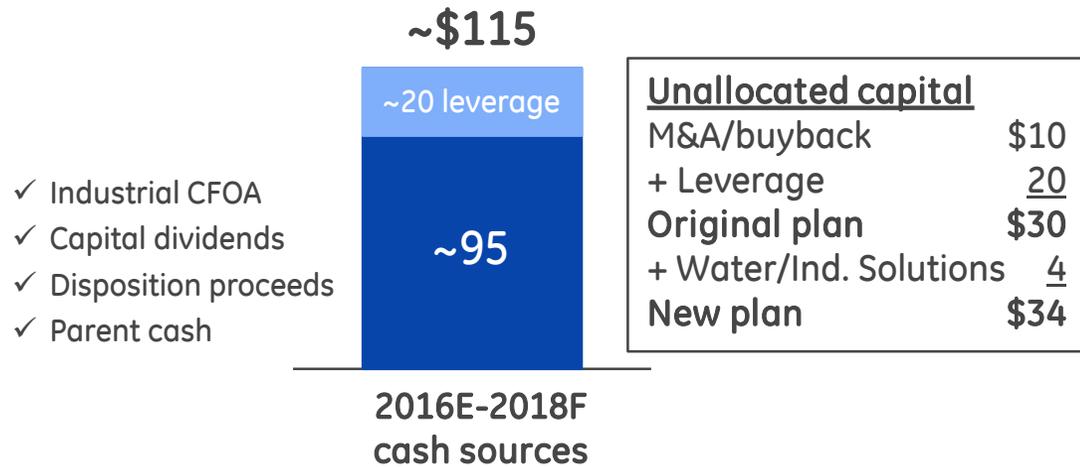
**\$10B+ of cash generation through portfolio actions in 2017**



# Capital allocation

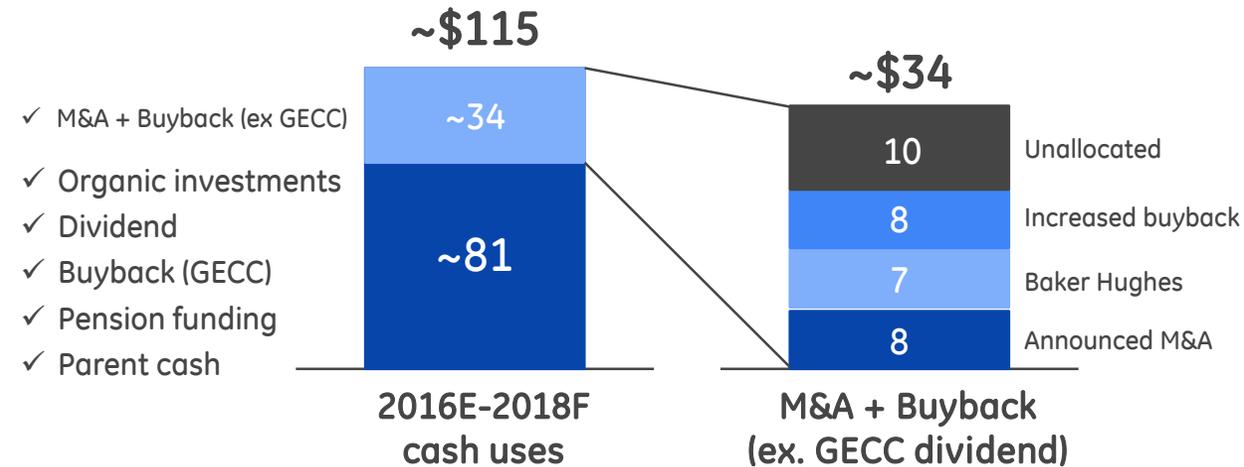
(\$ in billions)

## Cash available



- ✓ Industrial CFOA ... team aligned to ↑ FCF conversion
- ✓ Capital dividends ... \$20B in '16, \$6-7B in '17, remainder in '18
- ✓ Dispositions generating cash ... drive value creation

## Cash uses

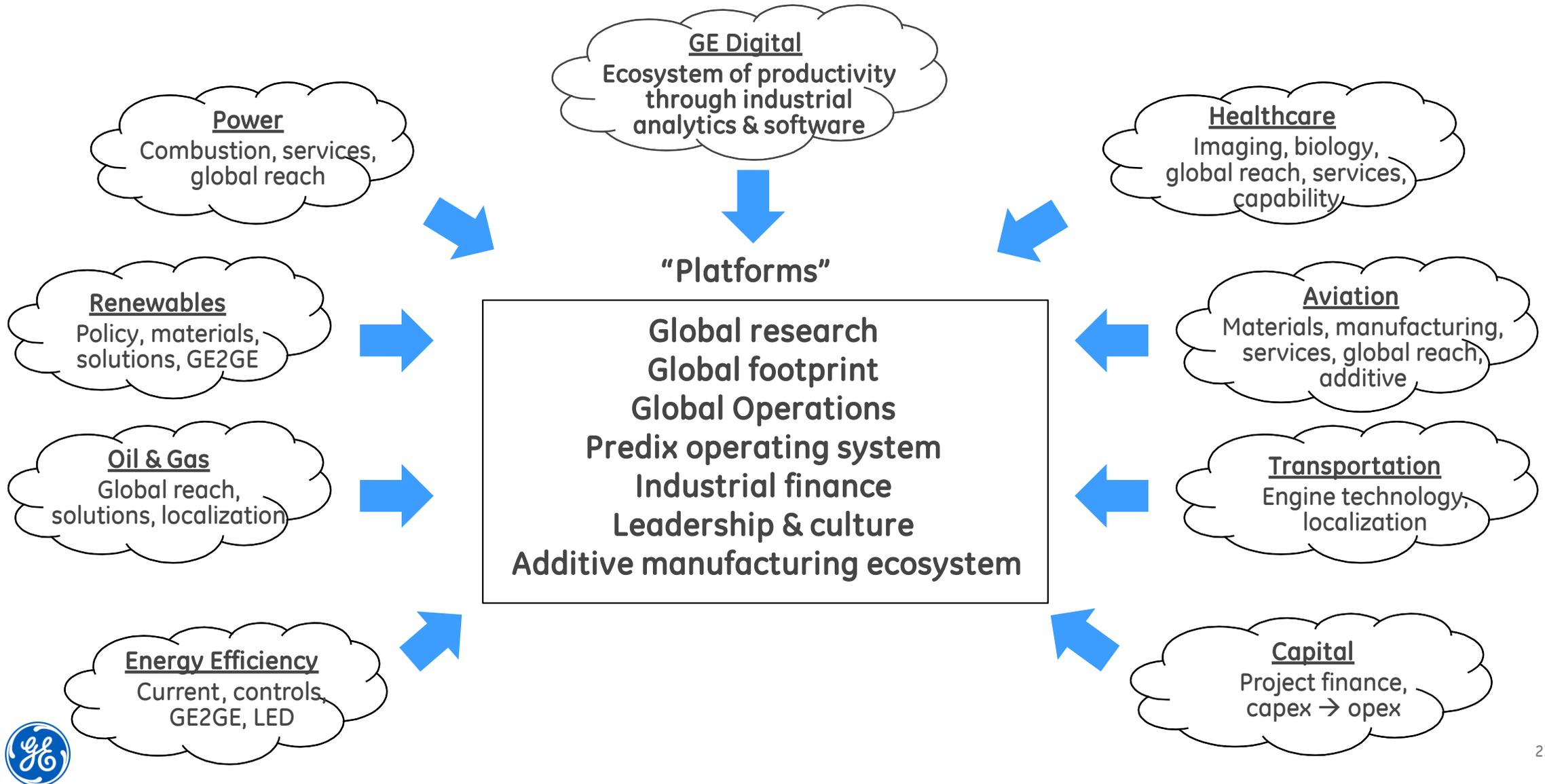


- ✓ Attractive dividend payout ... yield > peers
- ✓ M&A improves competitiveness; buyback from dispositions (~\$4B in 2017)
- ✓ Pension funding: '16 \$0.3, '17F \$1.8, '18F ~\$1.7
- ✓ 2015-2018 buyback program \$55B<sup>(a)</sup> → \$61-63B

~\$10B of unallocated capital



# Leverage the value of the GE Store



# Performance

## Sustained organic growth

(Industrial segments)

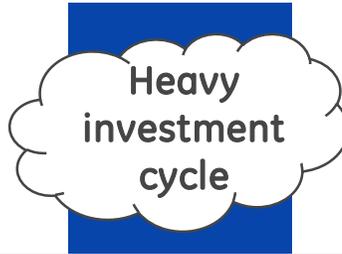
~5%



2011-2015

## ... despite continued investment

5%+



2011-2015  
R&D spend % revenue

- ✓ H turbine
- ✓ Genx/LEAP
- ✓ Wind 2.x
- ✓ Tier 4
- ✓ Services
- ✓ Predix

## ... yielding margin expansion

(Industrial ex. gains/restructuring)

~60 bps./yr.



2011-2015

2016E:  
14-14.5%

## Plan for 2017-2018

~3-5%/yr.



Organic growth

~100 bps./yr.



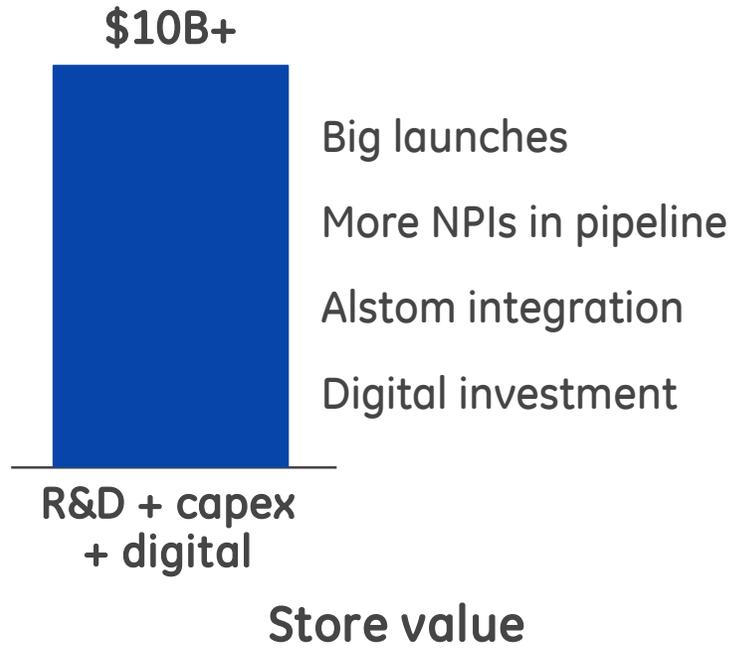
Margin expansion

- + Sustain run rate
- + Natural leveling off of investment
- + Additional ~\$1B of cost out through digitization & integration learnings

2018F margins  
@ 16.5%+



# Technical leadership



- ✓ Innovate at scale ... big launches with differentiated manufacturing
- ✓ Own design value
- ✓ Global execution & development
- ✓ Spend efficiency

## Product Breakouts



### 3¢ Wind

Delivering renewable grid parity



### 65% CC GT

Extending world record efficiency leadership



### 2X Well

Doubling production of traditional oil & gas wells



### Plug & Play MRI

Industry leading speed to diagnosis



### Hybrid Electric

The next performance breakthrough



### SiC MVDC Solar

Lowest cost electrical architecture enabled by SiC

**Delivering science-based sustainable differentiation**



# Leaning in to the GE Store to win

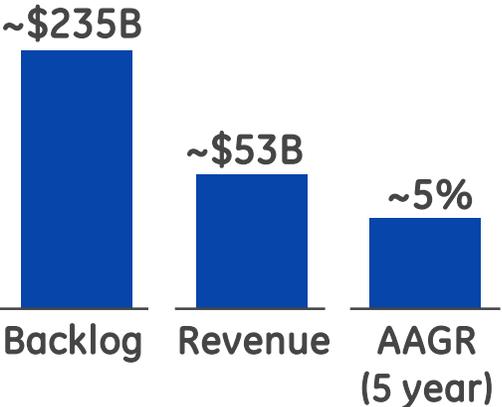
Technology adoption at GE		SiC	CMC	Controls / Edge	Robotics	Digital Twin	Additive Mfg.	Invest. Castings	AI
		Faster	Hotter	Smarter	Productive	Precognitive	Transformative	Strategic	"No laws"
 Power			✓	✓	✓	✓	✓	✓	✓
 Renewables	✓		✓	✓	✓	✓	✓	✓	✓
 O&G	✓	✓	✓	✓	✓	✓	✓	✓	✓
 Energy Connect.	✓		✓	✓	✓	✓	✓	✓	✓
 Aviation	✓	✓	✓	✓	✓	✓	✓	✓	✓
 Healthcare	✓		✓	✓	✓	✓	✓	✓	✓
 Transport.	✓		✓	✓	✓	✓	✓	✓	✓

World-leading scientific technologies ... GE origination ... speed to scale



# Growth initiatives

## Services

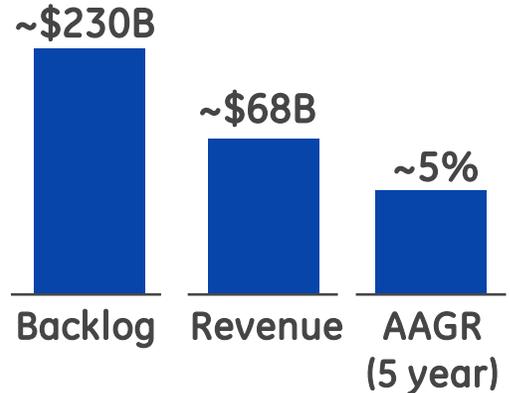


### Growth drivers

- + Software as a service
- + Upgrades
- + Customer outcomes
- + Global capability
- + Expanding market

**GE Store:** Predix, shared productivity, tools, repairs, global footprint

## Global scale



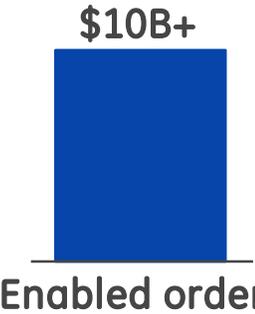
### Growth drivers

- + Strong Infrastructure needs
- + New frontiers
- + Energy transition
- + Local content
- + Project financing

**GE Store:** infrastructure, brand & partners, projects, financing

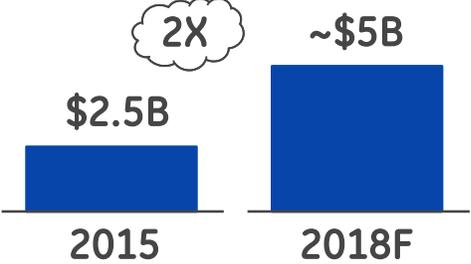
## Solutions

### Financing



- Energy infrastructure
- Leading aircraft lessor
- Industrial ... Capex → Opex

### GE2GE sourcing

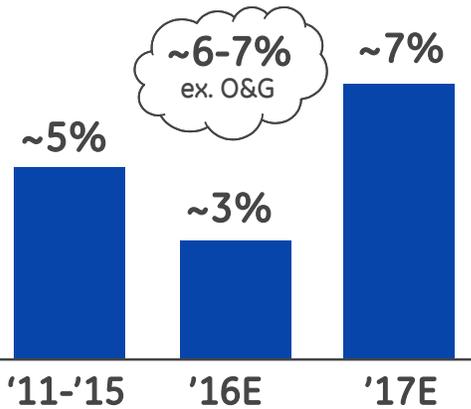


- Margins & growth
- Leverages Alstom capacity
- Benefits Energy Connections



# Services growth

## Revenue



## Growth drivers

- + Software/APM
- + Upgrades in mature
- + Customer outcomes
- + Global capability
- + oOEM



## Upgrades

- Moving beyond AGPs ... Alstom gas, steam, total plant & digital
- ↑ ~2x units in '16 ... ++ '17



## Healthcare

- Growing from 1% → 4%
- Service coverage – global
- Enterprise value
- Capex → Opex opportunity

## Asset Performance Mgt.



- Predix based – horizontal capability across GE store
- Benefits: extended life, ↓ cost, ↑ production

## Extended Scope



- Alstom adds steam, oOEM generator, & total plant
- ↑ HRSG with Doosan
- \$2B oOEM funnel by 2020

## Mods / Repower



- Locos - \$1B opportunity
- WTs – uprates, towers, rotors
- + new value to mature fleets ... new customers

## Flexible Contracts



- Risk transfer level
- Asset ownership horizon
- Optimized material mix
- Extended aircraft life

# Global growth

(Revenue)

	<u>'16E<sup>-a)</sup></u>	<u>'17F</u>
Europe	++	+
Japan/Korea	++	+
China	+	+
India	++	++
ASEAN	+	+
LATAM	-	+
MENAT	++	++
SS Africa	++	++



(a- 2016 includes Alstom)



## Global Wind ... quoting 25GW deals

- Emerging growth segments in India, LATAM & MENAT
- Expanded product range & commercial footprint
- Driving services growth with repower & digital

## Global Rail ... quoting \$6B+ global deals

- Expanding globally ... India, South Africa, Brazil, Russia, CIS
- Supply chain repositioning and product management



## Gas-to-power ... unique GE solution

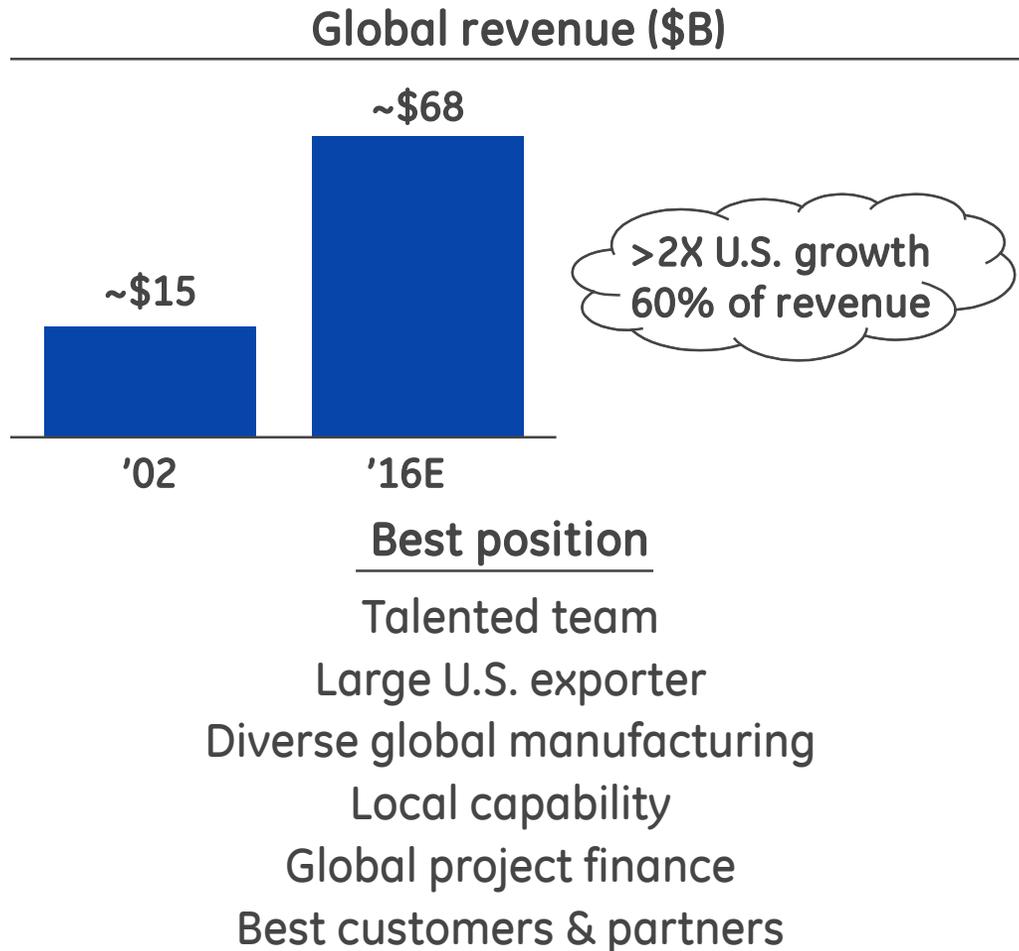
- Fuel solutions enabling large pipeline of power projects
- \$4B opportunities in Bangladesh, Nigeria, S. Africa

## Healthcare ... China & India +10%

- "Affordable Care Portfolio" ... ↑ launches
- Shift to value / super-value segments ... matching portfolio with evolving market needs



# Winning global company



## Considerations

- ✓ We have grown GE outside the U.S. despite an antiquated tax code, complex regulation & lacking an EXIM bank
- ✓ Ideas on reform are positive
- ✓ Localization ≠ outsourcing ... 85% of gas turbines & jet engines in last 15 years have been sold outside the U.S.
- ✓ Flexible infrastructure & global position

Beating global competition outside the U.S. has made GE better and created U.S. jobs



# Cost program

## 1 What's in the run rate ...

- + Product & service costs
  - + Factory & services productivity
  - + Digital thread/brilliant factories
  - + Vertical integration
  - + NPI launch cycle (H, LEAP)
- + Acquisition integration
- + Lower SG&A/Corporate
  - + Global operations/shared services

Will continue to run the play ... actions enable  
~50 bps. margin expansion per year



## 2 What's incremental ...

(\$ in millions)

### Digitization

- + Revenue offsetting Digital spend ~\$200
- + SG&A productivity
  - + Horizontal IT ~\$450
  - + Corporate
  - + Leaner segment structure
  - + Functional productivity } ~\$500

### Integration learnings

- + Factory consolidation ~\$100
- + R&D productivity/requisition eng. ~\$400

### Additive manufacturing

+

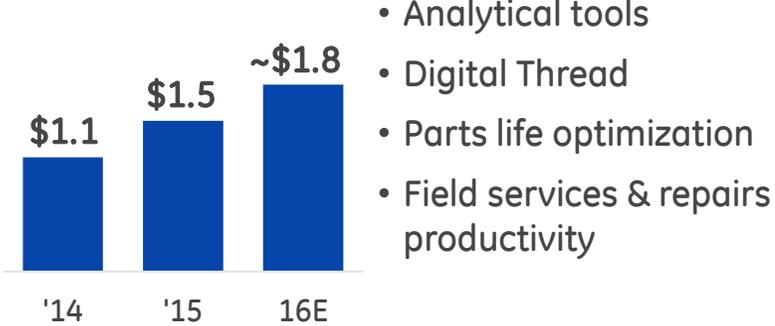
Specific list of actions to enable additional  
~50 bps. of margin expansion in 2017 + 2018

# Cost actions in the run rate

(\$ in billions)

## Services expansion

### Services productivity



## Product learning curve



H Turbine



LEAP Engine

- TY'16 margin positive
- Cost out from vertical integration actions
- Accelerating cost curve
- Leverage GENx learnings

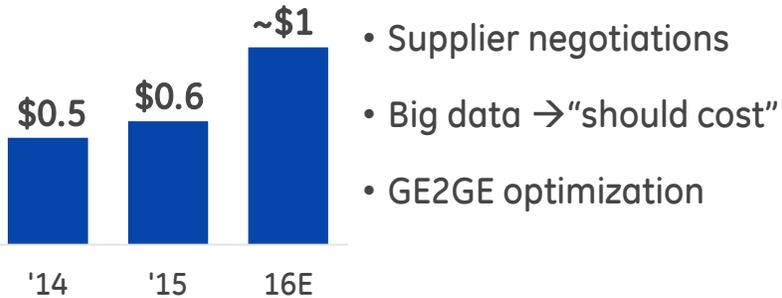
## Acquisition integration



- Demonstrated ability to achieve synergies
- Capturing profit pools via vertical integration
- Accretive to margins post-integration

## Capturing deflation

### Material deflation



## Global Operations

**65%**

Target for processes in shared services

- Leveraging scale + speed to drive cost-out
- ~5% cost productivity annually
- Process automation & standardization

## Smaller Corporate

### Corporate cost

(ex gains/restructuring & other)



- Moving authority to segments
- Aligned to GE store
- Reducing org. layers
- High return growth investments



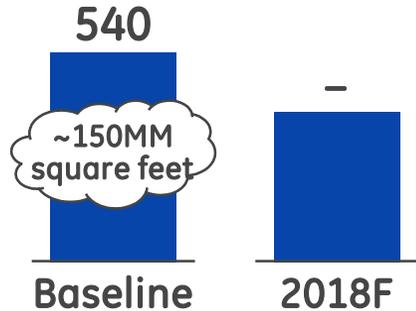
# Incremental cost out actions

(\$ in billions)

## Footprint

~\$100MM

Manufacturing + Service sites



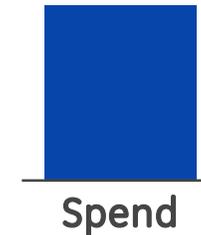
ex. LM, Additive, BHI

- Lean transformation... efficiency in less space
- Additional restructuring
- Regional consolidations

## Requisition engineering

~\$100MM

~\$2B

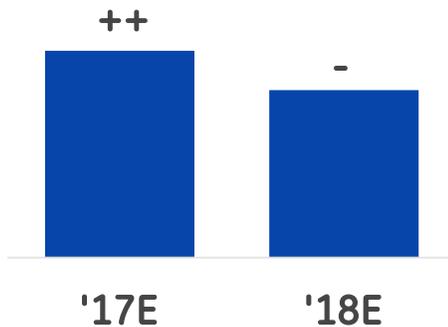


- Creating product cost handbooks
- Reducing repetitive work:
  - Digital automation
  - Integration of design tools
  - Process standardization

## Digital investment

~\$200MM

Digital spend in Corporate

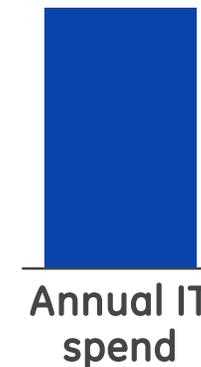


- Platform revenue offsetting digital spend
- Strategic investments aligned to future growth
- "Steady state" in 2018+ ... with less cost

## Horizontal IT

~\$450MM

~\$5B

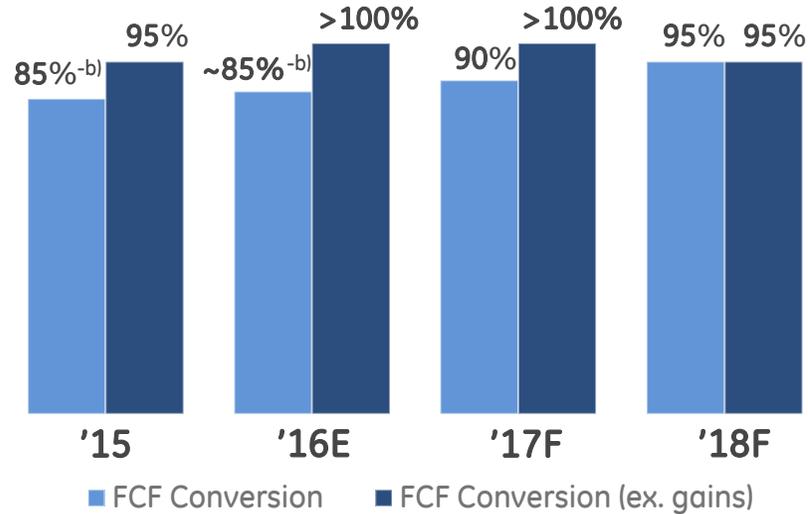


- Structural simplification ... reduce redundancy
- Capacity utilization ... software, hardware, professional services
- Sourcing productivity ... ↓ licenses, vendor consolidation
- Software standardization ... # apps ↓ ~2K



# Industrial cash flow

## Industrial FCF conversion<sup>-a)</sup>



### Improve FCF conversion

- + Working capital improvements ... AR, inventory, AP
- + Restructuring benefit
- + Lower net P&E investment ... NPI cycle, discipline

## Working capital dynamics

		'17F-'18F improvement
Inventory	↑ ¼ - ¾ turn	~\$2.5B
Receivables	↓ 2-3%/year	~\$0.7B
Payables	↑ 2 days to pay	~\$0.6B
Progress	In line w/ revenue	~\$0.8B

5-10% improvement in FCF conversion

Working all levers to drive FCF conversion improvement ... FCF targets aligned to compensation



# Brilliant factories

## Oil & Gas: Florence



- ↓50% lead time
- ↓39% inventory
- +0.8 inventory turns

## Healthcare: Hino



- ↓32% hrs./CT unit
- ↓42% CT lead time
- +2 inventory turns

## Aviation: Muskegon



- +25% on-time delivery
- \$20MM cost-out
- +1.1 inventory turns

## Transportation: Grove City



- +7% shop efficiency
- 10% → 80% analytics-based maintenance work scopes
- +2 inventory turns

## Renewables: Haiphong



- ↓36% lead time
- +5% productivity
- +2 inventory turns

## Multi-modal: Pune



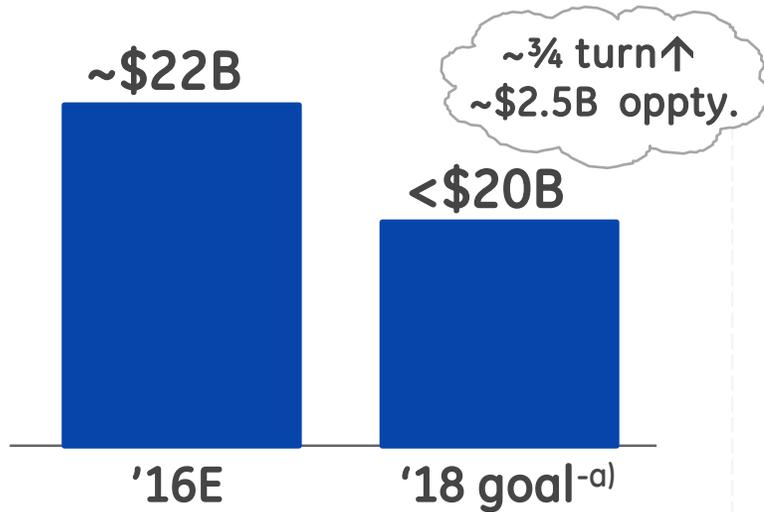
- +18% equipment effectiveness
- \$76 → \$45 OCPH
- +3 inventory turns



Digital tools built on foundation of lean productivity

# Inventory optimization

## Our goal



## Key focus areas

- ✓ Apply & re-invigorate **GE's lean toolkit** to **drive lead time reduction**
- ✓ **Analytics** to optimize **supply & demand planning alignment**
- ✓ **Partner** with suppliers to **increase flexibility** across the value chain

## Dedicated resources

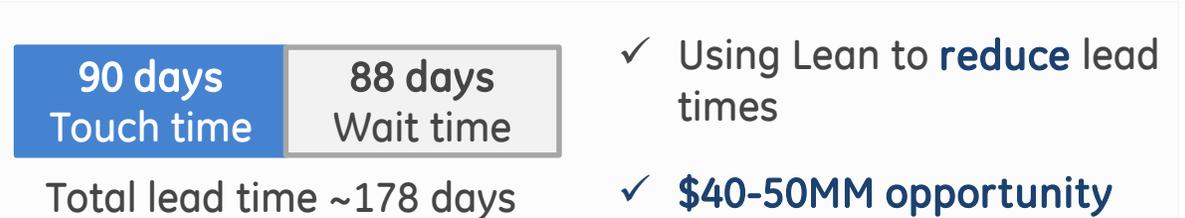
- ✓ Lead by P. Cochet, SVP Productivity
- ✓ ~100 dedicated resources
- ✓ ~15 Lean / Sourcing / Material leaders
- ✓ Tied to **incentive plans**

## Examples

**EC:** Assess & optimize planned lead times to ↓ buffer



**O&G:** Lead time stacking shows where material is waiting



(a- excludes Baker Hughes)

Scaling learnings across the company

# 2017 outlook

	<u>Op Profit</u>	
	<u>2016E</u>	<u>2017F</u>
Power	++	++
Renewable Energy	++	++
Oil & Gas	--	-
Aviation	+	+
Healthcare	+ / ++	+
Transportation	--	--
EC & Lighting	--	++
Industrial Segments	= / + ex. FX	+ / ++
Verticals	+	=

## 2016 dynamics

- + Organic growth 0-2% ... ~4% excluding Oil & Gas
- + Good execution in most segments and corporate
- + Alstom delivering on synergies
- Pressure in oil-related markets ... O&G/Transportation
- FX headwind ~\$.04-.06 impact on EPS

## 2017 dynamics

- + Strong organic growth ~3-5%
- + Margin expansion and cost out program
- Pressure continues in oil-related industries
- + Other segments executing

### High end

- + Better U.S. / tax reform
- + O&G/related markets better
- + Lower cost/M&A execution

### Low end

- O&G/related markets worse
- Timing of M&A
- +/- Stronger dollar



# 2017 operating framework

- |   |                              |             |  |
|---|------------------------------|-------------|--|
| 1 | Operating EPS <sup>-a)</sup> | \$1.60-1.70 | <ul style="list-style-type: none"><li>• Organic growth of 3-5%</li><li>• Margin expansion ~100 bps.</li><li>• Corporate \$1.8-2.0B</li><li>• Alstom EPS ~\$.09-.10</li><li>• Restructuring = gains</li><li>• Tax rate headwind (mid-teens)</li></ul> |
| 2 | Operating cash flow          | \$16-20B    | <ul style="list-style-type: none"><li>• CFOA \$18-21B<sup>-b)</sup>; Capital dividend \$6-7B</li><li>• Pension funding ~\$1.8B</li><li>• Dispositions<sup>-b)</sup> of ~\$4B; Net P&amp;E of \$3-4B</li></ul>  |
| 3 | Cash returned to investors   | \$19-21B    | <ul style="list-style-type: none"><li>• Dividend of ~\$8B</li><li>• Buyback of ~\$11-13B</li></ul>   |



(a- Industrial operating and Vertical EPS

(b- CFOA excludes deal taxes and pension funding; deal taxes included in dispositions

# Incentives are aligned

## AEIP: 2017 + 2018

- + Company EPS, op profit, margins & FCF aligned to this plan
- + Business metrics tie to 3-5% organic growth, 100 bps. margin expansion, and working capital improvements
- + Strategic goals align with long term value creation: share, integration, NPI, global development, digital

## Long-term incentive plan ('16-'18)

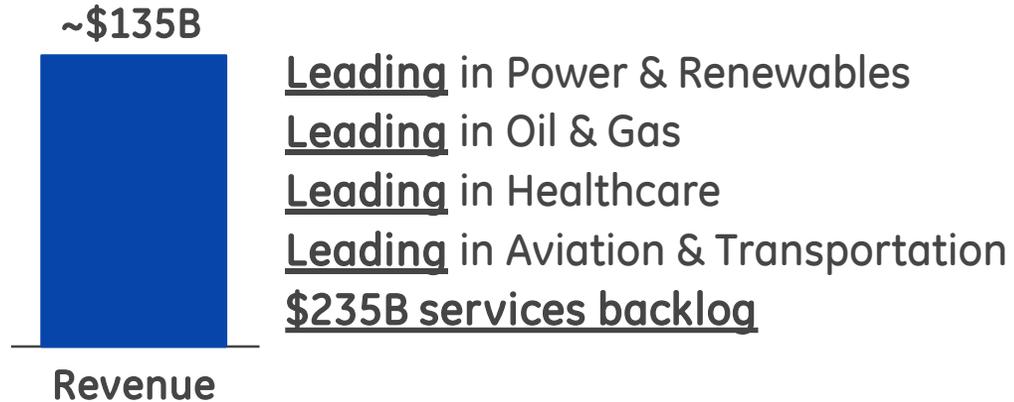
Cumulative EPS	\$5.05-\$5.55
Industrial margins	15-17%
Industrial ROTC	16-18%
Cash generated	\$70-97B
Cash returned	\$55-67B

Aligned to  
"bridge"



# GE in the future

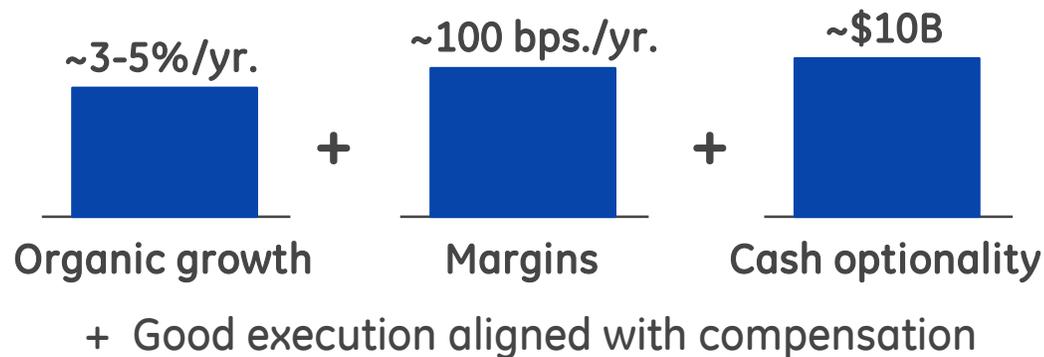
## 1 Strong portfolio in big ecosystem



## 2 Connected enterprise advantages



## 3 Strong relative performance



## 4 Lead in Digital & productivity future

Lead in Industrial Internet

Lead in Additive manufacturing

New entitlement  
in productivity



