



# General Electric

## Company Update

May 23, 2018

### **CAUTION CONCERNING FORWARD-LOOKING STATEMENTS:**

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

### **NON-GAAP FINANCIAL MEASURES:**

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

- Adjusted earnings and EPS, which is earnings from continuing operations excluding non-service-related benefit costs of our principal pension plans, gains, restructuring & other items.
- Industrial free cash flow, which is GE's cash flow from operating activities excluding cash received or used from GE Capital dividends, deal taxes, and GE Principal Pension Plan funding, and including investments in property, plant and equipment and additions to internal use software; this metric is reported with BHGE on a dividend basis.

General Electric Capital Corporation (GECC) was merged into GE in 2015 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.

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.

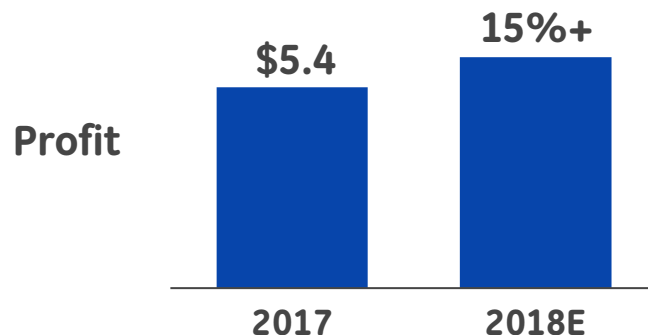
### **TRANSACTION-RELATED INFORMATION:**

For important information about securities laws and forward looking statements involving the GE Transportation and Wabtec transaction, see <https://www.ge.com/investor-relations/special-transaction-disclaimer-securities-laws-and-forward-looking-statements>.

# GE well-positioned in key markets ...

(\$ in billions)

## Aviation



- Market tailwinds in commercial & military
- High utilization + young fleet drives ↑ equipment and services demand
- Offsetting LEAP impact on margins
- New technology investments in additive, digital, 9X, military, advanced turboprop

## Healthcare



- Accelerating shift towards value-based, precision healthcare
- Emerging markets growing double-digits, developed markets single-digits
- Life Sciences robust with high returns
- Continued margin expansion

## BHGE



- Market improving ... oil ~\$70/barrel
- Short-cycle businesses executing ... focusing on long-cycle backlog rebuild
- Executing on synergies and share gains
- Returned \$1B of cash to GE since deal closure

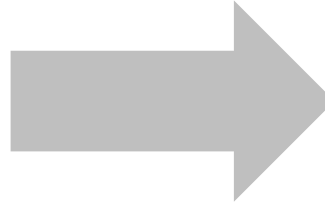
- No change to \$1.00-1.07 EPS & \$6-7B free cash flow framework
- Continued progress on cost ... \$2B+ cost out for the year
- Disciplined focus on cash ... processes & balance sheet strength
- Investing for the future ... additive, digital



(a- Oil & Gas segment profit represents BHGE operating income adjusted for GE reporting basis differences and restructuring & other charges

# Today's discussion

**1 De-risk the company**

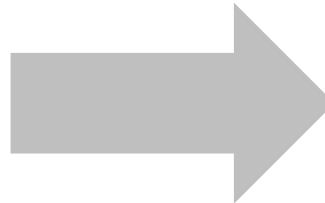


Power

Balance sheet

GE Capital

**2 Create value**



Operating philosophy

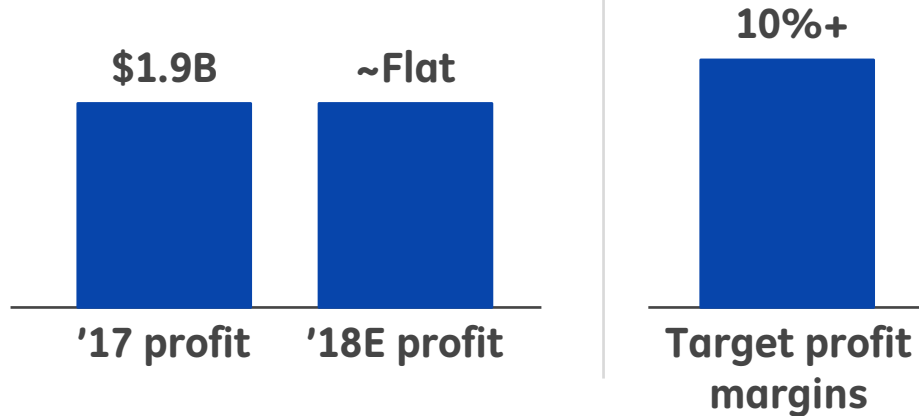
Optimize asset value



# Power update

## Market & outlook

- Expected 2018 HDGT market of ~30-34 GW, planning for lower ... planning for <30 GW/year in 2019 & 2020
  - Energy efficiency & renewables penetration
  - Geopolitical & financing uncertainty
  - Price pressure due to market overcapacity
- GE Power financial outlook:



## Path to ~10% margins

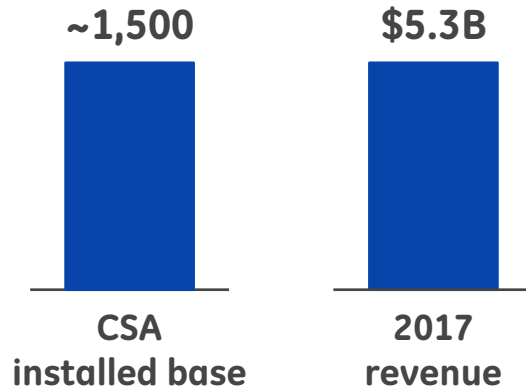
2017 profit margins	5.6%
1 Right-size footprint & base cost	~3-5 pts.
2 Maximize value of transactional services	~1-2 pts.
3 Improve equipment margins (GPS, Grid)	~1-2 pts.
Target profit margins	10%+

Market challenged ... services & cost critical to achieving double-digit margins



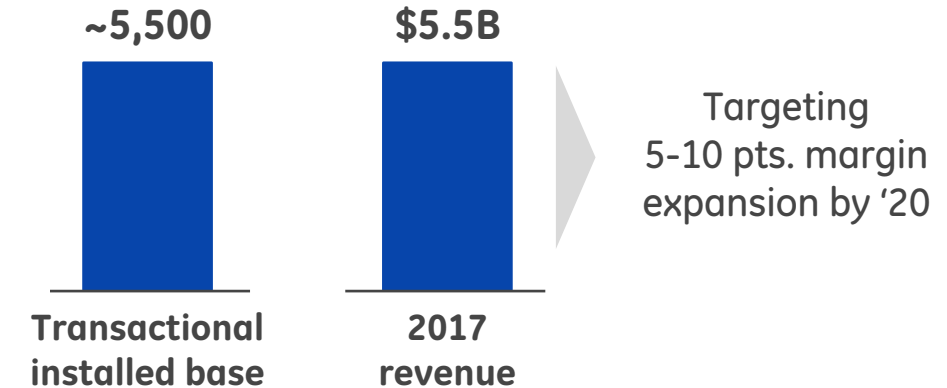
# Power Services: Maximize value of gas installed base

## Valuable contractual book



- Attachment rate high on new technologies ... 90%+ penetration on H-class, ~80% on F-class
- Fleet utilization as expected ... variability by region
- Strong customer retention on multi-year agreements ... historical 2% termination rate
- ~\$40B collections projected over remaining life of current book

## Fixing transactional business



- Cultural refocus on winning transactional installed base
- Outage visibility (28% → 88%) with commercial strategy aligned to outages (32% → 75%)
- Incentive plan 3X more levered to transactional margins
- Addressing pricing issues on Alstom & aero fleets
- Return to operating excellence in the field ... technical expertise, outage planning & execution

Strong installed base ... contractual business performing as expected, fixing transactional business



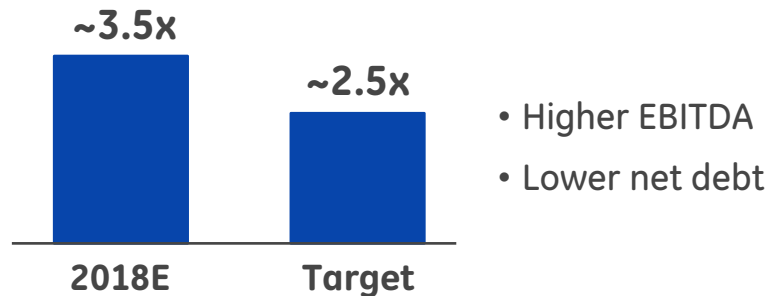
# Disciplined financial policy

(\$ in billions)

## GE (ex. BHGE) cash balance walk

4Q'17 cash balance	\$11.8B
Free cash flow	6-7
GE dividend	(4)
Disposition proceeds	5-10
Alstom JV buyouts	(3)
<b>2018E cash balance</b>	<b>\$15B+</b>

## GE net debt/EBITDA



## Cash dynamics

- **Free cash flow generation \$6-7B**
  - Working capital: Power inventory, Aviation LEAP inventory, past due receivables
  - Commercial discipline aligning revenue with cash
- **Disposition proceeds \$5-10B in 2018**
  - Industrial Solutions expected to close in 2Q, Value-Based Care expected to close in 3Q; Transportation signed & Distributed Power in process
  - Range driven by timing of Transportation & DP deal closings
- **Disciplined financial policy**
  - Maintain higher cash balance, >\$15B
  - Less reliance on commercial paper
  - Funding \$6B into principal pension plan with debt in 2018
  - Targeting ~2.5x net debt/EBITDA; A1/P1 short-term rating
  - Reduce net debt profile over time
  - \$20B operating lines + \$17B back-up lines

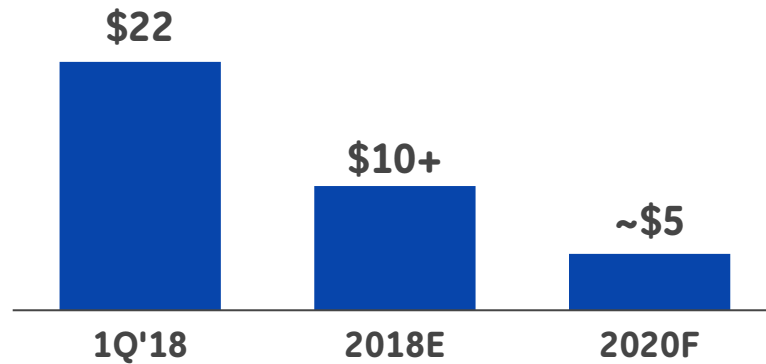


Planning to exit 2018 with \$15B+ of Industrial cash

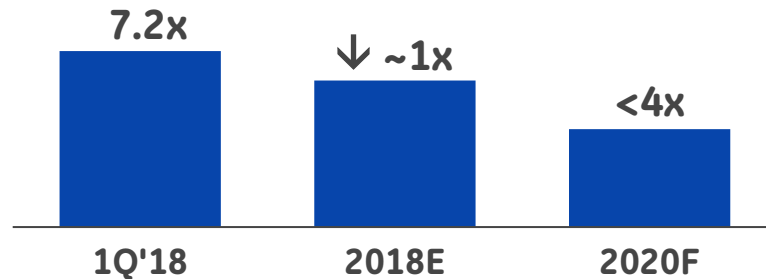
# GE Capital

(\$ in billions)

## Cash & liquidity



## Debt/equity ratio



## Summary

- Progressing well on asset reductions in Energy Financial Services & Industrial Finance ... protecting capability for enabled orders
- Maintaining position in GECAS ... leading aviation leasing franchise, performing well
- Contributing ~\$15B to Insurance over 7 years ... \$3.5B 1Q'18, additional \$11B through 2024
- Working multiple insurance workstreams to improve performance; new leader in place
- Recorded \$1.5B reserve in 1Q'18 related to WMC FIRREA investigation ... settlement discussions ongoing
- Excess debt run-off through 2020
- Evaluating further portfolio actions

Pursuing options to de-risk GE Capital



# Running the company differently

## Key principles

- Position businesses for organic & inorganic growth ... optimize performance for each of our businesses
- Management incentives aligned to performance
- Reduce complexity, increase speed, lower cost ... simpler & more focused
- Centralized activity subject to “market test”

## Actions

- Smaller Corporate
- CEO-led GE operating system based on LEAN & Six Sigma
- Improved business/HQ rhythms & interaction
- Rigorous talent management
- GE behaviors
  - Candid
  - Accountable
  - Innovative
  - Competitive
  - Collaborative

Shift in culture and philosophy  
Position businesses to reach full potential





# GE Transportation & Wabtec combination

## Deal overview

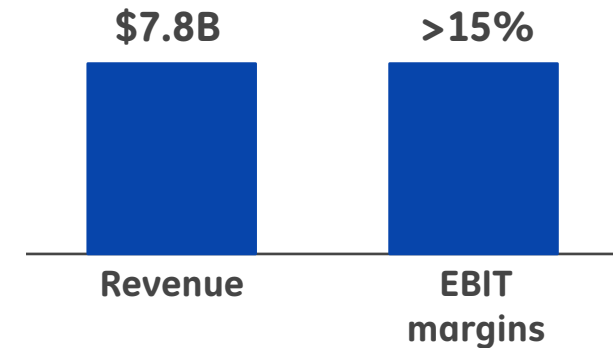
- GE Transportation to combine with Wabtec
- GE to receive upfront cash payment of \$2.9B
- GE & GE shareholders to own 50.1% of company
  - ~40% distributed to GE shareholders, tax free
  - ~10% retained by GE, can be monetized post 90-day lock-up period
- GE Transportation valued at \$11-12B (~12x '19 EBITDA of \$0.9-1.0B)
- Current Wabtec Chairman & CEO to retain roles
- GE to nominate 3 directors to Wabtec Board
- Deal expected to close in early '19 ... Wabtec shareholder approval & customary closing conditions



+



(2017 proforma financials)



- Global provider of equipment, systems, digital and value-added services for global freight & transit rail
- \$250MM of run-rate synergies by year 4
- \$1.1B net tax benefit created by deal structure
- GE & GE shareholders participate in industry rebound and synergy upside

A pure play transportation company ... example in optimizing value for investors



# Summary

- Quality assets
- De-risk context
- New approach to business model
- Drive performance and optionality



