

# Digital Industrial Company



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May 24, 2017

**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).

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**

- GE is committed to delivering in 2017 and the future ... high-quality earnings and strong cash flow
- We are gaining share in our markets and have strong productivity programs underway
- Our balance sheet is strong ... we are committed to capital allocation goals for dividend and buyback
- Markets are tougher ... we have taken incremental cost actions
- All leadership metrics and compensation are aligned to the 2018 Bridge
- Our initiatives position GE to win in digital technologies & additive manufacturing



# Environment

## Stronger dynamics

- + U.S. is ok ... Europe is improving ... Asia strong ... emerging markets are improving
- + Deflation still possible ... able to capture supply chain value
- + Financing solutions ... a valuable asset
- + Active cost-out program ... restructuring and ongoing efficiency
- + Customers value productivity

## Still challenging

- Resource markets remain tough impacting Oil & Gas, Power, Transportation
- Equipment pricing tough
- Political volatility ... Healthcare



Slow growth & volatility

# 2017 Industrial

	Market	Op profit outlook	
		December	Today
Power	Mixed	++	++
Renewable Energy	Stable	++	++
Oil & Gas	Challenging	-	-
Aviation	Strong	+	+
Healthcare	Improving	+	+
Transportation	Challenging	--	--
EC & Lighting	Mixed	++	++
Corporate		++	++
Industrial		+ / ++	+ / ++

Dynamics
=/- Power market tougher
+ Renewables repower strength, NPI launches
+ Healthcare U.S. uncertainty; rest of world & Life Sciences strong
+ Aviation execution on LEAP <sup>a)</sup>
+ Opportunity for global growth
+ Digital & additive investments
- Oil-related markets remain challenging

Executing on organic growth, margin expansion, cost out, and FCF conversion



(a- LEAP is a trademark of CFM International. CFM is a 50/50 JV between GE and Snecma.

# 2017 operating framework

Operating EPS <sup>-a)</sup>	\$1.60-1.70	<ul style="list-style-type: none"> <li>• Industrial op profit \$17.2B (ex. gains/restructuring)</li> <li>• Organic growth of 3-5%</li> <li>• Margin expansion ~100 bps.</li> <li>• Structural cost out \$1B</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>
FCF + dispositions	\$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<sup>-b)</sup></li> <li>• Dispositions<sup>-b)</sup> of ~\$4B; Net P&amp;E of \$3-4B</li> </ul>
Cash returned to investors	\$19-21B	<ul style="list-style-type: none"> <li>• Dividend of ~\$8B</li> <li>• Buyback of ~\$11-13B</li> </ul>

## Items for today

- 1 Simpler portfolio ... lots of action → period of execution ... GE Store foundation
- 2 Financial model on track: 3-5% organic growth, 100 bps. margin, 80-90% FCF conversion<sup>-c)</sup>
- 3 Investing to drive long-term growth + productivity ... digital, additive



(a- Industrial operating and Vertical EPS

(b- Deal taxes are excluded from CFOA and included in dispositions; GE Pension Plan funding excluded from CFOA but included in FCF + dispositions

(c- FCF conversion estimate of 80-90% based on revised calculation methodology (see page 18)

# 1 Simpler & stronger portfolio

## Aligned to big markets

Power	Transport	Healthcare	Resource
Distributed/central Renewables Gas/steam Grid	Aviation: Commercial Military Systems Locomotives	Imaging Life Sciences Devices	"Fullstream"
Lead	Lead	Lead	Lead

GE Digital

GE Additive

GE Capital

## Performance: 2012-2017E

Ind'l. EPS <sup>-a)</sup>	Verticals EPS <sup>-a)</sup>	CFOA <sup>-b)</sup>	Cash → investors <sup>-c)</sup>
~11-13%	~5%	~\$117-120B	~\$124-126B
Revenue <sup>-d)</sup>	Industrial profit <sup>-a)</sup>	Margins	
~3-4%	~8%	~340 bps.	

## GE Store works

- + \$324B backlog
- + Significant installed base
- + ~1MM digital twins
- + Global footprint
- + Technical superiority ... NPI share gain
- + Financing capabilities/projects
- + Strong brand
- + Lead in digital & additive



(a- 2012-2017 CAGR; Industrial profit excludes gains and restructuring & other items

(b- Excludes deal taxes and GE Pension Plan funding

(c- Includes Synchrony share exchange

(d- Industrial segment organic revenue average annual growth rate

# Actions making GE better

## Focused portfolio (~\$18B<sup>-a)</sup>)

### + Alstom & Baker Hughes

- ✓ Leverage the GE Store
- ✓ Execution focus
- ✓ Alstom ~\$.18-.20 & Baker Hughes<sup>-b)</sup> ~\$.04 in '18F

**ALSTOM**

**BAKER  
HUGHES**

### - Simplify

- ✓ Appliances
- ✓ Water
- ✓ Industrial Solutions

~\$9B net  
proceeds

### ✓ Complete GE Capital pivot

- ✓ ~\$260B exits 2015-today
- ✓ \$49B capital released 2015-today

## Margin recapture (~\$4B<sup>-a)</sup>)

### + Power & Renewables

- ✓ Creating value through insourcing
- ✓ Supply chain capacity & flexibility

**LM** WIND  
POWER

**DOOSAN**

**METEM**

### + Additive

- ✓ Productivity for GE & customers

CAD TO METAL®  
Arcam AB

**CONCEPTLASER**

## Technology (~\$2B<sup>-a)</sup>)

### + Digital

- ✓ Building an ecosystem
- ✓ Predix as a leading platform

**meridium**

**BITSTEWSYSTEMS**

**servicemax**

**Wise.io**

### + Life Sciences

- ✓ Building a position in cell therapy

**biosafe**   
innovation in cell processing

Most active period in GE history

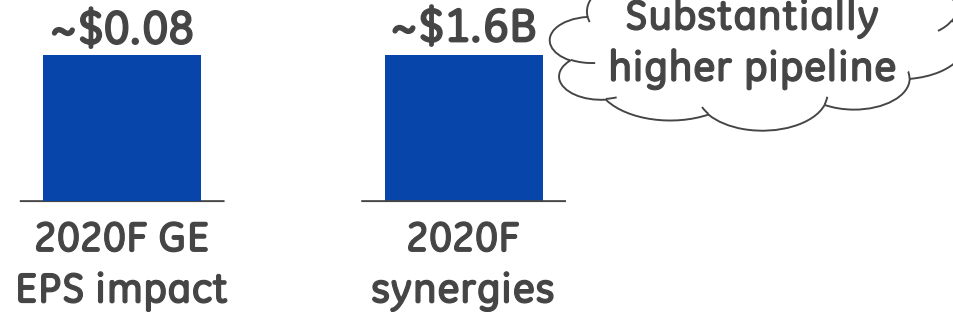


(a- \$ represent purchase price

(b- The Baker Hughes transaction is subject to customary closing conditions, including approval by regulators and Baker Hughes shareholders.

# Oil & Gas outlook

## Deal pro-forma



## Industry

- + Supply and demand currently tightening
- Recovery difficult to forecast ... high inventory
- = OPEC/Russia agreement holding, U.S. ↑

Focused on lower cost per barrel ... critical to win

## Deal update

- On track to deliver fullstream capability by combining strengths ... technology, services, capability
- Significant synergy ideas ... over 350 unique ideas generated ... targeting ~\$1.6B by 2020
- Continuous customer engagement ... very positive feedback received
- Integration planning going well ... making decisions on core processes, systems, & structure
- Regulatory process progressing ... S-4 filed with SEC

Great deal for both GE & BHI investors ... on track to deliver commitments





# GE Store: Technology & GRC

## Interdisciplinary



Product Management  
as a Science



Variable Cost  
Productivity



Breakout Moves



Frontier Lab

## Physical & Digital technologies

Physical Core

Digital Core



Additive



Aero Thermal



AI Image  
Analytics



AI & Machine  
Learning



Biosciences



Characterization



Combustion



Composites



Digital Patterns  
& Systems



Electric Power



Electronics



Functional Matls



Imaging



Industrial  
Outcomes  
Optimization



Manufacturing



Mechanical



Metals



Physical + Digital  
Analytics



Technology as enabler to outperform competition

## 2 Growth: Winning with technology

### LEAP: winning platform



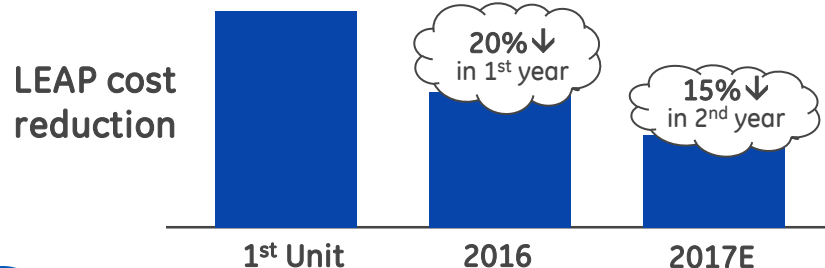
#### Competitive position

- Sole source on Boeing 737 MAX
- Sole source on COMAC C919
- 55% on Airbus A320neo ... win rate accelerating

#### Why we are winning

- ✓ Outstanding performance ... +15% better fuel burn than current aircraft
- ✓ Flying 9 hrs./day ... +10% better utilization vs. competitor
- ✓ Technology ... ceramic matrix composites & 3D printing

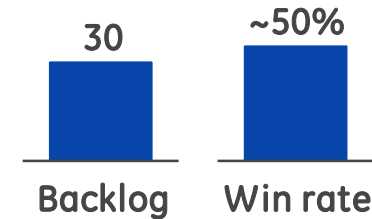
#### Cost



LEAP is a trademark of CFM International  
CFM is a 50/50 JV between GE and Snecma

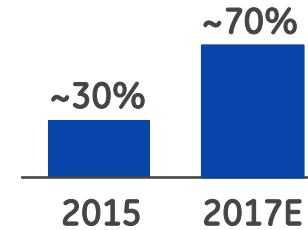
### H turbine: share & content

#### Competitive position



#### Content

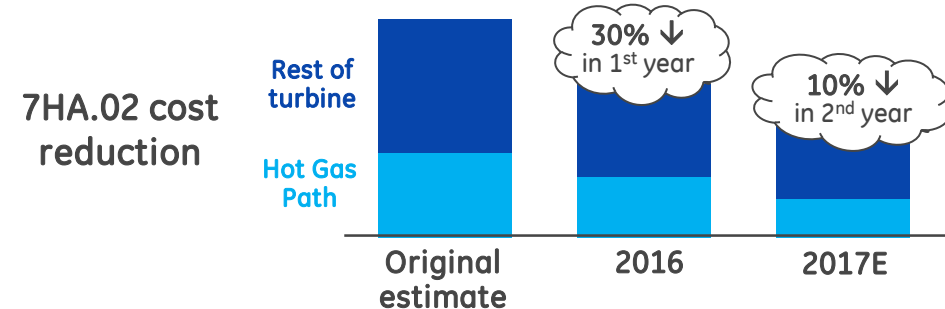
% extended scope



#### Why we are winning

- ✓ 63% efficiency
- ✓ 80 MW/acre power density
- ✓ Full power in 23 minutes
- ✓ Lowers \$/KW
- ✓ 18 months PO to power
- ✓ Predix & digital twin

#### Cost



# Healthcare product leadership

## New products

### MR



- 3.0T Architect**
- ✓ Cutting-edge platform driven by Total Digital Imaging

### Ultrasound



- Venue POC**
- ✓ Intuitive user experience in a simple & fast tablet

### Mammo



- Senographe Pristina**
- ✓ Improved design for patient & tech
  - ✓ Superior diagnostic accuracy

### Affordable care



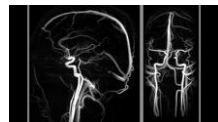
- Revolution ACT**
- ✓ Improved image quality with reduced dose

### Cell therapy



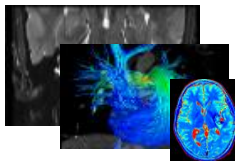
- BioSafe**
- ✓ Expanding into new cell & therapy types

### Contrast imaging



- Clariscan**
- ✓ ↑ range of MRI contrast media

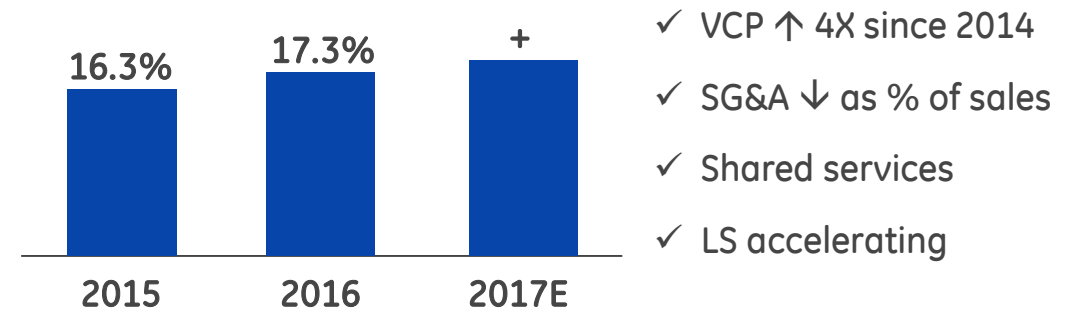
### HCIT



- ✓ Focus on assets + GE domain
- ✓ Less emphasis on enterprise



## Expanding margins



### Design

Simplified design & platforms ... margins to GE  
300+ dedicated cost-out engineers ... focus

### Footprint

Local / LCC sourcing ... leveraging "should cost"  
Consolidated sites ... reduced logistics, overhead

### Factory

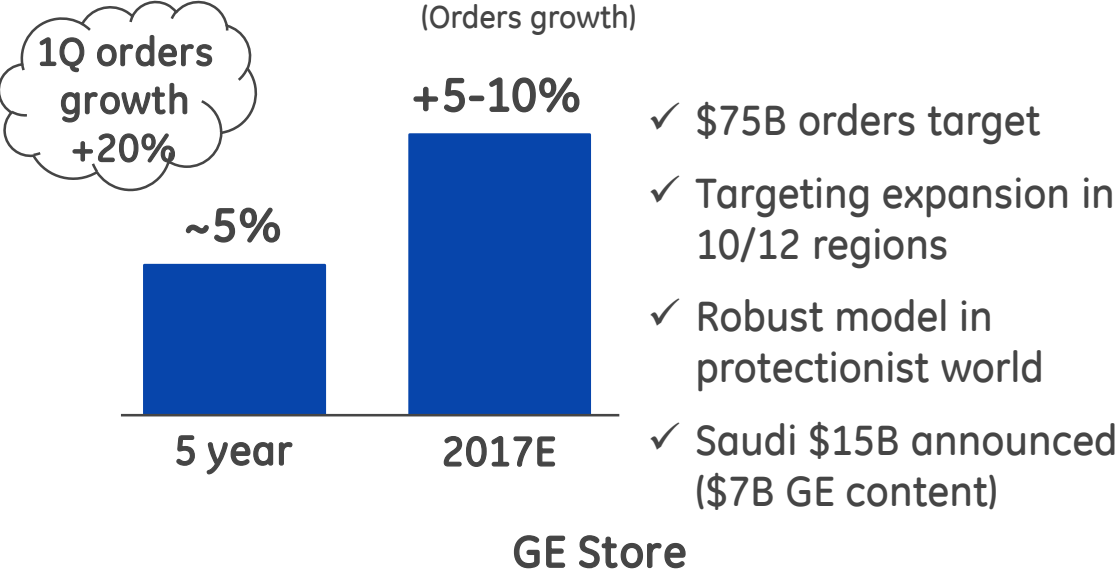
80% lean-certified production lines ... 200 → 450  
Brilliant factories ... 5 → 60, additive, robotics

### Services

Reconfiguring product installs to ↓ cycle time  
Remote fix & digital, ↓ unplanned downtimes

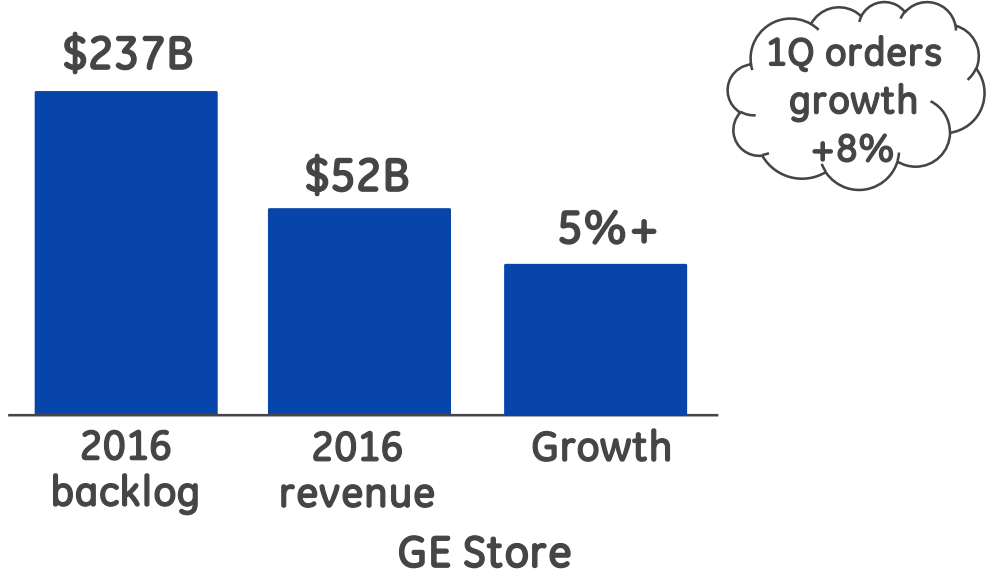
# Organic growth: Global & Services

## Strong global position



- + Regional strength ... Europe, China, India
- + Strong financing capability ... project development and risk management
- + Demand creation ... healthcare, gas-to-power, wind

## Strong services position



- + Enhanced digital content ... software & tools
- + New growth platforms ... used material, upgrades
- + New analytical content ... customer value
- + Expanded global footprint ... shops and capability

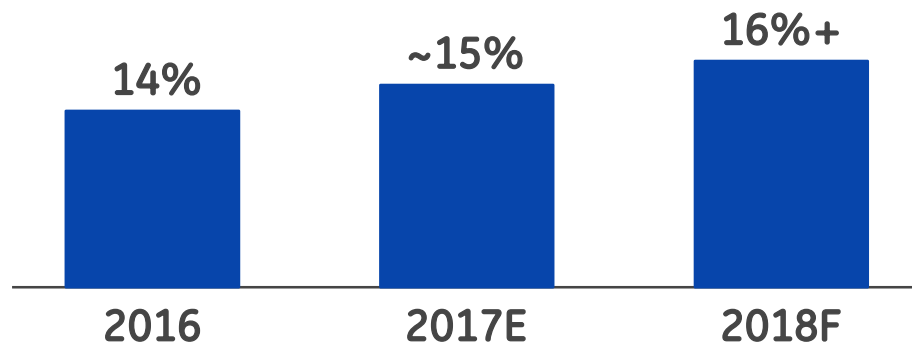
Foundation for 3-5% organic growth

- + Strong orders and backlog
- + Good NPI ... gaining share
- + “Programmatic excellence” ... services, global, digital
- + O&G backlog & orders improving for 2018 ... price pressure



# Aggressive cost & margins plan

## Industrial margins



Consistent with outlook

## Imperatives

- + Lower product cost ... manage through launches & drive VCP
- + Reduce structure & spend rate ... restructuring yield & integration
- + Manage digital spend ... review new funding models

## Today's cost out plan: \$2B 2017-2018

### Structural cost<sup>-a)</sup>



### 2017 dynamics<sup>-a)</sup>

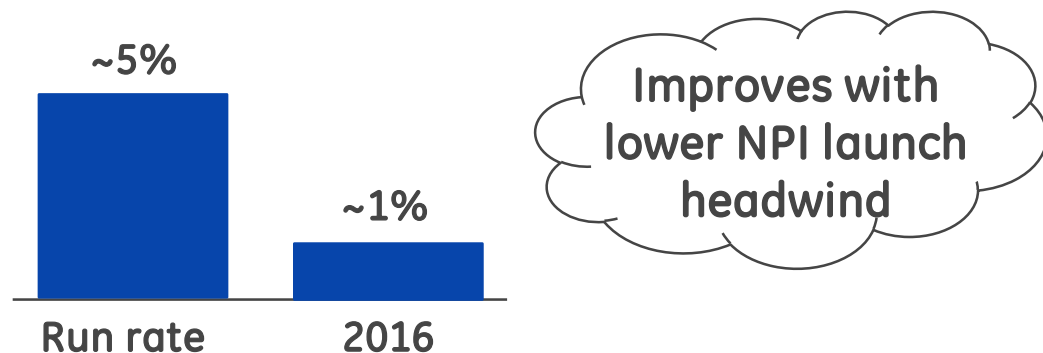
+ Base cost inflation	~\$0.6
+ Digital investment ↑	~0.7
– Restructuring benefits	~(1.5)
– Spend rate ↓	~(0.8)
<b>2017E structural cost out</b>	<b>\$(1.0)</b>



(a- Excludes non-operating pension, gains and restructuring & other; excludes impact from BD actions including Appliances, Water, Industrial Solutions, and Baker Hughes

# Cost-out actions

## Equipment margins

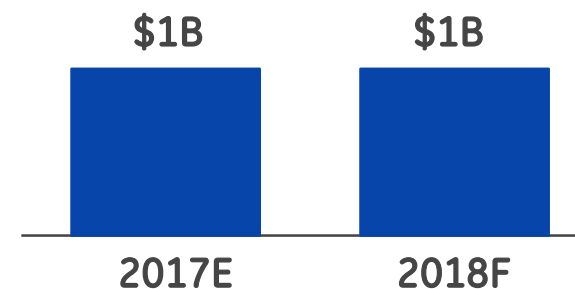


## Drivers for improvement

- 1 Keep LEAP, H-turbine, and onshore wind NPIs on learning curve
- 2 Capture more supply chain value ... backward integration and sourcing
- 3 Brilliant factory ... plant productivity programs
- 4 Product management execution ... drives improved pricing and quality
- 5 Strong focus/metrics on product cost

## Structure & simplification

### Industrial structural cost out



## Drivers for improvement

- 1 Restructuring impact ... integration, rooftop reduction, fewer layers
- 2 Horizontal COEs ... including IT ... global operations
- 3 Commercial productivity ... digital tools
- 4 Leaner Corporate and segment HQ structures

Foundation for  
100 bps.+ margin  
expansion

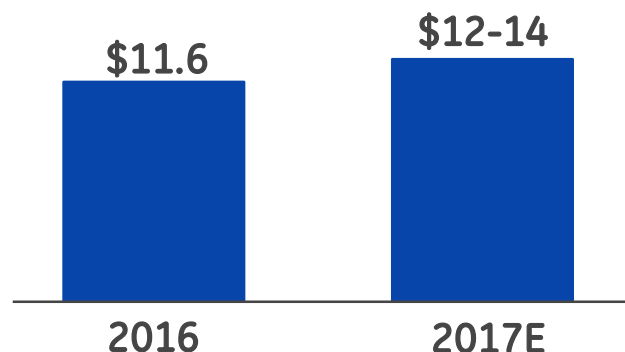
- + Lower cost headwind on product launches
- + Incremental \$1B of structural cost reduction
- + "Programmatic" execution on simplification & margins ... building a bigger pipeline



# Cash business model

(\$ in billions)

## Industrial CFOA<sup>-a)</sup>

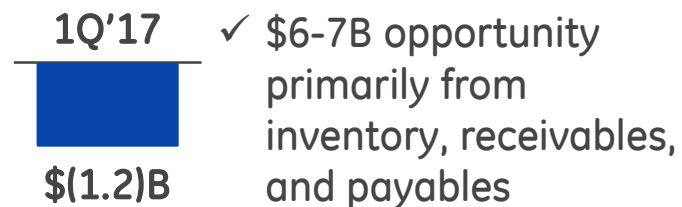


## Drivers

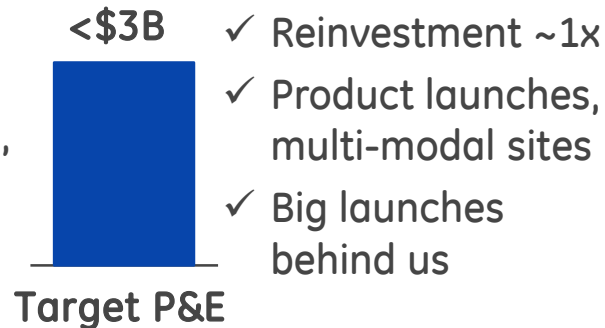
	2016	2017E
NI & depreciation	\$13.0	+
Working capital	3.2	=/+
Contract assets	(3.9)	=/-
Other	(0.7)	=/+
Industrial CFOA <sup>-a)</sup>	\$11.6	\$12-14

## Business model

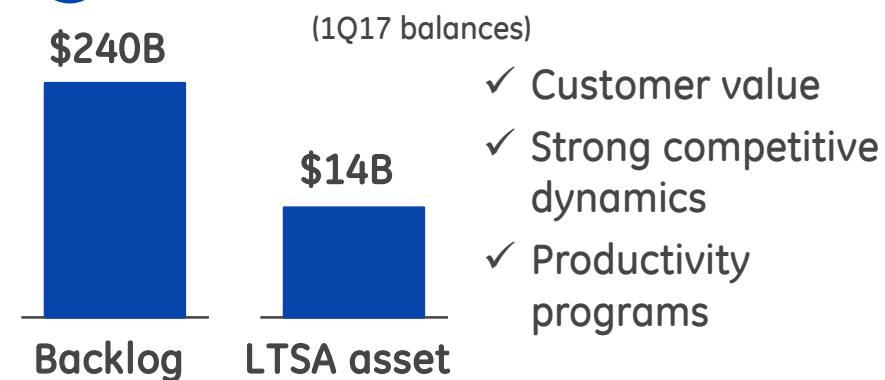
### 1 Negative working capital



### 2 Leverage investment



### 3 Maximize value of services assets



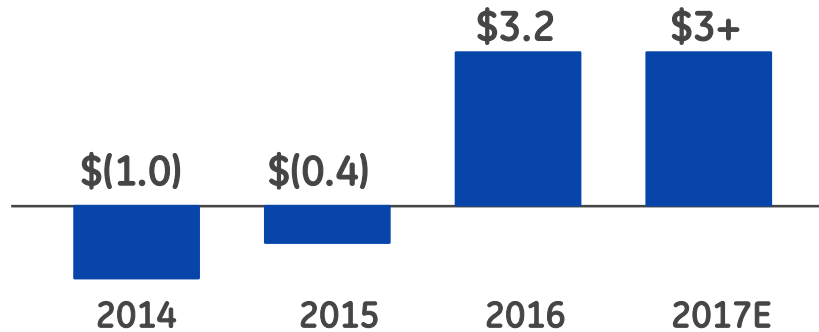
(a- Industrial CFOA ex. deal taxes and GE Pension Plan funding)



# Improve working capital

(\$ in billions)

## Working capital flows



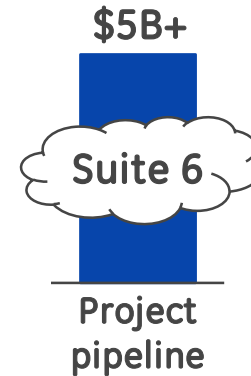
... adjusting to a different global footprint

## Drivers

- 1 Progress in line with industry, ahead of peers  
... =/+ going forward in line with orders
- 2 Improve purchasing spread  
Payables (terms ↑) ... 81 → 90+ days  
Receivables (past dues ↓) ... 85 → 75 days
- 3 Integrate acquisitions ... get back to better inventory turns



## Inventory → 7 turns



- ✓ Integrated sales, inventory & operations planning
- ✓ Lean manufacturing
- ✓ Cycle time reduction
- ✓ Slow moving inventory

~130 dedicated resources

## Lean @ EC ... from 213 days to a "30 day generator"

- ✓ Streamlined & reduced 6 operations to 1 via the lean toolkit (ex. VSM, 3P)

KPI	'16 baseline	'17 target	V%
LT reduction (days)	213	30	(86)%
Inventory balance (\$MM)	\$4.4	\$1.6	(65)%
Inventory turns	2.7	12	4x

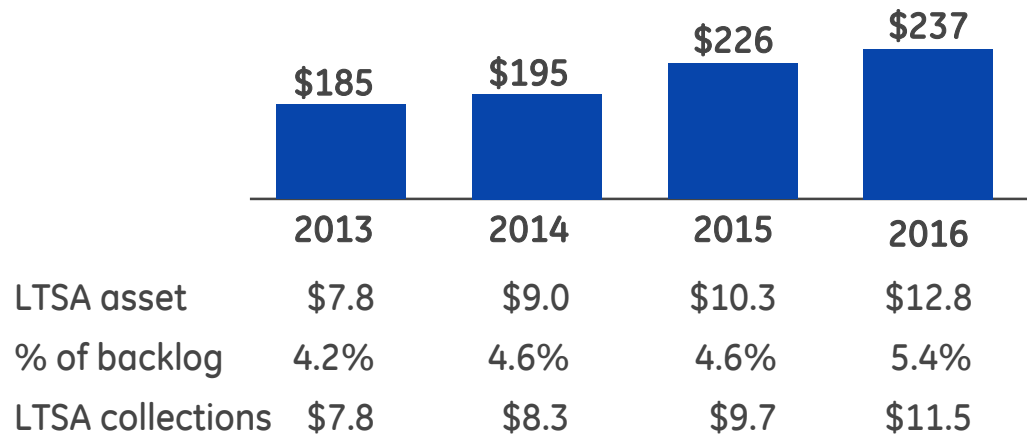
↓ 86% cycle time + ↓ 65% inventory at 1 site ...  
scaling approach across GE



# Long-term service agreements portfolio

(\$ in billions)

## Services backlog



Customer

## Benefits

- Predictable maintenance cost
  - Comprehensive services, risk transfer
  - Reliability goals aligned to OEM
  - More productive asset
- 
- Alignment with customer ... exclusive relationship
  - Predictable spare parts usage
  - Higher margins, returns, cash
  - Increases competitiveness on new campaigns

GE

## Technology impact



- ~1MM digital twins
- Fleet vs. asset performance



- ~400 AGPs sold to-date
- 2%+ efficiency, extended life

## LTSA asset



- Represents expected future cash
- Productivity, upgrades, and modifications impact timing
- <\$100MM credit losses since 2000 ... rigorous audits & reviews

LTSA's higher



## Returns



- ↑ Productivity
- ↑ Upgrades
- ↑ Price
- ↑ Extensions

- ✓ Purposeful investment in customer value and GE position
- ✓ Excellent risk management protection
- ✓ Asset growth slower over time ... NPI cycle, upgrades, performance investment ↓

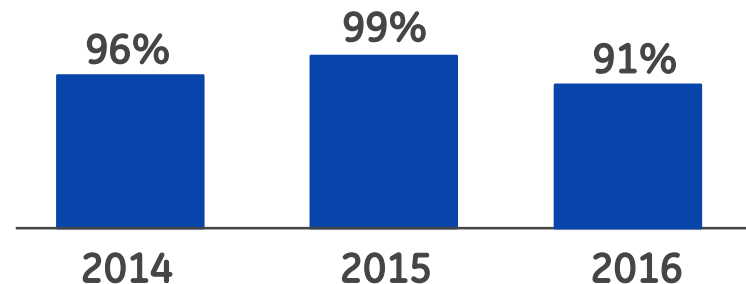


# Industrial FCF conversion

(\$ in billions)

## FCF conversion

ex. gains and restructuring & other



	2014	2015	2016
Continuing income	\$8.3	\$9.6	\$10.4
Depreciation + amortization	3.9	4.0	4.3
Working capital	(1.0)	(0.4)	3.2
Other operating (ex. deal taxes)	2.5	0.9	(2.4)
GE Pension Plan funding	-	-	(0.3)
Net P&E + cap. software	(4.1)	(3.6)	(3.4)
<b>FCF ex. contract assets</b>	<b>\$9.6</b>	<b>\$10.6</b>	<b>\$11.8</b>
Contract assets	(1.6)	(1.9)	(3.9)
<b>FCF</b>	<b>\$8.1</b>	<b>\$8.6</b>	<b>\$7.8</b>
<b>FCF ex. gains/restructuring</b>	<b>\$9.1</b>	<b>\$9.6</b>	<b>\$9.6</b>
<b>FCF conversion "old basis" <sup>(a)</sup></b>	<b>91%</b>	<b>82%</b>	<b>76%</b>

116%

109%

113%

97%

90%

76%

96%

99%

91%

## Foundation for FCF goals

ex. gains and restructuring & other



- ✓ Longer cycle company with more global footprint + NPI cycle
- ✓ Market cycles impact progress collections timing & dynamics

### ✓ Expectations post-2017 ...

- Working capital improvement continues but not at 2016-2017 levels
- Contract asset growth slows
- GE Pension Plan funding continues
- Plant & equipment investment ~flat
- Software spend slows
- Gains & restructuring headwind abates



Blue = FCF conversion

(a- FCF conversion "old basis" calculated as a percentage of Industrial operating net income; FCF included gains & restructuring but excluded GE Pension Plan funding & software capitalization)

# Capital allocation

(\$ in billions)

## 2017-2018F sources of cash

Opening cash balance	\$10.5
Industrial CFOA <sup>-a)</sup>	25-29
GE Capital dividend	~8
Dispositions <sup>-a)</sup> /other	~8
Debt issued	~12
Available debt capacity	~8
<b>Total sources of cash</b>	<b>~\$72-76</b>

## 2017-2018F uses of cash

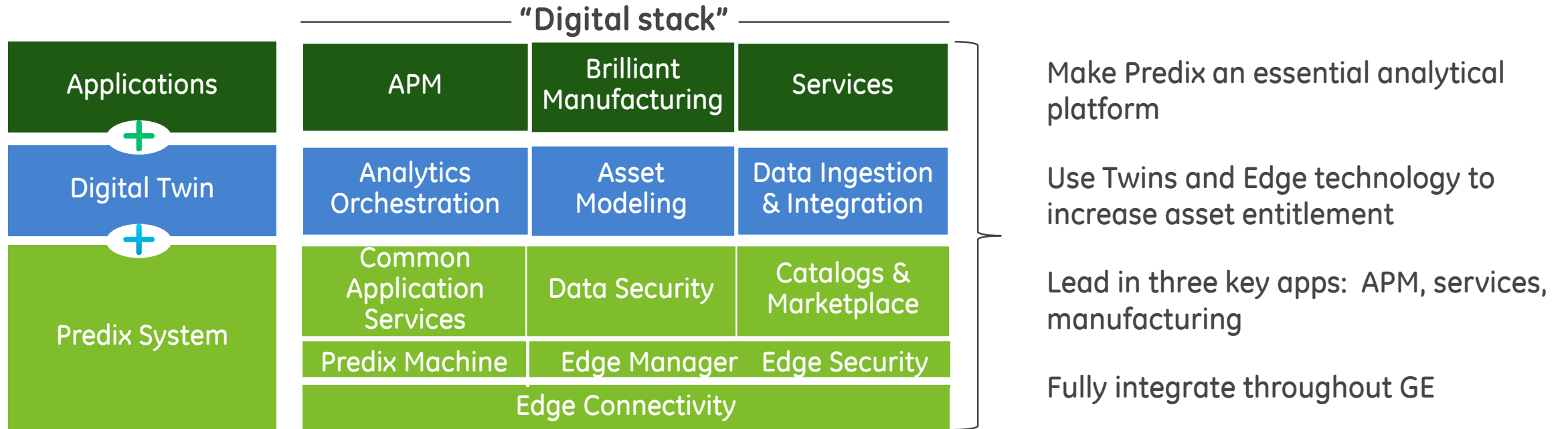
Ending cash balance	~\$8
Organic investment	~6
GE Pension Plan	~3
Dividend	~17
Announced M&A, JVs, other	~15
Buyback	~15
Unallocated capital	~8-12
<b>Total uses of cash</b>	<b>~\$72-76</b>

- ✓ Returning \$30B+ to shareholders ... dividend remains a priority
- ✓ Incentives aligned to delivering 80-90% FCF conversion<sup>-b)</sup>
- ✓ \$8-12B of unallocated capital

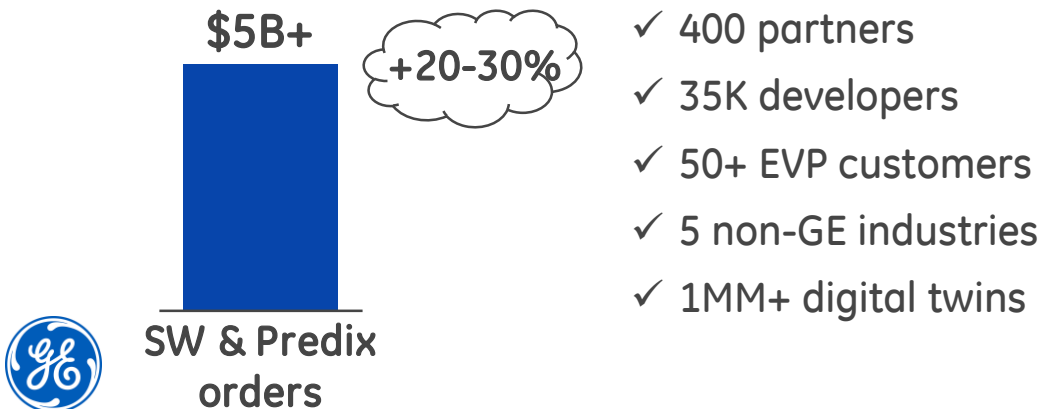


(a- Deal taxes are excluded from Industrial CFOA and included in dispositions; GE Pension Plan funding excluded from Industrial CFOA and included in uses of cash  
(b- FCF conversion estimate of 80-90% based on revised calculation methodology (see page 18))

### 3 Invest in Digital



#### 2017E metrics

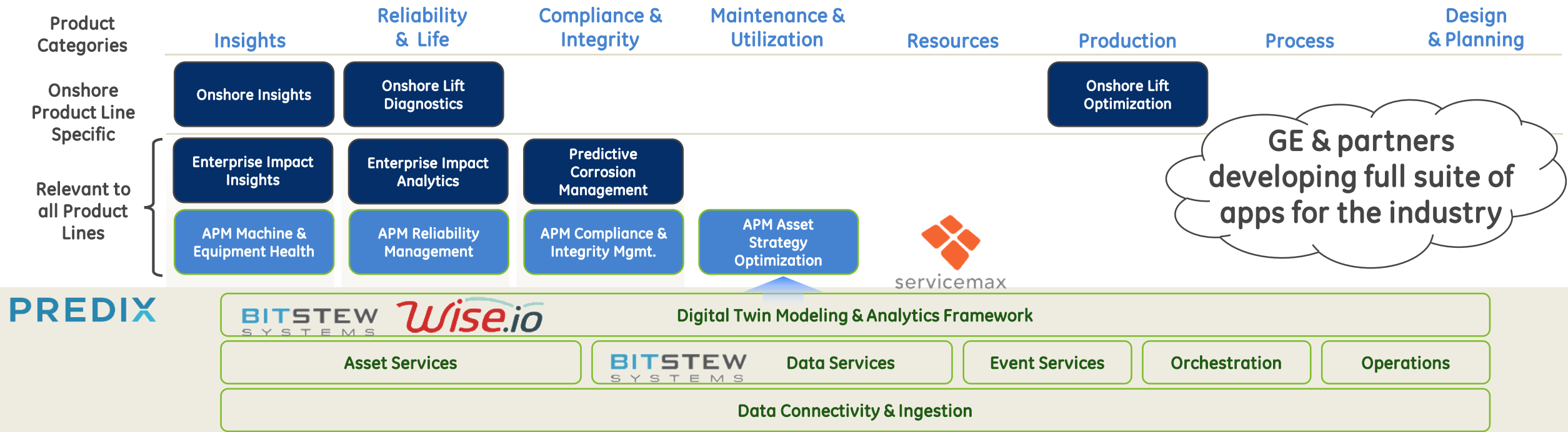


#### Value creation

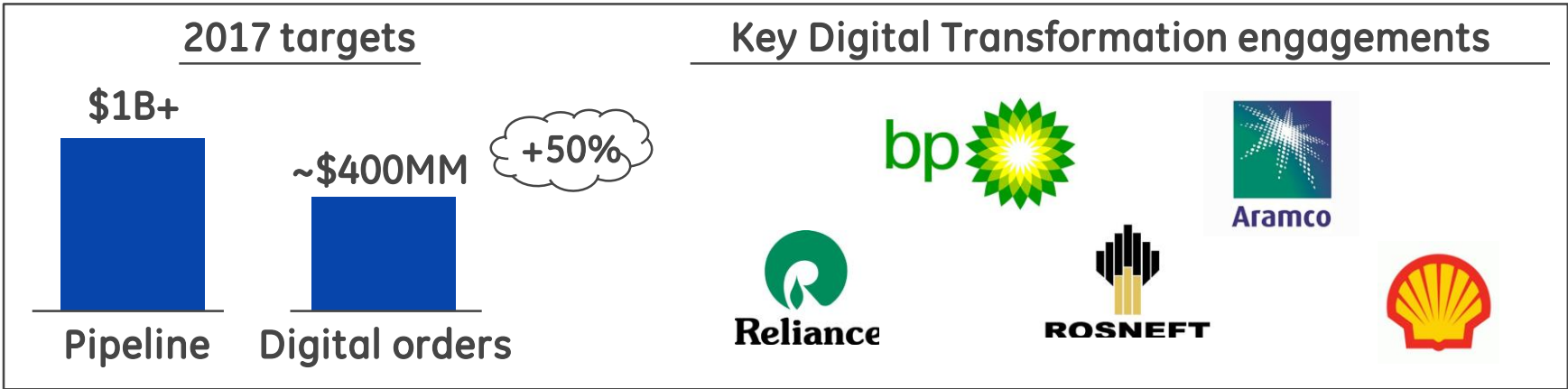
- 1 Incremental services growth, more productivity, better products
- 2 Valuable platform created ... assets and services
- 3 Return on investment

# Oil & Gas extensions and products

## IntelliStream Portfolio: SaaS for Oil & Gas fullstream

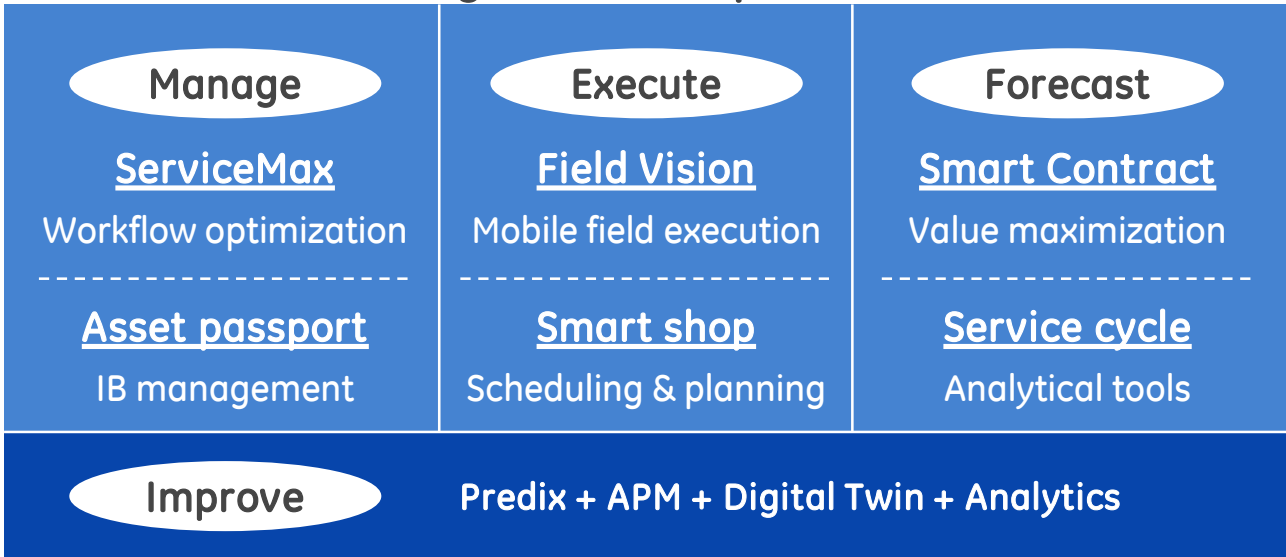


GE & partners developing full suite of apps for the industry



# Digital service platform

GE Digital service platform



GE Digital productivity: Service

	\$MM
Field engineer efficiency (ServiceMax, Field Vision)	\$150+
Repair/material (APM, Smart Shop)	\$150+
IB upgrades (Asset Passport, Smart Contract, Service Cycle)	++

## ServiceMax a gateway

~\$400MM

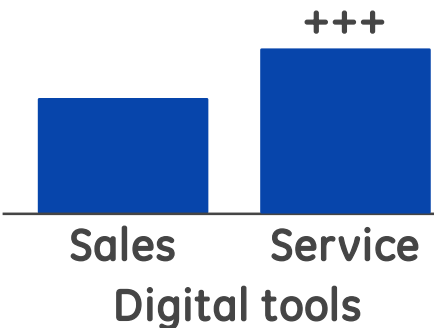


Pipeline

- ✓ \$40B market identified
- ✓ 75% growth since acquisition
- ✓ Pipeline +20% ... new and core customers
- ✓ Product roadmap with content & analytics
- ✓ Focus ... OEM-led service & operations-led service

## CRM for services

Margin created



- ✓ Large category being created around industrial service & field management
- ✓ CRM platforms a useful comparison



# Additive leadership

## 2017 goals

Units ~400

Revenue \$300MM

Revenue pipeline \$500MM

GE parts 200 prototypes

- ✓ Establishing product line
- ✓ Growing capacity
- ✓ Building capabilities
- ✓ Materials
- ✓ Predix enablement
- ✓ Financing platforms in place

## New product investment

Establish breakout moves (size, speed)

Multiple modalities/hybrid machine

Improve cycle times ... design, production

Lower cost of ownership

Understand "Moore's law" for additive



## External markets

### Aviation



- ✓ Accelerating deployment ... internally & across the industry
- ✓ Resetting supply chain cost entitlement
- ✓ No structural casting in **Advanced Turbo Prop**



### Healthcare



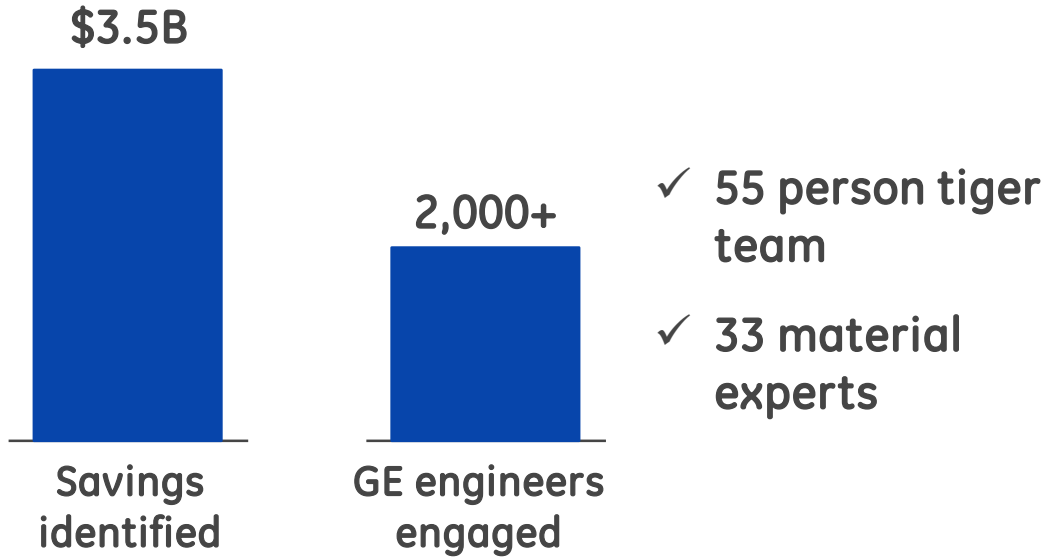
- ✓ Building momentum in the medical implant market
- ✓ **High performance implants** (hip, knee, dental)
- ✓ On-demand, patient-specific production ... reduced cycle time

### Automotive



- ✓ **Heat exchanger:** 242 parts → 1 part, 50% weight reduction
- ✓ Weight reduction & better aerodynamics
- ✓ Improved thermal management

# Additive driving internal productivity



- + Consolidate GRC and all business efforts
- + 13 materials in development
- + NPI pipeline ... accelerating product roadmap to capture opportunity



## Impacting value chain across GE

### Hydro design/tech validation

**50% faster** to market and lower cost

### Oil & Gas compressor seal

**20% cheaper** plus win in aftermarket

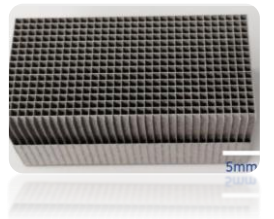
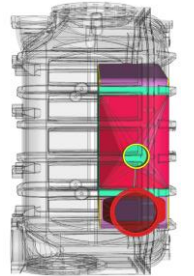
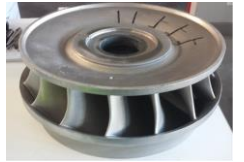
### Transportation heat exchangers

**30% cheaper** and more reliable ; **Additional** system opportunities

### Power Turbine stator components

**35% cheaper** and performance improvement

### Healthcare CT collimator



## Acceleration in the last 90 days

**1000+** application ideas identified

**110** prototypes made

**\$500MM+** new savings identified



# Incentives are aligned

## AEIP: 2017

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- + 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 (2016-2018)

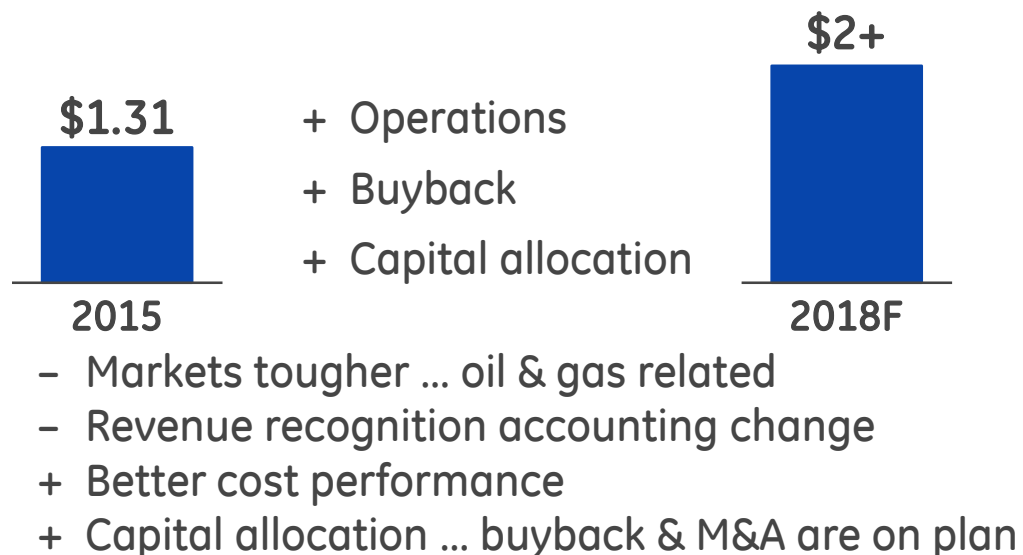
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Cumulative EPS	\$5.05-\$5.55
Industrial profit margins	15-17%
Industrial ROTC	16-18%
Total cash generated	\$70-97B
Cash returned to investors	\$55-67B



# The Bridge

## Original goal



## View of 2017

\$1.60-\$1.70



2017E

- ✓ 3-5% organic growth with 100 bps. margin expansion ... cost out supports tougher markets
- ✓ Baker Hughes, Alstom, & buyback on track
- ✓ Confirm 2017 framework of \$1.60-1.70 EPS
- ✓ Expect high-quality earnings ... EBIT & FCF conversion

## Investor view: 2018

- + Leadership goals aligned to the Bridge
- + Capital allocation and acquisition impact in line with expectations
- + Revenue recognition accounting change impact estimated to be ~\$(0.05) EPS
- + We expect 2018 to be in line with our goals of 3-5% organic growth and 100 bps. of margin improvement
- + \$2 EPS is at high end of expectations where markets are today ... hitting goals will require additional cost contingencies



