Seeking Alpha

GE: Is Now The Time To Buy? A Deep Due Diligence Dive

Nov. 27, 2017 9:09 AM ET121 comments
by: Chuck Walston

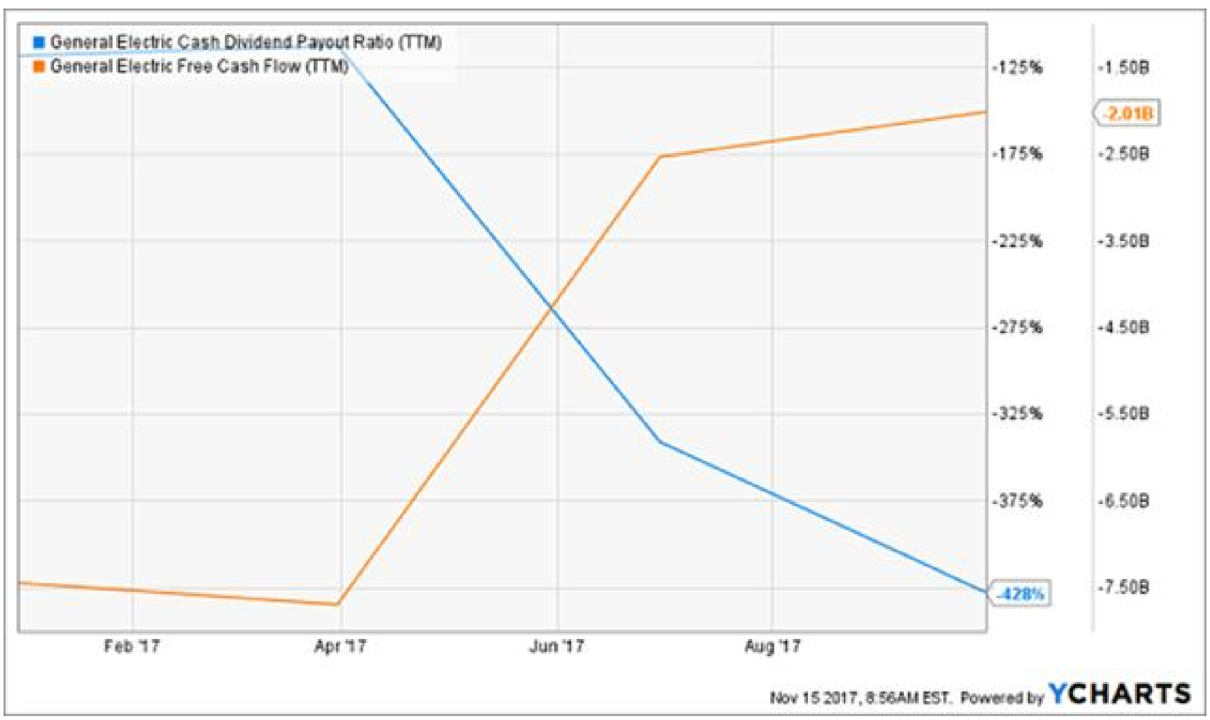
Summary

- Are there catalysts to drive the shares higher?
- Are hidden concerns lurking nearby?
- Is now the time to buy, sell or hold?

What Caused The GE Debacle?

When all is said and done, the real cause of the sell-off in General Electric's (GE) shares is a lack of sufficient free cash flow. GE's FCF has deteriorated for six consecutive years.

In the last 12 months, GE's FCF has been negative $2 billion!



Source: Forbes

Therein lies the impetus for the dividend cut. In 2018, despite having halved the payout, GE is expected to expend 60% to 70% of FCF to fund the dividend.

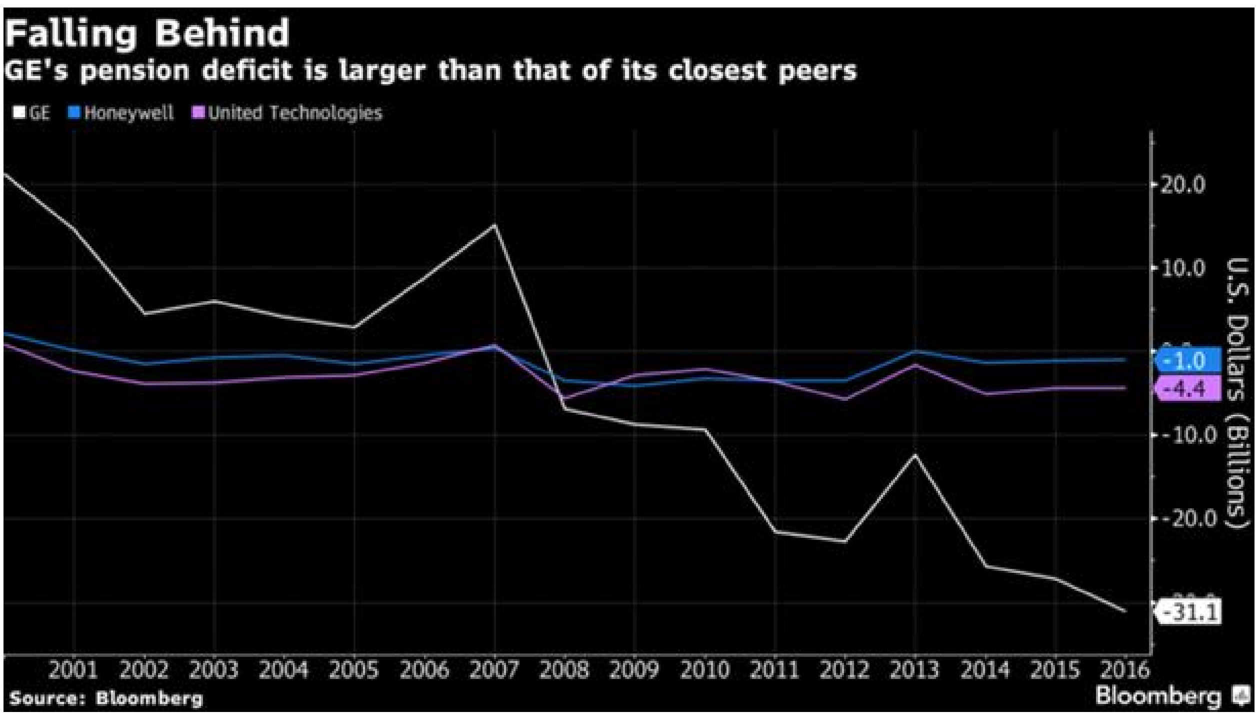
Of course, GE's third-quarter results were dismal, missing analyst forecasts by 40%. Operating profits in the energy business sank 50%, oil and gas profits were down 35%, and transportation operating profits dropped 11%. Even with other segments performing reasonably well, the industrial segment's profits, in large part due to shrinking margins, suffered a 10% drop.

In spite of, or perhaps due to, the company's gargantuan presence, GE is barely profitable. Unfortunately, compressed margins and depressed sales are not the only headwinds faced by GE's management team.

GE's Pension Plan Is Badly Underfunded

If you've been following GE, then you probably consider this "old news." However, I'm going to guess you might not know the real magnitude of GE's pension funding shortfall.

GE's pension deficiency is the largest of any S&P 500 company and is 50% greater than any corporation in the United States.



As New Year's Eve dawned, GE had $94 billion in obligations and a shortfall of $31 billion. That translates to a funding ratio of 67%. GE must pay $47 billion in pension benefits to its retired employees and their beneficiaries over the next 10 years.

The company plans to borrow $6 billion to fund the pension plan through 2018, 2019 and 2020, but that's kicking the can down the road, so to speak.

In essence, the lack of pension funding should be considered as the equivalent of corporate debt. With the slashed dividend requiring a minimum of 60% of the company's projected 2018 FCF, the planned divestiture of entire business segments likely leading to lower revenues, and the largest segment (Power) facing poor prospects, it is reasonable for investors to view the underfunded pensions as a long-term headwind.

GE Faces A Large Class-Action Lawsuit

Japanese property and business owners filed a $500 million class-action lawsuit against General Electric for the company's alleged part in the Fukushima nuclear reactor disaster.

I've conducted a cursory study of the pros and cons of the case, and it seems to me (I am not a lawyer) that both sides have reasonable arguments. Of importance is that the Fukushima incident, with losses estimated at $200 billion, stands as the most costly industrial accident in history. Consequently, it is logical to assume that GE could suffer significant monetary damages, above those presented in this case.

Restructuring Through Divestitures May Prove Ineffective

GE's CEO announced plans to restructure the company through a series of divestitures. GE said it would exit its lighting, transportation, industrial solutions and electrical grid businesses. While most would agree that GE is too complex and that certain segments are marginally profitable and lack synergies, a revitalization through the sale of varying operations may prove inadequate.

While the Transportation segment has been targeted for divestiture, it is important to consider that a spin-off may be more likely than a sale of the assets due to tax considerations. While spin-offs may rid GE of lackluster enterprises, it will not result in coins dropping into the company's coffers.

Furthermore, talk of the sale of the recent Baker Hughes acquisition is problematic. Through the middle of 2019, GE is required to receive the approval of the sub-company before taking action.

Additionally, analysts' sum-of-the-parts (SOTP) estimates for GE range from a high of $20 per share (JPMorgan Chase & Co. analyst Steve Tusa) to analyst Gautam Khanna's SOTP estimate of $11 to $15 per share.

As I find Khanna's observations instructive, I include an excerpt from his note:

> "*In recent weeks, investors have asked us about GE's SOTP and whether an outright break-up makes economic sense. We calculate a SOTP value for GE of $11-15 (assumes ~$2.70/share for BHGE and a perhaps generous $2.41/share for Capital) under various scenarios, after considering potential dis-synergies from tax leakage, shared services (GE store, procurement, etc.) and legal, banking and refi costs which could be substantial. A major difference in our analysis vs. GE bulls who argue for SOTP upside is that we penalize GE's enterprise value for debt-like items (underfunded pension; GE Capital's net debt) that would be ascribed to assets if sold. Thus, we see no economic argument for a full-scale break-up of the company, and thus, no quick fix for the stock. The turnaround will take time, and as we pointed out in a recent note, the eventual FCF/share recovery will be to a lower level than commonly perceived.*"

It is logical for investors to assume that between the likelihood of spin-offs occurring rather than the sale of some operations, a lack of suitable suitors for targeted divestitures and the possibility that the amputation of certain businesses may lead to loss of revenues, that divestitures are unlikely to be a panacea for GE's problems.

GE's Debt

Unfortunately, venturing into the company's debt profile is akin to walking through a minefield. While I am a reasonably seasoned and astute investor, I readily admit that the nuances of GE's debt are beyond my abilities. This is in large part due to the financial arm of GE.

The company's debt load is a tad over $136 billion. There are those that would argue that sum is overstated due to the portion of debt attributed to GE Finance. After all, a financial wing needs money to make money, right? The industrial side of GE has a much more palatable debt totaling roughly $20 billion.

Herein lies a problem, at least for the average investor. How does one assess the somewhat opaque nature of GE's debt?

Perhaps a reasonable means to judge a company's finances is to simply turn to the credit rating agencies. If so, then you might want to be advised that Moody's Investor Service recently cut GE's long-term debt rating from A1 to A2.

While a cut in a company's debt rating is never welcomed, A2 is still investment grade.

At this point in time, I do not view GE's debt as a major headwind, although some SA authors have contrary opinions. My primary concern is the rather cryptic nature of the debt held in GE's financial arm.

GE Capital (This Ain't Good)

Unfortunately, the debt load is one of the least of my concerns when I consider investing in GE. GE Capital is a problem, and it may be a big problem. For the foreseeable future, GE Capital will cease forwarding dividends to the parent company. That seems somewhat innocuous on the surface, however, there may be more to this than meets the eye.

GE has billions of dollars of obligations from reinsurance agreements with other insurers. To smooth the divestiture of certain assets, GE took on a portion of those carriers' responsibilities for paying claims. The concern is that GE may have an obligation to provide reserves and future payments to insurers that sold long-term care policies.

During October's conference call, a GE executive stated actuaries are examining GE's long-term care reserves in "a very complex exercise" to determine if the company is deficient.

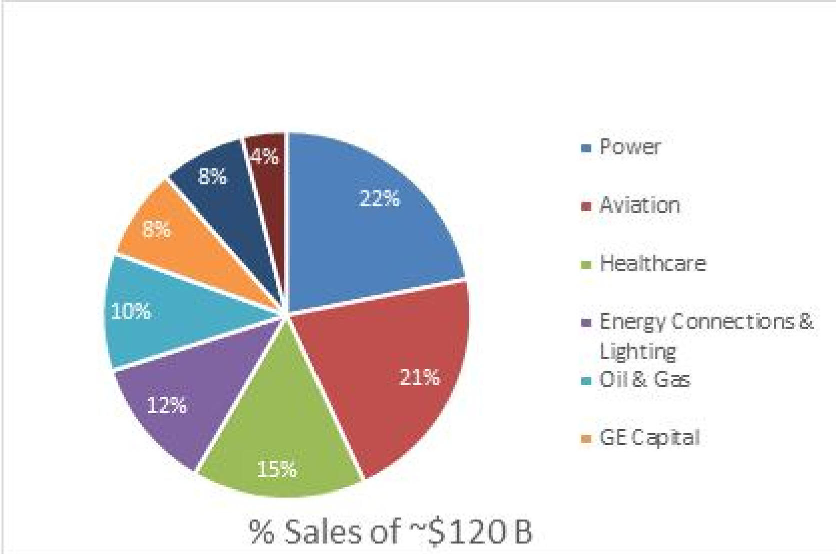
Research firm Evercore ISI stated an analysis of GE's regulatory findings indicates the company may have "a deficiency of 20% or more." If that assessment is accurate, the charge would equal at least $2.5 billion. Evercore also stated that GE's regulatory filings with state insurance departments indicated claims were far higher than GE had expected.

Anyone familiar with the recent travails associated with the long-term care insurance industry has to wonder if this is but the tip of the iceberg.

Uhm, About That Aviation Business

According to research conducted by Cowen & Company, the LEAP aircraft engine program won't break even until 2019. The LEAP engines are manufactured by CFM, a joint venture between Safran (OTCPK:SAFRY) and GE. According to Cowen, airlines pay a mere 30% of the list price for single-aisle aircraft engines. Consequently, a $13 million engine sells for approximately $3.7 million. CFM and other manufacturers accept this markdown in order to obtain lucrative long-term maintenance contracts.

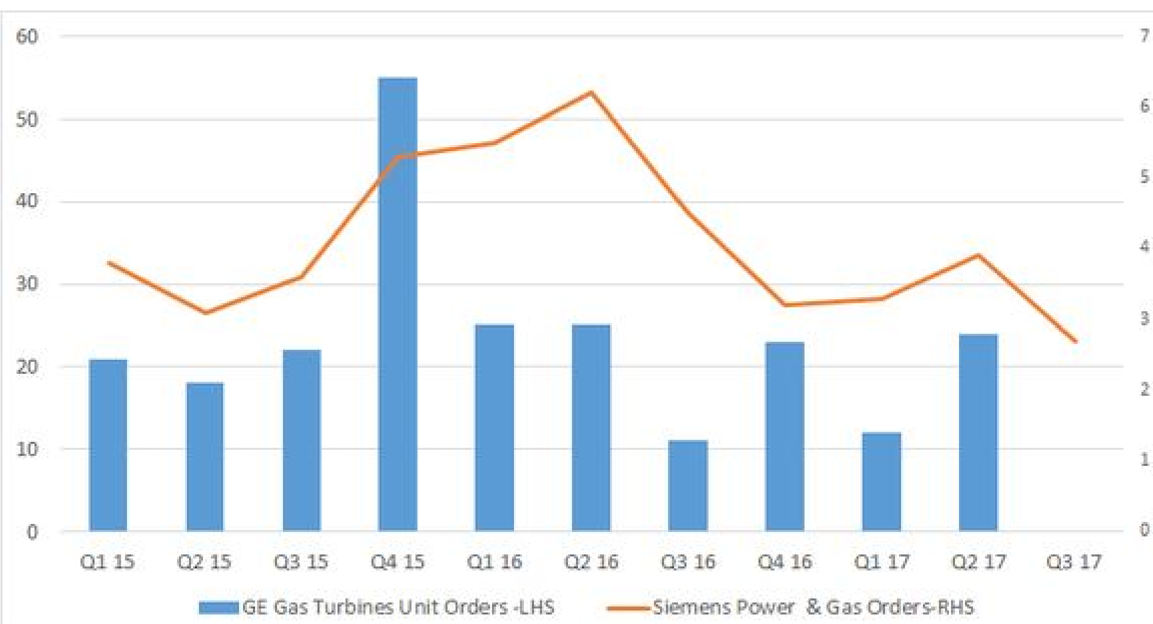
Don't Expect Help From The Power Segment



*(Source: Created by **KER Research** with data from FactSet)*

The power segment is the largest revenue producer in GE's portfolio, and it is facing significant headwinds. This is an industry wide problem, although GE seems to be suffering more so than others.

Both GE and Siemens (OTCPK:SIEGY) executives forecast difficult times ahead. A GE spokesman described a competitive market marked by overcapacity. Siemens CFO Ralf Thomas noted that "the fight for every single order is really fierce, and we see continued price pressure due to overcapacities." He also foresaw current market conditions extending well into the next fiscal year.



Profit for GE Power is expected to fall by another 25% in 2018.

Now For the Bull's Eye View

CFM International is a joint venture between GE Aviation and Safran Group. The companies produce LEAP aircraft engines.

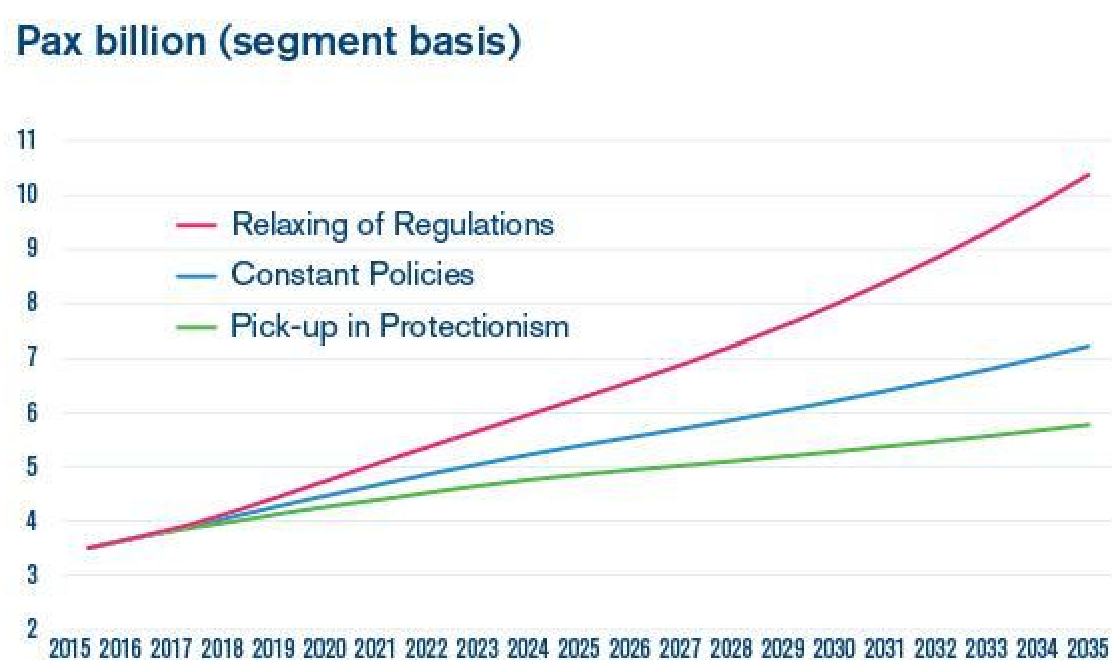
By 2020, CFM is projected to produce more than 2,000 LEAP engines per year. LEAP engines are 15% more fuel efficient than their predecessors. Since fuel costs represent 20% of airlines' expenses, the technology represented by LEAP engines sells itself. The LEAP engine backlog exceeds 12,200 and at list price is valued at more than US $170 billion.

At the Paris Air Show, GE garnered $30 billion in new contracts, a sum 10 times that of the nearest competitor.

Furthermore, air travel is projected to increase markedly in coming years, serving as a (no pun intended) strong tailwind for GE Aviation.

According to the International Air Transport Association, airline traffic is projected to nearly double from 2016 to 2035, with 7.2 billion passengers versus the current estimate of 3.8 billion in 2016. The prediction is based on a 3.7% CAGR as noted the association's 20-Year Air Passenger Forecast.

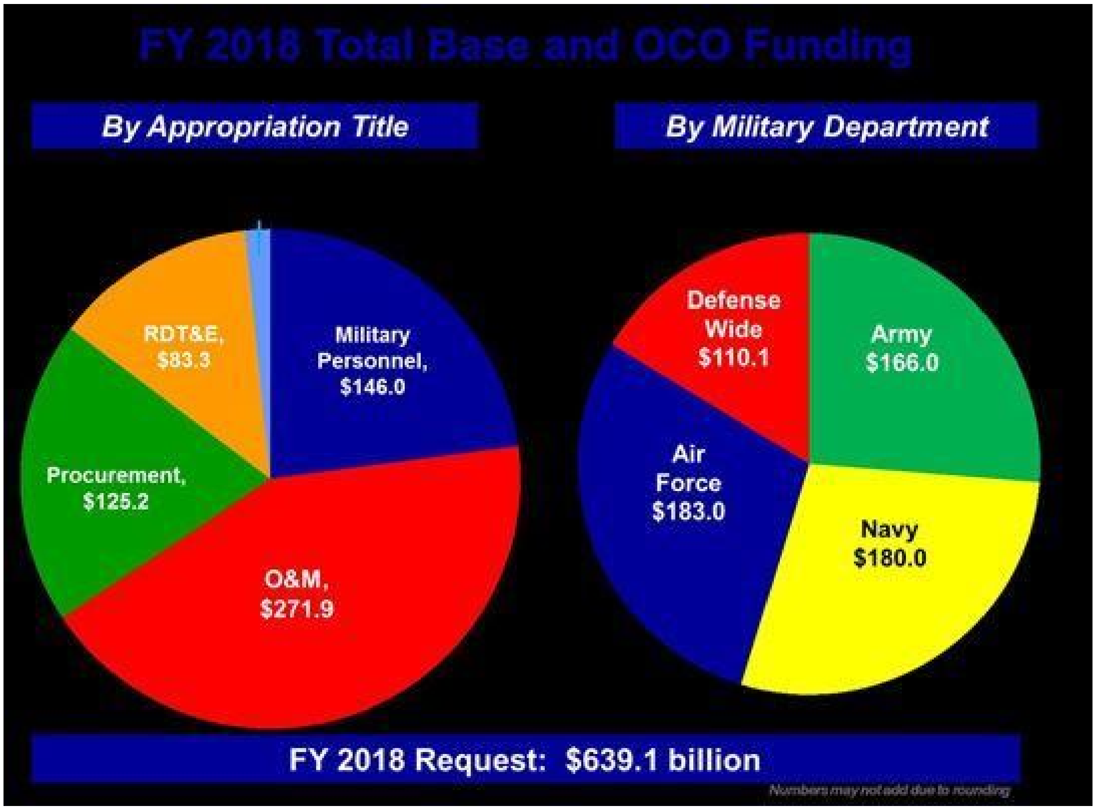
The estimates provide three scenarios, depending on trade policies and economic forecasts.



Source: IATA

The current administration's defense policies are also seen as a positive for GE Aviation, as 90% of GE's sales of military products and services are through GE's Aviation business.

The aviation segment posted a profit of $4.86 billion, up 11% year over year. GE projects aviation's operating profit to grow by 7% to 10% in 2018.



Source: US Department of Defense

Renewable Energy

While consisting of a relatively small slice of the giant pie that is GE, the GE Renewable Energy business witnessed strong growth in 2017.

GE Renewable Energy booked a strong quarter with $3 billion in orders and double the growth in its international onshore wind orders. Growth in this business could bode well for GE's future.

(Source: GE)

The Power That Is GE

Nearly three-fourths of GE's sales and 85% of its earnings come from businesses that dominate their markets.

Aviation, healthcare, and power segments will increasingly be the primary focus for GE. These businesses boast market leadership positions, retain strong customer relationships, and provide long-term revenue streams via sales from aftermarket services.

GE manufactures and designs complex and differentiated products including wind turbines, aircraft engines, and medical equipment requiring a vast array of technology.

Switching costs for these products and GE's enormous installed base of industrial equipment serve as a significant moat for GE. The company's global footprint enables GE to source materials and services for internal use at scale, thereby creating a significant barrier to those attempting to encroach on GE's current customer base.

The potential for GE to dominate competitors in certain capital and knowledge intensive industries should not be underestimated.

What Is GE's Fair Value?

I generally don't provide fair value targets in my articles, but I will make an exception. The reason I eschew FV estimates is that invariably someone contends the methodology can be tweaked in one way or another, requiring a long and contentious exposition as to why certain metrics were inserted in a given formula.

Instead, if pressed on the matter, I quote the lesser of the three estimates provided by my differing broker services.

Why the lesser? Because I will always prefer the more conservative estimate.

I include the FV in this piece because I consider it instructive:

- On 12 June, analyst Barbara Noverini pegged GE's FV at $32.
- On 23 October, the same analyst estimated FV at $29.
- On 15 November, Ms. Noverini ascertained FV to be $26 per share.
- Currently, Argus has GE's FV as $22.
- CFRA has a more conservative estimate of $18.37 (lest someone think the shares should go for $18.38 or $18.36).

So three professional analysts have a variance of nearly $8 a share, a 44% difference.

My goal isn't to beat up on Ms. Noverini or any other analyst. My intent is to display the futility of attempting to provide a precise number for FV. Early in my investing life, I placed great emphasis on analysts' estimates of fair value, much to my regret.

You, my friend, must make an estimate of GE's FV, not through mere numbers, but by weighing both metrics and (oftentimes, more importantly) the stock's story.

The Dividend

With the recent dividend cut, GE uses 60 to 70 percent of FCF for the payout. It is reasonable to assume management would only cut the dividend again under dire circumstances. It is also logical to assume GE will not increase the dividend substantially for the foreseeable future.

Management

The CEO is serving notice that a new sheriff is in town by grounding the company's corporate jet fleet and selling the planes, terminating a company-car program for hundreds of executives and cutting 25 percent of corporate staff (1,500 hundred positions) worldwide. In August, in an effort to save money, GE announced that it would delay construction of part of its headquarters.

GE also plans to cut its board to 12 from 18 members, and bring on three new directors early next year.

Compensation for board members will transition to a more shareholder-friendly model.

While I welcome the changes, the doubts concerning the efficacy of the CEO and higher management is and will remain an open question.

Important Insights Provided By My Last GE Article

In my last article, *GE: Buy, Sell Or Hold? Research Regarding Outcomes Of Dividend Reductions*, I dissected a large body of academic research regarding the consequences of dividend cuts.

I caution readers that the research points to the most likely outcomes and that each company's results are likely to vary to some degree from the average. The article provided these insights:

- In at least 80% of cases, the stock price following a dividend cut drops markedly at the time of the announcement and continues in a downward trajectory for weeks following the reduction.
- It is common for the following quarter to have poor results; however, thereafter, company profits tend to improve. Meanwhile, the market responds well to company news during each quarterly announcement.
- Firms that confront operational problems aggressively through dividend cuts experience a more rapid recovery than companies that delay dividend cuts.
- Companies that decrease dividends experience lower earnings during the same year and increases thereafter.
- CAPEX and R&D spending are likely to suffer following a dividend cut.

Final Thoughts

My reticence to invest at current levels is in part due to a series of "what if" questions.

What if:

- Forward EPS is overstated. After all, the current EPS is significantly lower than previous company guidance;
- GE has difficulty divesting the company of poorly performing assets?;
- results of planned restructuring don't have the desired effect?;
- competitors' initiatives stymie GE's progress?;

- the management proves grossly incompetent?; and
- GE's fortunes decline? Could the shareholders experience another dividend cut? While I find that unlikely, with a 60 to 70 percent payout ratio, any reversal suffered by the company would seriously restrict FCF.

I believe my queries are sensible considering GE has lost a degree of flexibility due to the negatives listed in this article.

I also asked myself what are the catalysts for a future price increase?

Even if GE's efforts are successful, it is difficult for a company this size to experience substantial growth.

According to every source available, including the pronouncements of company spokesmen as well as GE's CEO, the turnaround is expected to be rather ponderous, lasting for several years. The divestitures alone are currently projected to unwind over a two year time span.

Most importantly to me is that I am unable to evaluate GE's current management team. The CEO, John Flannery, has a background in finance, yet he is leading a technologically driven company. He is a GE insider. Is he capable of changing the GE culture?

GE has a new CFO in Jamie Miller. Will she excel or fail in her position?

Russell Stokes has served as the president and CEO of GE Power since June of 2017. During that time, the Power segment has not performed well, although, in his defense, many of that business' problems are caused by secular headwinds.

GE is set to reduce the number of board members from 18 to 12. Nine veterans will exit the board while three newcomers will take seats. How can investors evaluate the leadership qualities, individually or collectively, of the corporation's executives? Arguably, the most important aspect of an investment in a company undergoing a major restructuring program is the capabilities of corporate leadership.

In summation, there are no catalysts for immediate growth. There is no reason to believe that a significant increase in the dividend will occur in the foreseeable future. There are possibilities of additional headwinds developing in the near term. The restructuring efforts will take time to provide results. Projected FCF remaining after the dividend is funded is thin. The underfunding of the pension is a long-term headwind, and there is a possibility that the issues in GE Capital related to the funding obligations for long-term insurance policies could prove onerous. Perhaps most importantly, there are questions concerning company leadership; therefore, it is reasonable to assume that a better entry point may be available within the next few months and/or that GE may be a dead money investment for the foreseeable future.

While I believe investors entering at this level will likely experience positive gains over an extended time period, I concluded patience may result in better long-term returns. I concede that I may miss a fraction of the potential upside. In weighing all pros and cons, I concluded that I should assume a position of watchful waiting.

On 11/16/2017, I sold puts on GE with an expiry of March 15th and a target price of $15. I do not anticipate owning GE shares via these puts. My goal was simply to gain a small profit by taking advantage of GE's current situation.

Should I add the shares through the exercise of the puts, I will be content; however, I will not be "backing up the truck" at that price, or at least not at that price and date. With a projected EPS of a bit over $1.00 a share, I view $15 as a reasonable entry level; however, I don't consider the shares a bargain at that price.

One Last Word

It is my goal to continue to provide free access to my investing ideas. Consequently, I ask that you click the "Follow button" just below the article title. Your support will help me provide SA members with free content. In return, I will always endeavor to share the best investment theses I can muster. You have my solemn vow that you will never read "click bait" articles, nor will I write repeated articles on the same topic without providing new insights.

Disclosure: I/we have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours.

I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

Additional disclosure: Please conduct appropriate due diligence before making any investment. This article is not a recommendation to buy or sell any stock.

Comments (121)

SD86

Good article. Thanks for sharing it. The biggest problem I see with GE is that it's just going to be 'dead money' for months if not years. The $17-18 level seems to be holding for now as support, so one could start to slowly build a position and sell options on it to take in premium. But otherwise, let this sleeping dog lie...

27 Nov 2017, 09:18 AM

Chuck Walston, Contributor
Author’s reply » SD86,

Thanks for the kind words. Sounds like we are of the same opinion.

Make today a good day, Chuck

27 Nov 2017, 10:19 AM

JBMoore3
I owned GE for years - passed it onto my son who is in his 20s. Maybe he will see an increase in 30 yrs. I moved on to better investments! GE is a scary stock given the present remaining management

27 Nov 2017, 11:18 AM

Chuck Walston, Contributor
Author’s reply » JBMoore3,

Thanks for the comment. Here's wishing your son well in the investment.

Best, Chuck

27 Nov 2017, 11:27 AM

Chuck Walston, Contributor
Author’s reply » To all,

"Fitch Ratings downgrades General Electric (NYSE:GE) and its GE Capital finance arm to A+ from AA- and their short-term issuer default ratings to F1 from F1+, with a negative outlook.

Fitch cites "the deterioration in the company's operating and financial performance including a slower return to higher margins and stronger free cash flow than previously anticipated by Fitch. GE's performance is being affected by secular changes in the Power segment's gas turbine business that has reduced long term prospects for growth."

Earlier this month, Moody’s downgraded GE to A2 from A1 due to “severe deterioration” in the financial performance of the company’s power segment expected to last through at least 2019."

Taken in whole from:

https://seekingalpha.c...

Chuck

28 Nov 2017, 04:50 PM

Buyandhold 2012
Is now the time to buy GE?

GE is not a bad buy at its current price.

But I am waiting for it to fall to 15 before I buy more shares.

27 Nov 2017, 09:18 AM

Chuck Walston, Contributor
Author's reply » Buyandhold 2012,

It's always good to get your viewpoint, B&H. Here's wishing you and yours the best holiday season.

Chuck

27 Nov 2017, 10:20 AM

debtiv5
With all the negatives underlined in this article, I won't look at GE above 10.

27 Nov 2017, 01:53 PM

Prodigy Disc Golf
Slowly building a position. Not expecting much

27 Nov 2017, 09:20 AM

SD86
I like your name, as I'm a disc golf player as well. Prodigy M4 = better than GE stock. :)

27 Nov 2017, 09:22 AM

Chuck Walston, Contributor
Author's reply » Prodigy Disc Golf & SD86,

What the heck is disc golfing?

Best, Chuck

27 Nov 2017, 10:22 AM

SD86
It's where one throws specialized frisbees into hanging chains with a basket underneath. Like regular golf, the object is to get from tee to basket in the fewest strokes. Disc golf tends to be measured in feet where golf ball golf is measured in yards. Many public parks have disc golf courses. Fun stuff, good exercise.

27 Nov 2017, 10:27 AM

Chuck Walston, Contributor
Author's reply » SD86,

Thanks for getting back to me. I'm moving soon, and I want a destination type home for the extended family. You know, huge game room, movie room etc. SOunds like something worth investigating.

Wishing you and yours a great holiday season, Chuck

27 Nov 2017, 10:56 AM

dlhatheway
A picture is worth a thousand words:

http://tinyurl.com/ya7...

My son plays all the time. Fresh air and exercise. Also, much like regular golf, plenty of hunting around in the woods for a lost disc.

28 Nov 2017, 08:57 AM

Chuck Walston, Contributor
Author's reply » dlhatheway,

Thanks for the link.

Wishing you a great holiday season, Chuck

28 Nov 2017, 11:57 AM

Johan2003
dlhatheway my kids, they are in their 50ties, and friends play at our house in a field year round, we are in sunny Florida. We have 2 acres
fenced in so they also bring their dogs. We have also a car port there where they can sit and they bought a gas heater. They even have played on snow shoes. Hanna

29 Nov 2017, 10:47 AM

Tom Szczypka
GE needs to sort itself out, this may take a while, this dip and dividend cut is only the beginning. They should be fine 10 years from now, but I'm not sure what 'fine means' , they could be going the way of IBM

27 Nov 2017, 09:22 AM

jtighe65
Chuck: When I clicked on the article my first thought was here is number 4.. something. It is the most balanced and accurate assessment I have read of GE. The moats as you point out have lots of junk floating around and who knows what lurks beneath the surface. I remain long GE, with little or no expectations for a couple of years.

27 Nov 2017, 09:33 AM

Chuck Walston, Contributor
Author’s reply » jtighe65,

Thanks for the compliment. Hopefully, your and my assessment is pessimistic. Since you are long, I am hoping your investment does well. It does me no harm to miss out, particularly since I'll make a small sum on options.

wishing you a great holiday season, Chuck

27 Nov 2017, 10:25 AM

rockjcp
What a horrid article. It totally costs already coming out of GE. This team has it eye on the ball. Watch as it demonstrates to the market its total focus. Problems yes but solutions are on the way.

27 Nov 2017, 09:36 AM

Chuck Walston, Contributor
Author’s reply » rockjcp,

Sorry you found no worth in the article. I sincerely wish you well in your investments,

Chuck

27 Nov 2017, 10:27 AM

feedtheworld
chuck love your response to rock :)

27 Nov 2017, 12:46 PM

Chuck Walston, Contributor
Author’s reply » feedtheworld,

Thanks. Saw your comment regarding autonomous cars. The more I think about the possibilities, the more I see that the advent of driverless cars will absolutely rock the investment world. Huge changes coming from that advance alone.

Wish you well in your endeavors, Chuck

27 Nov 2017, 12:53 PM

Airchair94
A but off topic but I'm responding to the comment about autonomous cars. They will basically be computers on wheels. Any computer can be hacked. Can you imagine a city of these cars that gets hacked? I may just

be too old,lol--but the only way I would ever buy one of those cars is if it had the option to go manual.

27 Nov 2017, 11:38 PM

Larry Smith, Contributor
I listened to the entire 2 hour and 50 minute Investor Call and my thoughts are much like yours, GE has more negatives than positives. Your article did a wonderful job of working through all the plusses and minuses with laser focus on the important facts. I like you, don't see GE has being investable at this time, unless someone has a very long investment time table.

27 Nov 2017, 09:36 AM

Chuck Walston, Contributor
Author’s reply » Larry Smith,

Thanks for the compliment. It always means more from a fellow contributor, as you well know the work entailed in a piece of this scope.

I wish you success in your endeavors, Chuck

27 Nov 2017, 10:29 AM

Pennywise The Dancing Clown
Count me among those who think that GE will be a good long-term buy at the right price. Almost every long-time dividend-paying stock is eventually going to have to go through something like GE has gone through over the past decade.

When the stalwart DGI/yield-reaching investor starts to panic and flee a company like GE, that's when it's time to look into buying its bonds (which are offering relatively high yield for low risk at this point)... and then, after a few months, add its stock to your watch list and conduct this kind of evaluation. I'd like to see it get down under $13 a share. A perceptive investor could run a successful bond strategy based on the most epic failures of dividend investing.

27 Nov 2017, 09:44 AM

Chuck Walston, Contributor
Author’s reply » Pennywise The Dancing Clown,

As the old saying goes, there's more than one way to skin a cat. (Which leads me to the question: who the heck skins cats?)

If GE drops to $13 without a market move down, things will get very interesting.

Best, Chuck

27 Nov 2017, 10:32 AM

NKG
I agree with the author. $15 is a new - good entry point.

27 Nov 2017, 09:58 AM

alschroed
Wait one year before doing anything with GE. See what happens, after a year there should be blood in the streets. Wait and watch GE.

27 Nov 2017, 10:02 AM

paul4innovating
Thank you, Chuck, for a very thoughtful analysis. GE does seem to have more negatives than positives. You failed to mention their buyback policy or what it as cost. Do you have any view or impacts this also might have, in what you write?
Regards
Paul

27 Nov 2017, 10:06 AM

Chuck Walston, Contributor
Author's reply » paul4innovating,

Thanks for the compliment. I am well aware of the buyback program. While I am not as critical of buybacks as many (Lynch considers them a huge positive) I am somewhat critical of GE's recent buyback efforts. nonetheless, it is always easy to be critical with 20/20 hindsight, and a smaller float is a positive.

My criticism stems from the fact that the money could have been better spent. There were signs of a brewing storm. I wrote a glowing piece on GE years ago, but since then I turned sour on the company and sold my position at a decent profit.

I might add that I am VERY critical of the company selling the Water Unit. GE sold a strong money maker to avoid antitrust issues with the Baker Hughes acquisition, now it wants to divest BH? This isn't an attempt to get "clicks." (I'll be fortunate if 5 people read this old article.) If you are unaware of the enormous potential for profits in water, read this old article of mine. It is both enlightening for the unaware and a bit scary.

https://seekingalpha.c...

Wishing you and yours a wonderful holiday season, Chuck

27 Nov 2017, 10:49 AM

paul4innovating
I think selling off only adds to the problem. The spread of revenue potential falls, some of the business units heading out of the door, at what price in the type of market GE has painted itself in. The lighting business they have badly failed to refresh that business, transportation I would find is a bad exit if you think transportation across a broader view, the amount of rolling stock that has to be renewed, industrial solutions seems to exit something GE should be good at and finally the Electrical Grid business. Again something you simply wonder

why? Many of these have real potential but clearly in someones else's hands according to the management and that is a real worry in itself.

As you shrink the base you shrink the options and if you stay with Power that seems set for years of depressed margins and intense demand how can they achieve a turnaround.

T

he point you made on claims: pensions, GE capital commitments, and this Fukushima will suck out any newly generated cash.

It seems the more I read the more you realize what a deep hole GE has found itself in.

The route out of becoming a digital industrial powerhouse has now been refocused and shrunk in ambition, commitment and focus. So they close off another avenue to dig themselves out of the mess.

This bodes badly for GE and its future

27 Nov 2017, 12:05 PM

Chuck Walston, Contributor
Author's reply » paul4innovating,

Thanks for the commentary. Well said. I wish I could buy into the story, it just isn't a compelling investment at the moment. Additionally, I am concerned we will have a correction before 2018 draws to a close.

Best, Chuck

27 Nov 2017, 12:16 PM

D. Rockefeller
I'm sad that GE decided to exit many of it's businesses and has shrunk however it's still a huge outfit with a lot of technologies which are a plus. One thing is the huge buys by insiders however like Tisch. This guy buys low and sells high and GE is low and probably getting lower and I nibbled in a very small amount. The fools that ran this half into the ground should be locked up and hung however in America it's just standard procedure like flushing 5 plus billion in con artist Elon Musk for his junk EV's and lousy rockets etc. I think most of this is due to globalization and GE being a huge part of it like sending all it's research campuses to Communist? China except for some IT. They left Lowell, Mass in the 60's and like a lot of our industry "decided" to hand Deng all our technology, bring their leaders to Harvard, etc. and create this wonderland we have today which resulted in us dumb Americans being devastated and criminals running things for awhile. Casinos everywhere! After whatever apocolypse they have planned for us all(Middle East war?) I know reality will emerge like it always does.
The USA should build a hydrogen infrastructure out beginning yesterday and stop all the nonsense. That might solve many issues we face and sure beats wars, CIA, NSA, DIA, "defense" Saudi and middle eastern BS and save millions of lives. Fuel of the universe when and if we wake up and GE might look to that IF they plan to survive.

28 Nov 2017, 08:32 AM
