



# GE 2018 third quarter performance

## Financial results & Company highlights

October 30, 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 included in the GE earnings supplemental information package posted to the investor relations section of our website at [www.ge.com](http://www.ge.com).

Our financial services business is operated by GE Capital Global Holdings LLC (GECGH). In this document, we refer to 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.

# Overview

## 3Q'18 results

- 3Q'18 GAAP continuing EPS of \$(2.63); adjusted EPS of \$0.14
- Adjusted GE Industrial free cash flows of \$1.1B
- Strength in Aviation, Healthcare, and Transportation
- Recorded estimated \$22B non-cash goodwill charge

## Announced actions

- Reducing our quarterly dividend to \$0.01 per share, beginning with the board's next dividend declaration
- Plans to reorganize GE Power to further improve cost structure, enhance execution agility, and drive better outcomes for customers and investors



# 3Q'18 performance

(\$ in billions – except EPS)

	<u>3Q'18</u>	<u>y/y</u>	<u>y/y (org.)</u>	<u>Adjusted EPS walk</u>	
Orders	\$31.4	7%	13%		<u>3Q'18</u>
Revenues	29.6	(4)%		GAAP Continuing EPS	\$(2.63)
- Industrial	27.5	(5)%	1%	Less: Gains	0.01
- Capital	2.5	3%		Less: Power goodwill impairment	(2.56)
GE adj. Industrial profit <sup>a)</sup>	2.2	(23)%	(17)%	Less: Restructuring & other	(0.14)
GE adj. Industrial profit margin <sup>a)</sup>	8.1%	(1.8)pts	(1.8)pts	Less: Non-op. benefit costs	(0.07)
GAAP Net EPS	(2.62)	U		Less: Unrealized mark-to-market	(0.01)
GAAP Continuing EPS	(2.63)	U		Adjusted EPS <sup>a)</sup>	<u>\$0.14</u>
Adjusted EPS <sup>a)</sup>	0.14	(33)%		Restructuring & other includes \$(0.8)B restructuring expense, \$(0.5)B Power Conversion impairment	



(a - Excludes interest & other financial charges, non-operating benefit costs, gains (losses), goodwill impairment, and restructuring & other

# Cash

(\$ in billions)

## Cash flows

	<u>3Q'18</u>	<u>y/y</u>	<u>YTD</u>	<u>y/y</u>
<b>Net earnings (loss)</b>	<b>\$(23.0)</b>	<b>\$(24.2)</b>	<b>\$(21.6)</b>	<b>\$(24.0)</b>
Goodwill impairment	22.0	21.0	22.0	21.0
Depreciation & amort.	2.0	0.6	4.7	1.1
Working capital	(0.1)	0.6	(2.3)	(1.4)
Contract assets	(0.1)	0.4	(1.0)	2.0
All other operating <sup>-a)</sup>	1.1	1.6	0.1	1.8
Gross capex	(0.9)	0.4	(2.7)	0.8
Less: BHGE FCF <sup>-b)</sup>	(0.0)	0.5	0.0	0.5
Plus: BHGE dividend	0.1	0.0	0.4	0.3
<b>Adj. GE Industrial FCF<sup>-c)</sup></b>	<b>\$1.1</b>	<b>\$(0.1)</b>	<b>\$(0.3)</b>	<b>\$0.9</b>

## GE Cash balance walk

(ex. BHGE)

<b>Beginning balance 4Q'17</b>	<b>\$11.8</b>
Adjusted GE Industrial FCF <sup>-c)</sup>	(0.3)
GE dividends	(3.1)
Business dispositions <sup>-d)</sup>	3.2
Debt	6.0
Pension funding	(6.0)
Other	(2.4)
<b>Ending balance 3Q'18</b>	<b>\$9.1</b>



(a - Excludes deal taxes & GE Pension Plan funding, net of deferred income taxes  
 (b - BHGE FCF on a gross capex basis  
 (c - Excludes deal taxes & GE Pension Plan funding; BHGE on a dividend basis  
 (d - Includes deal taxes

# Financial policy

- Target sustainable credit rating in Single A range
- Target net debt/EBITDA <2.5x<sup>a)</sup>
- Target dividend payout in line with peers over time

Financial strength & flexibility critical to company's success



(a - Non-GAAP financial measure)

# Segments

(\$ in billions)

	<u>Power</u>			<u>Healthcare</u>		
<u>3Q'18</u>	<u>\$</u>	<u>y/y</u>		<u>3Q'18</u>	<u>\$</u>	<u>y/y</u>
Orders	\$6.6	(18)%		Orders	\$5.1	-%
Revenues	\$5.7	(33)%		Revenues	\$4.7	-%
Segment profit	\$(0.6)	U		Segment profit	\$0.9	2%
Segment profit %	(11.0)%	(16.4) pts.		Segment profit %	18.3%	0.3 pts.
	<u>Aviation</u>			<u>Renewable Energy</u>		
<u>3Q'18</u>	<u>\$</u>	<u>y/y</u>		<u>3Q'18</u>	<u>\$</u>	<u>y/y</u>
Orders	\$9.1	35%		Orders	\$2.9	(3)%
Revenues	\$7.5	12%		Revenues	\$2.9	15%
Segment profit	\$1.7	25%		Segment profit	\$0.1	(72)%
Segment profit %	22.3%	2.4 pts.		Segment profit %	2.1%	(6.6) pts.



# Segments

(\$ in billions)

<u>Oil &amp; Gas</u>			<u>Lighting</u>		
<u>3Q'18</u>	<u>\$</u>	<u>y/y</u>	<u>3Q'18</u>	<u>\$</u>	<u>y/y</u>
Orders	\$5.8	-%	Orders	\$0.2	(6)%
Revenues	\$5.7	7%	Revenues	\$0.4	(18)%
Adj. Segment profit <sup>a)</sup>	\$0.2	18%	Segment profit	\$-	86%
Adj. Segment profit % <sup>a)</sup>	4.4%	0.4 pts.	Segment profit %	6.8%	3.8 pts.
<u>Transportation</u>			<u>Capital</u>		
<u>3Q'18</u>	<u>\$</u>	<u>y/y</u>	<u>3Q'18</u>	<u>\$</u>	<u>y/y</u>
Orders	\$2.0	F	Revenues	\$2.5	3%
Revenues	\$0.9	(2)%	Continuing earnings	\$-	(21)%
Segment profit	\$0.2	15%	Net earnings <small>(Including disc ops)</small>	\$0.1	F
Segment profit %	17.4%	2.5 pts.	Assets	\$128.5	\$(7.6) sequential variance



(a- Oil & Gas segment profit \$180MM in 2018 and \$(57)MM in 2017 including restructuring & other charges

# Summary

- GE has an important impact around the world ... talented people, innovative technology, global reach
- Right strategy in place to strengthen balance sheet and create a more focused portfolio
- Moving with speed to improve our financial position
- Positioning our businesses for success, starting with Power ... focus on improving cost structure, agility, accountability

