GRANT'S

INTEREST RATE OBSERVER®

Vol. 37, No.09b   233 Broadway, New York, New York 10279 • www.grantspub.com   MAY 3, 2019

Update on GE

Less horrid than anticipated, Tuesday's results for General Electric Co.'s first quarter initially sent the stock—common and preferred—bounding higher. Revenues came in at $27.3 billion, down 2% year-over-year but better than hoped. In a seasonally weak quarter for cash flow, the free-cash-flow burn amounted to $1.2 billion, much better than feared, but the improvement was largely owing to accidents of timing.

"I don't want anyone to think that this is a risk-free segment for us at this point, because we got off to a good start in a few places," the new CEO and chairman, H. Lawrence Culp, cautioned dialers-in on the call in reference to the company's problematic power division.

Neither do we. Since our bullish analysis of the Series D preferreds in the issue of *Grant's* dated Nov. 16, those shares have rallied by 20 points. At 95, they are priced to deliver a 8.1% yield to the January 2021 call. It's a good yield, to be sure—also a splendid run-up in price. What to do? Take a profit and pay the short-term capital-gains tax (which, for an afflicted New York resident, would total 53.5%)? Or stick with CEO Culp and his GE renovation plan, finally paying the long-term capital-gains rate (36.5% for the same overburdened New Yorker)? Earn a 12.4% return today, calculated from mid-November, or wait for a very hypothetical 16.9% return on the first anniversary of your investment next autumn?

With respect to tax advice, both Fabiano Santin, who performed the superb security analysis, and your editor agree that it is better not to live in New York. Fortunately, the self-directed readers of *Grant's* have likely already made up their minds on this sensitive point.

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