General Electric Company

Recommendation	**Price**	**12-Mo. Target Price**	**Report Currency**	**Investment Style**
HOLD ★★★★★	USD 6.57 (as of May 29, 2020 4:00 PM ET)	USD 6.00	USD	Large-Cap Value

Equity Analyst Colin Scarola

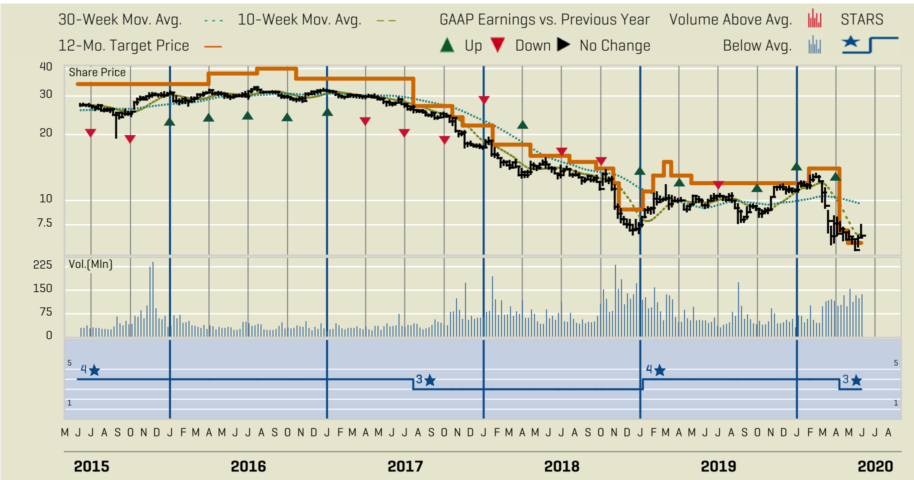
GICS Sector Industrials
Sub-Industry Industrial Conglomerates

Summary GE sells a wide range of products including jet engines, gas and wind turbines, and medical devices. GE also has a financial arm supporting its industrial customers.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	**USD 13.260 - 5.480**	Oper. EPS 2020**E**	**USD -0.13**	Market Capitalization[B]	**USD 57.47**	Beta	**-0.03**
Trailing 12-Month EPS	**NM**	Oper. EPS 2021**E**	**USD 0.39**	Yield [%]	**0.61**	3-Yr Proj. EPS CAGR[%]	**2**
Trailing 12-Month P/E	**10.74**	P/E on Oper. EPS 2020**E**	**NM**	Dividend Rate/Share	**USD 0.04**	SPGMI's Quality Ranking	**B-**
$10K Invested 5 Yrs Ago	**$2,825**	Common Shares Outstg.[M]	**8,747.1**	Institutional Ownership [%]	**NA**		

Price Performance



Source: CFRA, S&P Global Market Intelligence
Past performance is not an indication of future performance and should not be relied upon as such.
Analysis prepared by Equity Analyst **Colin Scarola** on May 13, 2020 05:13 PM, when the stock traded at **USD 6.00.**

Highlights

- Revenue fell 7% in Q1, with mixed performance across segments. Renewable Energy (16% of revenue, +26% YoY) saw a surge in sales, led by onshore wind products benefiting from tax incentives, in our view. This strong performance was offset by large declines in Power (20%, -13%) and Aviation (34%, -13%). We think Aviation's decline was driven by exposure to Boeing, as GE is the engine maker for the grounded 737 MAX. But even with MAX production expected to resume by H2 2020, we think Aviation revenues will move even lower through 2021, as demand for commercial air travel is lowered near term by Covid-19, and lowered longer term by high unemployment, in our view.
- Power and Renewable are likely to see downturns this year as well, although more modest, in our view, as their power utility clients will likely be more resilient during the recession due to the essential nature of electricity. We expect 2020 EPS of -$0.13, as GE will struggle to absorb large fixed costs associated with plants during the recession, in our view.
- In March 2020, GE sold its Healthcare BioPharma business to Danaher for $21B. BioPharma generated $1.3B in FCF in 2019, which was more than half of GE's total FCF of $2.3B.

Investment Rationale/Risk

- Our Hold reflects high uncertainty related to GE's deleveraging plan brought about by the Covid-19 crisis. Aviation and Healthcare were GE's FCF engines in 2019, generating $4.4B and $2.5B, respectively; against total FCF of just $2.3B, as Power and Renewable burned cash in 2019 despite a healthy economy. In 2020, we see virus-induced distress in commercial air travel pushing Aviation into the red, while Healthcare, normally a stalwart during recessions, will see FCF more than halved after the BioPharma sale. In our view, the combined result could be much of the BioPharma sales proceeds GE earmarked for debt reduction diverted to backstop operating losses in its industrial segments.
- The upside risk to our view is Aviation making it through the current recession without the negative FCF we expect, which would allow GE's deleveraging to progress mostly as planned. On the downside, a prolonged recession, or depression, could lead to limited debt reduction if the industrial segments use up most of the cash from the BioPharma sale.
- Our 12-month target price is 15.4x GE's 2019 adjusted EPS -- below its 5-year P/E average of 17x due to high uncertainty for the future balance sheet and earning power.

Analyst's Risk Assessment

LOW | MEDIUM | **HIGH**

Primary risks facing GE are cyclical demand and high leverage, in our view. We estimate approximately 70% of the company's revenue is generated from aviation and energy markets that can suffer severe downturns during recessions. The largest segment, Aviation (34% of revenue), has particularly high risk due to the unprecedented distress for jet engine customers during the Covid-19 crisis, in our opinion. GE also has high leverage, with operating earnings covering interest by an estimated 2x in 2019, well below peer average of around 15x. The high debt burden reduces GE's flexibility to weather downturns, in our view.

Revenue/Earnings Data

Revenue (Million USD)

	1Q	2Q	3Q	4Q	Year
2020	20,524	--	--	--	--
2019	22,202	18,330	23,360	26,238	95,214
2018	27,788	19,332	23,392	26,500	97,012
2017	26,881	29,097	30,662	31,603	99,279
2016	27,837	30,344	29,039	33,054	119,468
2015	26,098	28,446	27,859	33,432	115,834

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2021	**E** 0.06	**E** 0.08	**E** 0.12	**E** 0.13	**E** 0.39
2020	0.72	**E** -0.27	**E** 0.02	**E** 0.07	**E** -0.13
2019	0.10	-0.04	-0.16	0.07	-0.01
2018	0.03	0.10	-2.64	0.04	-2.47
2017	0.01	0.12	0.16	-1.29	-1.00
2016	0.02	0.36	0.23	0.39	0.85

Fiscal year ended Dec 31. Next earnings report expected: Late Jul. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount (USD)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.01	Feb 14	Mar 06	Mar 09	Apr 27 '20
0.01	Dec 06	Dec 20	Dec 23	Jan 27 '20
0.01	Sep 06	Sep 13	Sep 16	Oct 25 '19
0.01	Jun 21	Jun 28	Jul 01	Jul 25 '19

Dividends have been paid since 1899. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such.
Forecasts are not reliable indicator of future performance.

General Electric Company

CFRA

Business Summary April 16, 2020

CORPORATE OVERVIEW. General Electric (GE) is a diversified industrial supplier focusing on aviation, power generation, and medical device products. The firm is in the midst of a long-term restructuring program, having generated large net losses each year during 2017 - 2019.

GE has five operating segments (down from eight in 2018): including Aviation (estimated 35% of total revenue in 2019), Power (20%), Renewable Energy (16%), Healthcare (21%), and Capital (8%). In 2019, sales in the U.S. were 41% of total, Europe 20%, Asia 21%, non-U.S. Americas 7%, and Middle East and Africa 11%.

Aviation (35% of 2019 revenue) is a global provider of jet engines and related components and services, in both the commercial and military aviation markets. Aircraft engine orders tend to follow commercial air travel demand and military procurement cycles. In 2019, an estimated 85% of Aviation's revenue was related to commercial aviation customers and 15% from military. Aviation also generates significant aftermarket revenue through replacement parts and maintenance services on its installed base of products.

Aviation's most important product is the LEAP aircraft engine line (50% of new Aviation orders in 2019), produced through CFM International, a joint venture between GE and Safran Aircraft Engines of France. The LEAP-1B engine is the exclusive engine for the Boeing 737 MAX, which was grounded by regulators in March 2019. During Q2 2019, Boeing announced a temporary reduction in the 737 MAX production rate, and CFM accordingly reduced its production rate for the LEAP-1B. In December 2019, Boeing announced a temporary suspension of MAX production beginning in January 2020.

In 2019, 39% of Aviation segment revenue was from equipment and 61% from services. In 2019, Aviation's operating profit margin was 20.7%, up from 19.9% in 2017 on improved pricing and volume as the segment saw strong demand from commercial aviation customers despite the 737 MAX grounding.

Power (20%) serves power generation, industrial, government, and other customers worldwide with products and services related to energy production. Primary products and customers include gas turbines sold to utilities; and steam power technology for fossil and nuclear power plants including boilers, generators, steam turbines, and air quality control systems. Power also generates significant aftermarket revenue through replacement parts and maintenance services on its installed base of products and systems.

In 2019, 33% of Power segment revenue was from equipment and 67% from services. In 2019, Power's operating profit margin was 2.1%, down from 6.4% in 2017, as the business has suffered from intense competition and pricing pressure, in our view.

Renewable Energy (16%) provides products for onshore and offshore wind and hydro power generation. It also equips power utilities and other industries with grid and other power management products including high voltage equipment, automation, and electrical protection equipment.

In 2019, 80% of Renewable segment revenue was from equipment and 20% from services. In 2019, Renewable's operating profit margin was -4.3%, down from 5.1% in 2017 as the business has suffered from intense competition and pricing pressure, in our view.

Healthcare (21%) makes and services a wide variety of medical imaging products, including magnetic resonance (MR), computed tomography (CT), positron emission tomography (PET) scanner, X-ray, nuclear imaging, digital mammography, and molecular imaging technologies. Other products include patient and resident monitoring, diagnostic cardiology, ultrasound, bone density, anesthesiology, oxygen therapy, as well as neonatal and critical care devices.

In February 2019, GE announced an agreement to sell its BioPharma business to Danaher Corporation for total of $21.4 billion. The transaction closed in March 2020. While BioPharma was just 3% of total GE revenue in 2019, its high operating profit margin of 39% allowed it to generated $1.3 billion of operating profit, or an estimated 27% of GE's total operating profit for the year.

In 2019, 58% of Healthcare segment revenue was from equipment and 42% from services. In 2019, Healthcare's operating profit margin was 19.5%, up from 18.3% in 2017, driven by greater volume and cost reduction actions, including sourcing and logistic initiatives.

GE Capital (8%) contains all of GE's finance businesses, which primarily support its industrial customers with loans and other financial products and services. GE Capital has generated operating losses for five consecutive years through 2019, and the company has been gradually downsizing it. At the end of 2019, the segment's assets were down to $118 billion from $502 billion in 2014.

RECENT EVENTS. Over the three years ending 2019, only two of GE's current five operating segments have been consistently profitable, Aviation and Healthcare. GE's aggregate net losses over the three-year period ran to $36 billion. The troubles within most of GE's operating segments have led it into long-term restructuring efforts to refocus on profitable businesses and debt reduction. These efforts have reduced total debt from $136 billion at the end of 2016 to $94 billion at the end of 2019. Events aimed at reducing leverage include the March 2020 sale of BioPharma for $21.4 billion; the September 2019 sale of 144.1 million shares of Baker Hughes for $3.0 billion, reducing GE's stake from 50.2% to 36.8%; and the February 2019 divestment of GE Transportation for total proceeds of $6.2 billion.

FINANCIAL TRENDS. Total revenue decreased to $95.2 billion in 2019 from $119.5 billion in 2016, representing a three-year compound annual growth rate (CAGR) of -7%. EBIT margin fell to 6.8% in 2019 from 8.3% in 2016, but GE's net margin and net income have been negative during the three-year period ending 2019 as large interest expenses and other non-operating expenses such as restructuring and goodwill impairments have more than offset operating profit.

We estimate GE's operating earnings covered interest expense at 2x in 2019, leaving the firm highly

Corporate Information

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Officers

Chairman & CEO
H. L. Culp

VP, Controller & Chief Accounting Officer
T. S. Timko

Senior VP & Chief Technology Officer
V. R. Abate

Senior VP & CFO
C. Dybeck Happe

Board Members

A. B. Carter
C. A. Lesjak
E. P. Garden
F. D'Souza
H. L. Culp
J. S. Tisch
L. F. Seidman
P. R. Reynolds
R. J. Lavizzo-Mourey
S. M. Bazin
T. W. Horton

Domicile
New York

Founded
1892

Employees
205,000

Stockholders
379,000

Auditor
KPMG LLP - Klynveld Peat Marwick Goerdeler

leveraged compared to peer average of 15x.

General Electric Company

Quantitative Evaluations

Fair Value Rank	4	1 (LOWEST) · 2 · 3 · **4** · 5 (HIGHEST). Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).
Fair Value Calculation	USD 6.89	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that GE is slightly undervalued by USD 0.32 or 4.9%.
Volatility		LOW · **AVERAGE** · HIGH
Technical Evaluation	NEUTRAL	Since February, 2020, the technical indicators for GE have been NEUTRAL.
Insider Activity	NA	UNFAVORABLE · NEUTRAL · FAVORABLE

Expanded Ratio Analysis

	2019	2018	2017	2016
Price/Sales	1.02	0.68	1.53	2.41
Price/EBITDA	8.16	5.17	178.34	17.03
Price/Pretax Income	84.81	-3.13	-13.36	41.03
P/E Ratio	-927.30	-3.06	-17.45	37.09
Avg. Diluted Shares Outsg.(M)	8724	8691	8687	9130

Figures based on fiscal year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years
Sales	-1.85	-7.29	-4.03
Net Income	-77.73	-12.76	-20.04
Ratio Analysis (Annual Avg.)			
Net Margin (%)	NM	NM	NM
% LT Debt to Capitalization	54.20	NA	NA
Return on Equity (%)	1.04	NA	NA

Company Financials Fiscal year ending Dec. 31

Per Share Data (USD)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Tangible Book Value	-1.04	-1.74	-5.55	-1.26	1.59	6.14	5.30	3.65	3.15	4.38
Free Cash Flow	0.31	-0.23	-0.06	-0.75	1.19	2.05	2.13	2.18	1.96	2.47
Earnings	-0.01	-2.47	-1.00	0.85	0.17	0.94	0.74	1.12	1.23	1.15
Earnings (Normalized)	0.23	0.24	-0.54	0.49	0.53	0.72	0.63	0.84	0.94	0.78
Dividends	0.04	0.37	0.84	0.93	0.92	0.89	0.79	0.70	0.61	0.46
Payout Ratio (%)	NM	NM	NM	117	NM	58	60	53	46	41
Prices: High	11.84	19.39	31.84	33.00	31.49	27.94	28.09	23.18	21.65	19.70
Prices: Low	7.41	6.66	17.25	27.10	19.37	23.69	20.68	18.02	14.02	13.75
P/E Ratio: High	NM	NM	NM	38.7	NM	29.7	38.1	20.8	17.6	17.1
P/E Ratio: Low	NM	NM	NM	31.8	NM	25.2	28.0	16.1	11.4	12.0
Income Statement Analysis (Million USD)										
Revenue	95,214	97,012	99,279	119,468	115,834	116,981	112,888	127,891	142,837	149,567
Operating Income	6,440	6,581	-5,344	9,875	9,396	12,646	11,584	15,371	17,116	15,214
Depreciation + Amortization	5,492	6,154	6,194	7,070	6,509	6,423	6,581	5,942	10,730	11,543
Interest Expense	2,115	2,415	2,538	2,026	1,706	1,579	1,333	1,353	1,299	1,600
Pretax Income	1,148	-20,988	-11,345	7,032	8,185	10,263	9,099	14,561	20,159	14,187
Effective Tax Rate	63.2	-0.4	24.8	-16.1	79.2	7.5	13.4	17.3	28.5	7.3
Net Income	-4,979	-22,355	-8,484	7,500	-6,126	15,233	13,057	13,641	14,151	11,644
Net Income (Normalized)	2,000	2,128	-4,695	4,477	5,260	7,318	6,447	8,878	9,992	8,332
Balance Sheet and Other Financial Data (Million USD)										
Cash	14,513	16,632	18,211	10,525	10,372	15,916	13,682	15,415	7,799	18,686
Current Assets	92,388	141,216	116,253	131,436	280,896	460,743	449,518	381,172	408,682	468,985
Total Assets	266,048	311,072	369,245	365,183	493,071	654,954	661,500	684,999	718,189	747,793
Current Liabilities	58,492	62,615	60,043	70,364	138,270	229,564	177,032	157,822	194,456	183,869
Long Term Debt	67,155	88,949	108,575	105,080	144,659	186,596	218,918	236,084	243,459	293,323
Total Capital	123,905	155,081	211,480	216,727	300,712	398,355	490,470	542,269	571,577	602,796
Capital Expenditures	5,813	6,627	6,642	7,199	7,309	7,134	6,754	8,326	12,637	9,800
Cash from Operations	8,772	4,978	6,554	1,160	19,891	27,709	28,510	31,271	33,359	36,124
Current Ratio	1.58	2.26	1.94	1.87	2.03	2.01	2.54	2.42	2.10	2.55
% Long Term Debt of Capitalization	54.2	57.4	51.3	48.5	48.1	46.8	44.6	43.5	42.6	48.7
% Net Income of Revenue	-5.23	-23.04	-8.55	6.28	-5.29	13.02	11.57	10.67	9.91	7.79
% Return on Assets	1.39	1.21	-0.91	1.44	1.02	1.20	1.08	1.37	1.46	1.24
% Return on Equity	1.04	-32.84	-10.85	8.89	1.42	6.93	5.94	9.76	11.90	10.55

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Sub-Industry Outlook

Our fundamental outlook for the industrial conglomerates sub-industry over the next 12 months is negative. We expect the coronavirus to drive a global downturn in demand for the industrial products that the sub-industry provides. Aviation products, which we estimate are the largest revenue category for the sub-industry, are likely to be especially hard hit due to the viruss unique impact on air travel. Energy products, at number two, should also see a significant drop as recessions typically bring about lower energy consumption and delayed spending on new production assets. We do expect several pockets of outperformance within the sub-industry, however, including health care products and personal protective equipment, driven by virus-induced demand surges in these categories.

Industrial conglomerates (ICs) were already seeing weak demand heading into 2020, and a coronavirus-induced recession now seems likely to compound the downturn. Sub-industry revenues fell 4% in 2019 despite healthy U.S. GDP growth of 2.3%. We think this was due to a high tariff environment that raised production costs, weakened global trade, and tipped U.S. manufacturing into contraction in the second half of 2019, according to Federal Reserve data. IC firms have large manufacturing operations, so their sales and earnings were especially impacted by the high tariff environment, in our view.

In March 2020, the already soft demand environment got a lot worse as the coronavirus began shutting down businesses and consumer activity across the world, with one of the hardest hit areas being aviation. We estimate aviation-related products and services, including jet engines and aircraft sub-assemblies and electronic components, comprise roughly 28% of sub-industry revenues. Primary end users of these products are airlines, and with government and corporate air travel restrictions sending an unprecedented demand shock through the airline industry, we expect IC?aviation revenues to see a significant contraction in the next year. General Electric and Honeywell are likely to be hardest hit by this downturn, with 34% and 38% of revenues derived from aviation-related products, respectively.

A global recession is likely to drive lower demand for energy products and services as well, further reducing revenues for ICs. We estimate energy products, including gas, wind, and hydro turbines, grid infrastructure, etc., generate 20% of sub-industry revenues, second behind aviation. With many businesses closed during virus mitigation efforts, and generally lower business activity expected for a prolonged period afterward, we see a significant reduction in energy consumption this year. In turn, we expect lower demand for IC products that support production and distribution of energy.

Despite the general demand downturn we expect for the sub-industry, exposure to health care products and personal protective equipment (PPE) can mitigate some of the blow, in our view. The global spread of the coronavirus has driven massive demand increases for health care equipment to test for and develop treatments for the virus, as well as for PPE such as masks and gloves to protect health care workers treating the influx of patients. Each of the major ICs (GE, Honeywell, and 3M) can benefit from this dynamic due to their exposure to health care technology products, PPE, or both.

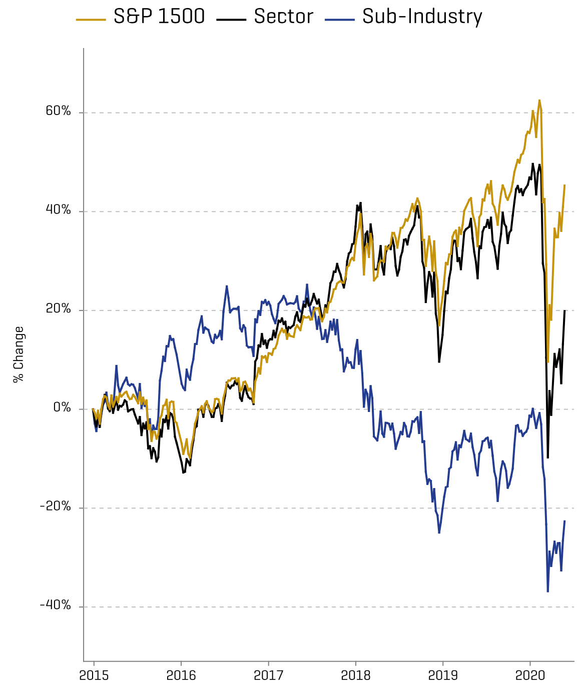
Year to date through March 20, the S&P Industrial Conglomerates Index fell 34.2% versus a 29.6% decline for the S&P Composite 1500.

/Colin Scarola

Industry Performance

GICS Sector: Industrials
Sub-Industry: Industrial Conglomerates

Based on S&P 1500 Indexes
Five-Year market price performance through May 30, 2020



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.
Source: S&P Global Market Intelligence

Sub-Industry: Industrial Conglomerates Peer Group*: Industrial Conglomerates

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. (M)	30-Day Price Chg. (%)	1-Year Price Chg. (%)	P/E Ratio	Fair Value Calc.	Yield (%)	Return on Equity (%)	LTD to Cap (%)
General Electric Company	**GE**	**NYSE**	**USD**	**6.570**	**57,468**	**-0.2**	**-29.9**	**NM**	**6.890**	**0.6**	**1.0**	**54.2**
3M Company	MMM	NYSE	USD	156.44	89,984	0.1	-3.1	73	124.27	3.8	45.9	55.7
CITIC Limited	CTPC.Y	OTCPK	USD	4.748	27,618	-8.8	-29.8	31	NA	Nil	9.2	24.9
CK Hutchison Holdings Limited	CKHU.Y	OTCPK	USD	6.115	23,578	-17.4	-35.4	4	NA	6.7	16.1	29.5
Honeywell International Inc.	HON	NYSE	USD	145.85	102,364	-0.2	-11.3	17	147.11	2.5	33.6	30.9
Icahn Enterprises L.P.	IEP	NasdaqGS	USD	49.93	10,700	-2.3	-27.9	NM	NA	16.0	-14.7	40.9
Jardine Matheson Holdings Limited	JMHL.Y	OTCPK	USD	40.15	10,654	-8.2	-36.3	5	NA	4.3	7.2	10.3
Jardine Strategic Holdings Limited	JSHL.Y	OTCPK	USD	9.975	7,921	-8.7	-47.0	5	NA	1.8	5.8	10.3
Roper Technologies, Inc.	ROP	NYSE	USD	393.80	41,111	15.6	14.0	25	391.10	0.5	20.5	31.1
Siemens Aktiengesellschaft	SIEG.Y	OTCPK	USD	54.80	87,031	14.9	-4.4	9	NA	3.9	22.8	34.7
Toshiba Corporation	TOSB.F	OTCPK	USD	27.41	12,397	9.2	-13.2	NM	NA	Nil	-0.3	3.3

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.
NA-Not Available NM-Not Meaningful.
Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Analyst Research Notes and other Company News

April 29, 2020
04:13 pm ET... CFRA Maintains Hold Opinion on General Electric Shares (6.8***): We drop our target price $1 to $6, 15.4x our 2021 EPS estimate -- below peer average as we see GE generating a loss in 2020 on high exposure to Covid-19 disrupted end markets. Q1 adjusted EPS of $0.05 vs. $0.14 (-64% YoY) missed consensus by $0.03. Our EPS estimates are unchanged. Three of four industrial segments suffered major setbacks on Covid-19 disruptions and demand downturns in Q1, with Power (20% of revenue) and Renewable Energy (17%) both generating large operating losses. Aviation (34%) profit fell 39% YoY, and we expect much worse in Q2-Q3. Healthcare (23%) was the lone bright spot, growing Q1 operating profit 15% YoY, but GE still burned significant cash with Q1 FCF of -$2.2B. We see cash burn ballooning in Q2-Q3, driven by Aviation losses as Covid drives a collapse in aircraft utilization and new plane demand. A large cash pile of $47.3B will allow GE to weather the downturn, in our view, but we think it will be several years before pretax margin recovers to 2019 levels, leaving us at Hold. /Colin Scarola

April 09, 2020
01:06 pm ET... CFRA Lowers Opinion on General Electric Shares to Hold from Buy (7.3***): We drop our price target from $14 to $7 on high risk from the coronavirus recession. We cut our 2020 EPS estimate $0.83 to -$0.13 and start 2021's at $0.39. GE Industrial (excluding GE Capital) generated 2019 free cash flow of $2.3B, driven by Aviation at $4.4B and Healthcare at $2.5B, with large offsets from Power and Renewable. We now see Power and Renewable falling further into the red in 2020, with Aviation joining them due to collapsing air travel demand. Also, Healthcare, normally a valuable cushion during a recession, will likely see FCF cut in half after the March Biopharma sale. Previously, we thought GE's long-term earning power would increase with deleveraging, but we now see significant risk that Biopharma sale proceeds earmarked for debt reduction will be diverted to backstop large operating losses in Aviation, Power, and Renewable instead. Despite the cash burn we expect in 2020, our lower rating is ultimately due to a highly uncertain outlook for GE's balance sheet and earning power in 2021 and beyond. /Colin Scarola

January 29, 2020
08:40 am ET... CFRA Keeps Buy Opinion on Shares of The General Electric Company (11.73****): We raise our 12-month target price by $2 to $14, 20x our '20 EPS estimate of $0.70 (unchanged), and toward the higher-end of GE's 5-year range, reflecting our view that GE is making strides in its business transformation. Q4 adjusted EPS of $0.21 versus $0.14 beat our $0.17 estimate and the consensus of $0.18. Revenues fell 1% and were weaker than we expected, but industrial revenues rose 5% and industrial profit margins improved by 460 basis points. Industrial free cash flow of $3.9 billion was solid and showed improvement. Power saw continued weakness but in 2020 comparisons get a lot easier, and we think we are near the bottom in demand. Aviation had a solid quarter despite issues related to the 737-MAX grounding and production halt. Debt levels improved at both corporate and GE Capital. Overall, we think the quarter showed solid improvement, and we think GE is on the right trajectory. GE guides to 2020 adjusted EPS of $0.50-$0.60, but we think this guidance is conservative. /Jim Corridore

October 30, 2019
10:10 am ET... CFRA Keeps Buy Opinion on Shares of General Electric Company (9.99****): We keep our 12-month target of $12, 17.1x our '20 EPS estimate of $0.70 (cut from $0.72), in line with heavy duty industrial peers, but below GE's 3-year average, reflecting ongoing problems at Power, high debt levels and balance sheet issues. However, GE is making progress. We trim our '19 EPS estimate to $0.63 from $0.66. Third-quarter adjusted EPS of $0.15 versus $0.14 was in line with our estimate and beat the S&P Capital IQ consensus of $0.12. GE made positive strides in Q3 on its restructuring, improved its cash burn and gave improved '19 cash guidance. Charge for legacy insurance issues was less than we were expecting and GE saw a nice rise in its overall backlog, up 14% to $386 billion. The Power division remained weak, but in line with expectations and showing some signs of stabilization. Aviation cash was impacted by the 737-MAX grounding, but we expect this to improve in '20. Health care is operating well and renewables saw good growth, but poor margins that need to improve. /Jim Corridore

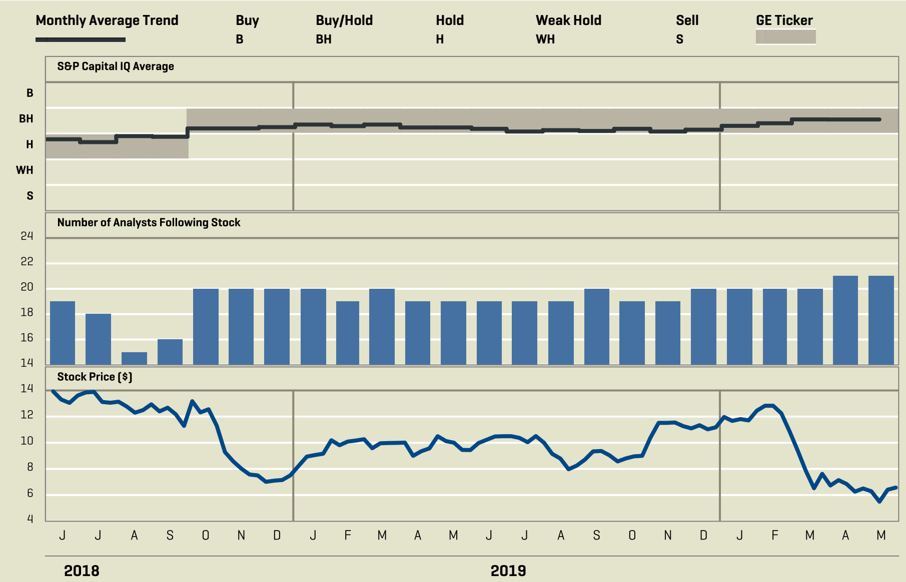
October 07, 2019
09:04 am ET... CFRA Keeps Buy Recommendation on Shares of General Electric (8.57****): GE announces that it will freeze the remainder of its pension plan starting after December 31, 2020; this action will impact 20k employees. GE's pension plan had already been frozen to new employees who started after 2012. In its place GE will initiate a 401k plan under which it will contribute 3% of an employee's salary and match 50% of an employees contributions up to 8%. GE sees this action cutting its pension deficit by $5-8 billion and net debt by $4-6 billion. GE will also pre fund $4-5 billion of its pension funding for 2021-22. We think this is a prudent move to help GE cut debt and act on its pension deficit, which should add to recent actions to cut debt and shore up the balance sheet. This move shows that GE is looking to pull any and all levers to restore its financial health. Overall, we remain convinced that the company is moving in the right direction with lower debt, and leadership positions in aviation, health care and renewable energy, with less focus on oil and gas. /Jim Corridore

September 11, 2019
11:07 am ET... CFRA Keeps Buy Opinion On Shares Of General Electric Company (9.2****): Baker Hughes (BHGE 23 ****) plans to offer 105 million shares of its Class A stock in a secondary offering, largely on behalf of GE. Based on BHGE's current price, the move will likely generate proceeds to GE of about $2.4 billion. In addition, BHGE will buy back $250 million of class B stock from GE. Upon completion of these moves, GE will hold less than 50% of BHGE stock, and will lose four directors on BHGE's board, with one GE director remaining. We think this move will trigger a one-time charge when GE reports Q3 results, to reflect the difference in the carrying value of BHGE's investment with the current value after BHGE's stock has fallen. However, it will free up cash GE needs. This move was expected, and should not lead to an increase in volatility for GE shares, we think. Overall, GE continues to cut debt and restructure its balance sheet as it slowly restructures. We remain convinced GE is on a track that will lead to improved earnings and lower risk over time. /Jim Corridore

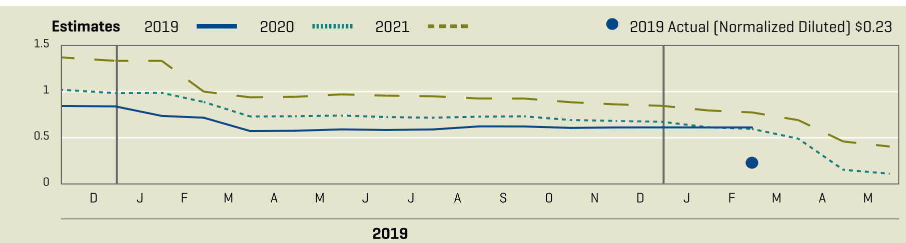
Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

General Electric Company

Analysts' Recommendations



Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est	Low Est.	# of Est.	Est. P/E
2021	0.41	0.60	0.10	19	16.2
2020	0.11	0.35	-0.12	20	59.4
2021 vs. 2020	▲273%	▲71%	▲183%	▼ -5%	▼-73%
Q2'21	0.06	0.10	-0.06	7	NM
Q2'20	-0.08	0.03	-0.18	17	NM
Q2'21 vs. Q2'20	▲175%	▲233%	▲67%	▼ -59%	**NA**

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Wall Street Consensus Opinion

BUY/HOLD

Wall Street Consensus vs. Performance

For fiscal year 2020, analysts estimate that GE will earn USD $0.11. For the 1st quarter of fiscal year 2020, GE announced earnings per share of USD $0.72, representing 654.6% of the total revenue estimate. For fiscal year 2021, analysts estimate that GE's earnings per share will grow by 273% to USD $0.41.

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research

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Abbreviations Used in Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
R&D - Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ **5-STARS (Strong Buy):**
Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):**
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold):**
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell):**
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

★☆☆☆☆ **1-STAR (Strong Sell):**
Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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STARS Stock Reports:

Global STARS Distribution as of December 31, 2019

Ranking	North America	Europe	Asia	Global
Buy	33.4%	29.0%	41.1%	33.5%
Hold	56.1%	54.8%	46.4%	54.6%
Sell	10.5%	16.2%	12.5%	11.9%
Total	100.0%	100.0%	100.0%	100.0%

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