

# Notre Dame CARE Conference

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imagination at work

# GE overview

(2009 revenue, % earnings)

**GE Energy**  
Infrastructure \$41B, ~40%

**ENERGY**



**OIL & GAS**




**WATER**




**GE Technology**  
Infrastructure \$39B, ~35%


**HEALTHCARE**



**AVIATION**



**TRANSPORTATION**



**GE Capital** \$51B, ~15%



**Media, Home & Business Solutions** \$24B, ~10%



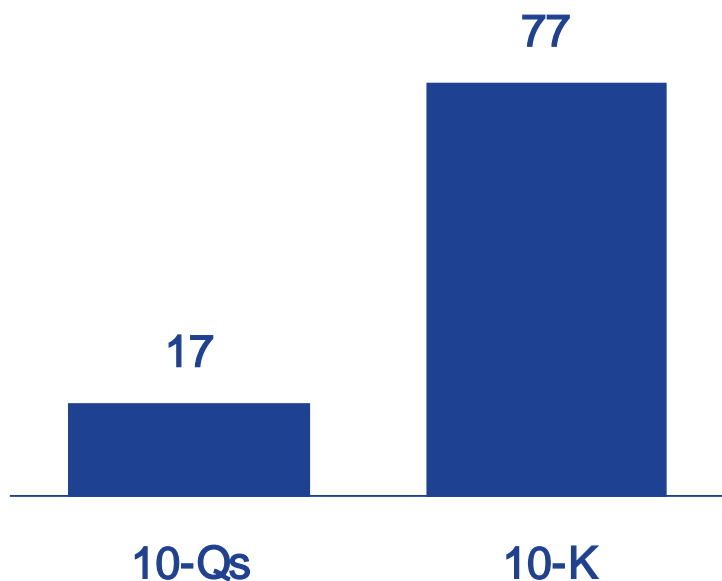
~\$157B revenue      \$11.2B earnings  
~300K employees      \$16.6B cash flow

# Agenda

- ✓ Environment & evolving disclosure
  
- ✓ The GE financial process: forecasting & planning
  - Basis for resource/capital allocation
  - Basis for external communications
  - Managing risks and opportunities
  - Incredibly detailed/rigorous process
  
- ✓ GE communications with investors & analysts
  - Objective and transparent
  - Guidance vs. no guidance

# 1999 disclosures

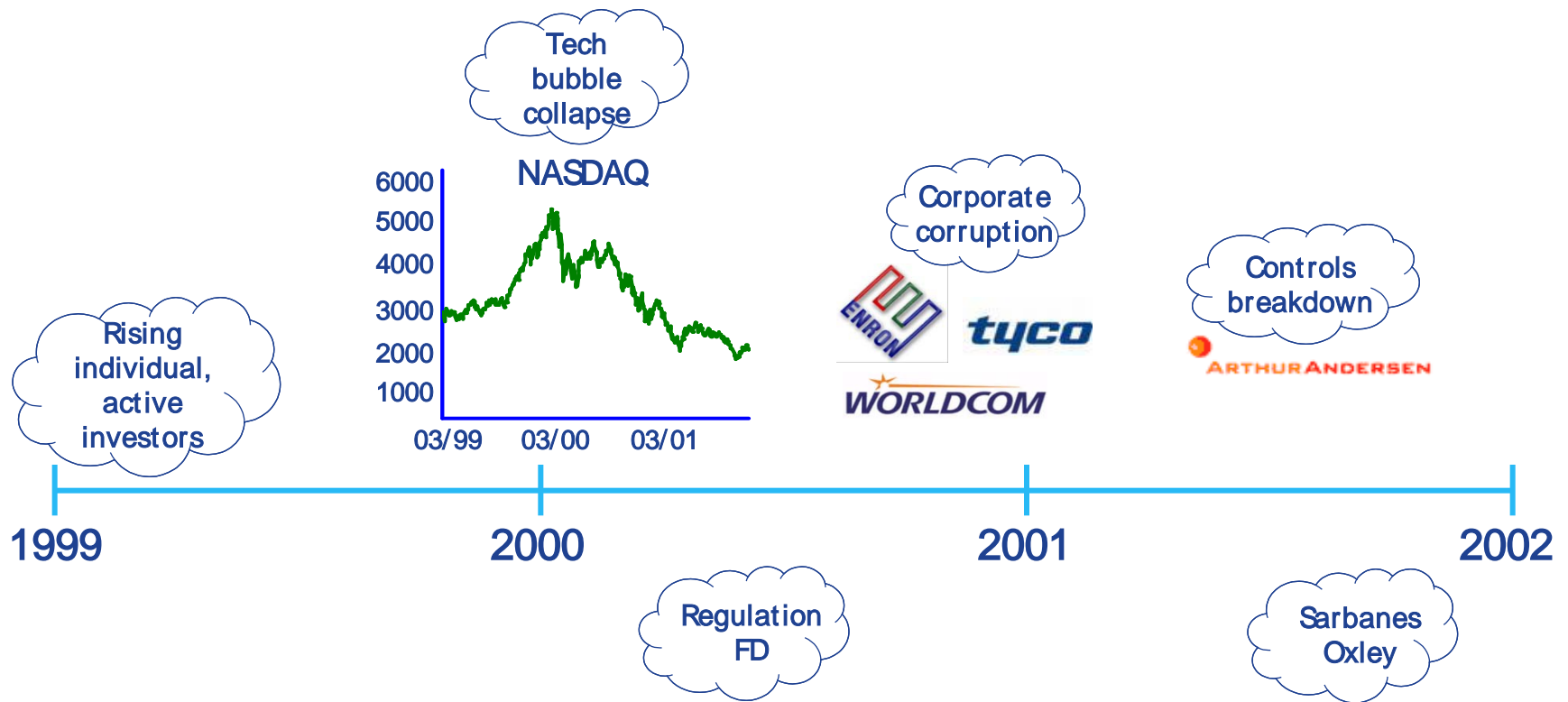
## Financial reporting # of pages



## Investor Relations

- ✓ Quarterly press release with financials ..follow-up calls with investors & media
- ✓ Annual analyst dinner with buy & sell-side analysts
- ✓ Narrow range of guidance

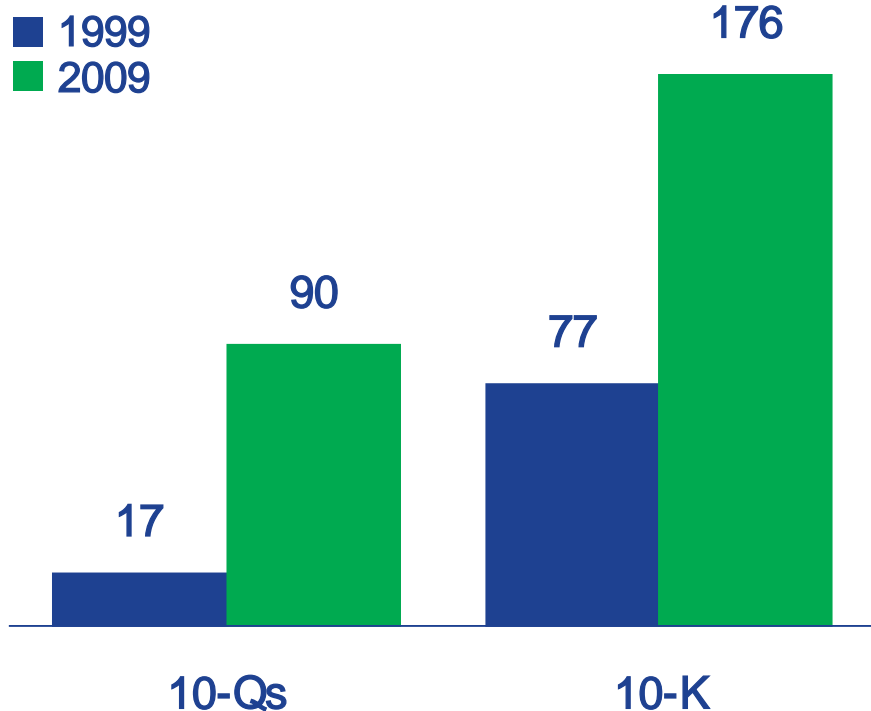
# 1999 – 2002 ...significant market volatility drove new regulations



Investor communications critical

# 2009 disclosures

## Financial reporting # of pages



## Investor Relations

- ✓ 30 events available to investors
- ✓ Over 25 hours of GE-hosted webcasts online
- ✓ Over 1,000 pitch pages on [www.ge.com/investor](http://www.ge.com/investor)
- ✓ No EPS guidance

GE committed to transparency

# Forecasting and planning

# Two main planning events

## June/July Growth Playbook *Long view*

### What

- Strategy session
- Long range plan (3-5 years)
- External landscape... economic/competitive environment
- Strategy/technology shifts
- Investment requirements
- Earnings outlook

### Input

from each business

### Output

for GE

- GE financial model
- Top 45 business units
- Inorganic opportunities
- GE strategy to BOD
- Next year look
- Investor information

## October/November Budget

### *Detailed budget*

- Financial plan for next year
- Current year financial update
- Next year operating plans by business
- Detail by quarter
- GE operating plan
- Initiatives update
- Economic outlook
- Investor information





# Quarterly GE finance rigor

## Timing

- |  |                                  |
|--|----------------------------------|
| ① Weekly pulsing calls with financial planning leaders                     | Throughout quarter               |
| ② Short range outlook submission to Corporate                              | Second month of quarter          |
| ③ Operating day deep dives with Corporate                                  | Second & third months of quarter |
| ④ Corporate Executive Council all-day meeting ...top 30 leaders in Company | Third month of quarter           |
| ⑤ Weekly CEO/CFO pulsing calls   | Third month of quarter           |
| ⑥ Investor Relations/CEO update  | Post close                       |

# GE forecasting rigor

- 1 Bottoms-up roll-up by individual business submitted to sub-segment HQ, segment HQ, GE Corporate & ultimately Board of Directors
  - 3 to 6 levels of roll-up / review depending on business
- 2 3,000+ finance professionals dedicated to financial planning & analysis across company ..business development, marketing, sales, & sourcing also included
- 3 Tops down business assumptions limited to foreign exchange, interest rates & commodity prices
- 4 Business assumptions challenged at every step in review of financial submissions
  - ✓ Justification for revenue case(s) ...% revenue in backlog vs. new volume
  - ✓ New Product Introduction pipeline & prioritization
  - ✓ Capital expenditure approvals

**Very detailed, iterative process built from bottoms-up submissions with assumptions challenged throughout organization**

# Annual GE financial processes & calendar

## Internal operating rigor



## External communication

- ✓ Financial rigor embedded throughout organization
- ✓ Continual feedback loop and communications

# Investor Relations

# How are GE communications used?

## GE communications

- CEO strategy review
- CEO annual outlook
- Quarterly performance

“Sell side”  
analysts

## Market research

- Industry analysis
- Economists/Strategists
- Competitor estimates

## Sell-side earnings model & estimates

## Consensus

Sets market  
expectations

### First Call



### Reuters

GENERAL ELECTRIC CO

Item	Value
Price (\$)	36.36
Change	0.10 (0.28%)
Open Close	36.36
Volume	10,000,000
High	36.36
Low	36.36
Market	1,000,000,000
Shares	100,000,000
EPS	1.00

### CNBC



## Media & investor community

- ✓ Provide framework to gauge performance
- ✓ Helps manage Wall Street expectations

# Guidance evolution

1990s

150+  
guidance  
points

- ✓ Multiple guidance points, reducing over time
  - Orders
  - Total company
    - By quarter
    - Revenue
    - Margins
    - Net
    - EPS
    - Cash

- ✓ Segment + subsegment
  - By quarter
  - Revenue
  - Op. profit

2000s

Fewer + more  
conservative

- ✓ Total year + next quarter
  - Wide range
  - Total company
  - Revenue
  - Margins
  - Net
  - EPS
  - Cash

- ✓ Segments, no subsegment
  - Total year

Today


- ✓ Total year leading indicators
  - Segments +, -, flat
  - No EPS
- +
- CFOA estimate (range)
- Margins +, -, flat

- ✓ No guidance
  - Still compared to consensus

## Investor communications today

- 1 Transitioned from guidance to framework
- 2 Continued transparency & details on actuals
- 3 Lots of access to leadership & business teams

# Example ...2010 “framework”

 Profit	<u>2010E</u>	<u>Drivers</u>
Industrial	~Flat	+ NPI, service growth, lower cost , global – Excess capacity remains, invest in growth
Media	–	+ Cable, improved ad markets – Olympics
Capital Finance	~Flat	+ Higher yields and lower costs – CRE losses
Corporate	~Flat	– Pension costs higher ✓ Restructuring TBD
CFOA	\$13-15B	+ Working capital improvements – Lower progress payments

## Dynamics

+/- Financial & economic risks in balance

✓ May do more restructuring to improve GE for the future



# Example ...analyst presentation

## Earnings (EPS\$/share)



- 1 GE Capital earnings rebound post loss cycle
- 2 ~70% Industrial earnings are services ...expect continued growth
- 3 Equipment backlog strong ...we plan to outperform as the cycle improves ..NPI, global, stimulus
- 4 Cash optionality ...we will deploy in an investor-friendly way

Team compensation → aligned with execution



# Communication challenges

## Results different than forecast

- ✓ Post 9/11 analyst meeting
- ✓ 4Q'02 pre-announcement, \$2.5B increase in ERC reserves
- ✓ 1Q'08 pre-announcement, GE Capital

## Investors want guidance

- ✓ Directional items without EPS
  - ✓ Example: projected units shipped
- ✓ Very detailed actuals

## Rumors/speculation

- ✓ Keep it factual
- ✓ 12 hours GE Capital updates in '09
- ✓ [www.gereports.com](http://www.gereports.com)

Open, fair disclosure as events materialize

# Summary

- ✓ Rigor involved in our financial planning & analysis is very detailed and always ongoing
- ✓ The actual financial results & investor presentations available to the public are very extensive
- ✓ Committed to transparency ...no-guidance world challenging, but working to provide a balanced framework with appropriate leading indicators