

General Electric Co Ticker: GE Sector: Industrials Industry: Conglomerates	Intrinsic Value: \$31.69 Current Price: \$26.02 Stop Loss: \$22.12 Upside Review: \$31.22	TTM P/E: 16.5 Forward P/E: 13.8 FV Imp. P/E: 17.7 Beta: 1.108	Market Cap: \$266.2 BN Dividend Yield: 2.91% 52 Wk Range: \$19.87 - \$26.35
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Industry Trends: All of GE's manufacturing segments, in addition to GE Capital were hit hard by the great recession. This is representative of the industries in which GE partakes as a whole. While GE's comeback can be viewed as being in line with the US economic recovery as a whole (as is true of the entire Industrials sector), GE's businesses are also closely related to world-wide GDP growth, due to the company's focus on emerging markets.

Investment Thesis: GE positions itself to be a leader in each of its respective segments. The company uses its proven ability to achieve operational efficiencies in combination with economies of scale to achieve sustainable cost advantages in manufacturing. Since the economic downturn, GE has reallocated its resources, shedding businesses that were underperforming. In-so-doing, It has continually improved operating margins, while allowing the company greater focus towards industries where it has a stronger competitive advantage, and where there is capacity for future revenue growth. GE is continuing to reduce the size of GE Capital. While this may continue to reduce GE's overall revenue growth in the near term, it will also free up more capital for investment in key growth areas such as gas and wind turbine manufacturing for energy production in emerging markets. Meanwhile, GE Capital has narrowed its focus to middle-market commercial and industrial loans, equipment leasing, and aircraft leasing. In each of these areas, GE is now has a stronger capital base and less competition.

Business Overview:

GE is a large-scale industrial conglomerate, the third biggest corporation in the world. The company's most important areas of interest are GE Capital, Power & Water, Aviation, Healthcare, Oil & Gas, Home & Business Solutions, Energy Management, and Transportation.

Sales by region: US 48%, Europe 18%, Pacific Basin 17%, Americas 9%, and Middle East & Africa 8%.

Pros:

- GE's expertise in efficient manufacturing - including Six Sigma operations and lean manufacturing - combined with economies of scale give GE significant cost advantages.
- GE has refocused its resources since 2009, increasing operating margins, and increasing growth potential.
- Synergies between GE's segments increase growth potential. GE invests greatly in R&D because manufacturing innovations often have benefits across its segments.

Risk Factors:

- Revenue growth is closely tied to world GDP growth.
- Six Sigma and lean manufacturing have been around for a long time, so competitors have begun to catch up

Total Return Estimates:

3 Yr FV Reversion*: 9.33%
5 Yr FV Reversion*: 6.56%
 (* - From limit order price of \$0)

Key Valuation Assumptions:

Est. Revenue Growth: 4.0%
 WACC: 4.73%
 Expected Inflation: 3.0%
 Terminal Growth Rate: 3.0%
 10 yr. Risk Free Rate: 2.82%
 Equity Risk Premium: 5.9%
 Effective Tax Rate: 11.82%

Key Financial Data:

Est. 2013 EPS: 1.35
 Est. 2014 EPS: 1.42
 3-5 Yr. Est. EPS Growth: 4%
 Credit Quality: AA+
 ROE: 11.39%
 ROA: 2.03%
 Price /Book: 2.16
 Current Ratio: 1.39
 Quick Ratio: 1.25

CSR Scores vs. Industry Average:

Human Rights: 1 / 1
 Business Ethics Policy: 1 / 1
 ESG Disclosure: 60.33 / 27.2
 Equal Opportunity: 1 / 1
 Emission Reduction: 1 / 1
 Environmental Disclosure Score: 51.16 / 29.52

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5-year stock performance



Competitor Comparison

	Market Cap	Net Income	P/S	P/B	P/E	Div. Yield	5-yr Rev CAGR	Med. Operating Margin	Interest	D/E
GE	264,981	14,162	1.9	2.2	18.1	2.9	-3.1	45	2.4	1.9
Siemens	104,559	4,722	1	2.8	15.9	2.4	1.6	8.7	5.2	0.7
UTC	98,742	6,298	1.6	3.7	18.2	2	1.1	13.2	9.9	0.8
3M	84,237	4,478	2.9	4.7	19.3	2	4.1	20.9	38.1	0.3
Honeywell Intl.	66,422	3,228	1.8	4.4	20.7	1.9	1.7	9.6	12	0.4
Danaher Corp.	50,149	2,536	2.7	2.4	20.1	0.1	10.6	16.3	20.1	0.2