April 17, 2020

Edward Jones
MAKING SENSE OF INVESTING

General Electric

Corporate Bond Research

Rating: Appropriate for Income

Investment Classifications

Investment Category: Income
Sector: Industrial
Recommended Sector Weight: 35% - 55%

Entity Description

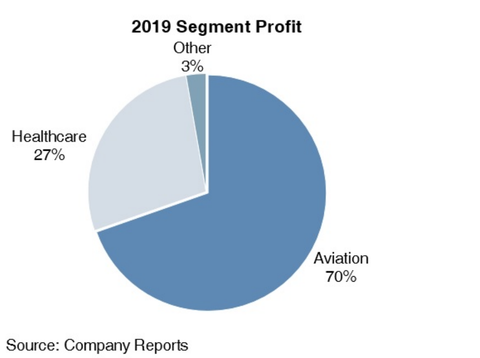
General Electric (GE) is a diversified services, technology and manufacturing company with operations worldwide. We expect that following announced restructuring actions it will largely operate in the aviation, health care, power and renewable-energy industries. GE maintains a financial services segment, but this is now considerably smaller than it was historically and focuses primarily on providing customers financing for purchases of GE equipment.

Related Bonds

General Electric Capital Corp
General Electric Capital Canada

Credit Ratings

Moody's	Baa1 / Negative
S&P	BBB+ / Negative
Fitch	BBB / Stable



Analyst: Brian Therien, CFA

INVESTMENT SUMMARY

We rate General Electric and GE Capital bonds as Appropriate for Income. General Electric benefits from its strong Aviation and Healthcare businesses, the stability and profitability provided by its large share of revenues generated by services, and the predictability of its large revenue backlog. Offsetting these strengths include the company's elevated debt load and the downturn in its Power segment. Additionally, the company's captive finance subsidiary, GE Capital, has delivered inconsistent performance. Although risks associated with GE Capital have declined, in our view, as this segment has been reduced in size and scope over the years to focus on financing purchases from GE's industrial businesses. Legacy products still housed at this unit, including long-term care insurance policies, have been a financial burden. It is important to point out that GE Capital bonds have been assumed by General Electric, and we view these bonds as now having credit quality consistent with General Electric.

BOND OVERVIEW

GE's Aviation and Healthcare segments remain strong performers. Despite the inconsistent performance delivered by GE overall in recent years, we believe the company's two most prominent business lines remain in very healthy shape. Aviation benefits from long-term agreements to service engines the company manufactures. These agreements benefit from strong profit margins and tend to be less cyclical than most business lines in the industrial sector. However, the Aviation segment has been negatively impacted by Boeing's 737 Max production suspension (for which GE manufactures engines) and the effect that the ongoing steep drop in air travel is having on airlines, which lease aircraft from GE Capital. GE's Healthcare segment benefits from the relatively stable and growing demand for health care equipment. These two businesses now account for the vast majority of profit GE generates, and we see healthy outlooks for both.

GE's Power segment has been producing weak results. The Power segment was once among the company's most profitable, but a downturn in the industry hit this business soon after GE acquired additional power assets from Alstom. While the Power segment has been producing very weak results in recent years, GE has been restructuring the division and cutting costs. This effort seems to be producing preliminary results, as management indicated it is seeing some improvement recently. We expect coming years to benefit from less cash being used to restructure this segment. Any upturn in the market for power equipment and services would likely provide additional benefits.

GE's legacy exposure to long-term care policies raises some concerns. GE has been contributing cash to its long-term care business due to increased reserves for claims. While GE has not written new long-term care policies for many years, these policies have been far more expensive to service than initially anticipated. While additional capital contributions may be needed if reserves are further increased, we expect these charges to be manageable.

GE has made paying down debt a top priority. We believe new management, led by Larry Culp, is doing nearly everything within its control to improve the financial profile of the company. Late in 2018, the board of directors virtually eliminated the company's dividend in an effort to save billions of dollars annually that could be used for corporate needs and debt repayment. Additionally, the company has sold and entered into agreements to sell assets, with the use of proceeds targeted primarily for paying off debt to improve its financial health. The company has also raised cash by selling its transportation and biopharma businesses, and it plans to sell off its stake in Baker Hughes to raise cash. We expect these efforts to result in tens of billions of dollars of cash that should lead to improved financial strength and flexibility.

KEY DEVELOPMENTS

04/16/20 - Prices on General Electric bonds have come under some pressure during the market volatility over the past several weeks. This move has generally been in line with a broader sell-off of corporate bonds, especially among companies rated in the BBB range. In our view, this has been driven by investors' move out of corporate bonds broadly in order to reduce credit risk and does not indicate credit quality concerns with GE specifically.

Please see important disclosures and certification on page 2 of the report.

Required Research Disclosures

April 17, 2020	BUY	HOLD	SELL
Corporate Credits	0%	62%	38%
Investment Banking Services	0%	0%	0%

The table lists the percent of corporate credits we follow globally in each of the equivalent rating categories. We do not assign a "Buy" rating to any corporate credits. Investment banking services indicate the percentage of those subject companies that have been investment banking clients within the last 12 months.

Appropriate for Income	Appropriate for Aggressive Income	Sell	FYI
Appropriate for Income – We consider bonds to be an appropriate holding for investors seeking Income within a well-diversified portfolio. Our time horizon is 3-5 years.	**Appropriate for Aggressive Income –** We consider bonds appropriate only as a small Aggressive Income portion within a well-diversified portfolio. Bonds within this category are riskier, with a higher possibility of loss due to default, than bonds classified as Income. Our time horizon is 3-5 years.	**Sell –** We recommend investors sell these bonds. We believe these bonds are no longer an appropriate fixed-income holding because, in our opinion, they offer an unattractive risk/reward scenario at current prices. Our time horizon is 3-5 years.	FYI - For informational purposes only; factual, no opinion.

Initiated Coverage (Appropriate for Income) 12/14/09

Analyst Certification

- I certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers; and no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report. Brian Therien, CFA

- Analysts receive compensation that is derived from revenues of the firm as a whole which include, but are not limited to, investment banking, sales, and trading revenues.
- Edward Jones trades as principal in the debt securities that are the subject of this research report.

Other Disclosures

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- Edward Jones limits inventory positions for fixed income securities. This security may currently be subject to these internal limits; however, this should not be considered contrary to our current recommendation.
- This opinion is based on information believed reliable but not guaranteed. The foregoing is for INFORMATION ONLY. Additional information is available on request. Past performance is no guarantee of future results.
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- If you sell this security prior to maturity, you may receive more, less, or the same dollar amount you originally invested because the security's market value may fluctuate over time due to various market factors (e.g., interest rates).
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- When investing in issuers incorporated outside your own country of residence, you should consider all other material risks such as currency risk, political risk, liquidity risk and accounting rules differences, which can adversely affect the value of your investment. Please consult your Financial Advisor for more information.
- Ratings from Standard & Poor's ("S&P"), Moody's and Fitch may be shown for certain securities. S&P requires we inform you: (1) Ratings are NOT recommendations to buy, hold, sell or make any investment decisions and DO NOT address suitability or future performance; (2) S&P DOES NOT guarantee the accuracy, completeness, or availability of any ratings and is NOT responsible for results obtained from the use of any ratings. Certain disclaimers related to its ratings are more specifically stated at http://www.standardandpoors.com/disclaimers.