

Spin-Off Update

General Electric (GE) Reports Strong FY23 Results; To Spin-Off GE Vernova In April 2024

General Electric Co.

Parent: General Electric Co. (NYSE: GE)

Sector: Industrials

Target Price: \$145.00 (Previously: \$98.00)

Share Price: \$131.10*

Recommendation: Hold

Upside: 10.6%

Spin-Off 1: GE Healthcare
(NASDAQ: GEHC)

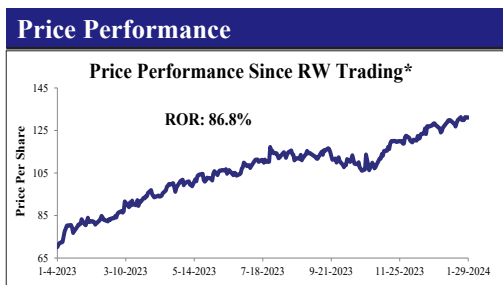
Sector: Healthcare

Share Price: \$74.38*

Spin-Off 2: GE Vernova (NYSE: "GEV")

Sector: Industrials

*As of January 29, 2024



Source: Bloomberg

*RW trading since GEHC spin-off

Spin-Off Details*

Announced	November 9, 2021
Filing Date	Mid- February 2024
WI/RW Trading	TBA
Record/Dist. Date	TBA
Spin-Off Ratio	TBA
Expected Completion	April 2024
Tax Status	Tax-free
Index Impact	No Impact

*GE Vernova

On January 23, 2024, General Electric (NYSE: GE, \$131.10, Market Capitalization: \$142.69 billion) reported solid 4Q23 results, with a beat on revenues and EPS versus consensus. The company plans to file Form 10 by mid-February 2024 and expects to complete the GE Vernova spin-off in April 2024. Revenue increased 15.4% YoY organically, with all segments up double digits. Adjusted operating profit was up 20%, driven by volume and price, partially offset by a negative mix from higher equipment and growth investments. For the full year, revenue increased 17% YoY, with Aerospace and Renewables leading the way, driven by high demand, better execution, and pricing. The Company reported profits above the high end of the guidance. GE Aerospace delivered higher orders, revenue, and operating profit in the quarter. Renewable Energy and Power drove double-digit revenue growth in the quarter. For 1Q24, GE expects high-single-digit revenue growth, adjusted EPS of \$0.60 to \$0.65, and free cash flow in line with net income growth. For the full year, GE's FY24 guidance reflects GE Vernova and GE Aerospace operating independently, incorporating standalone and other costs which they will incur separately. GE Vernova expects to deliver revenue of \$34 billion to \$35 billion; adjusted EBITDA margin of mid-single digits, toward the higher end of the range; and free cash flow of \$0.7 billion to \$1.1 billion. GE Aerospace expects adjusted revenue to grow low double digits or more, operating profit of \$6.0 billion to \$6.5 billion, and free cash flow greater than \$5 billion.

Valuation and Recommendation

We value General Electric (GE) using the 2025e EV/EBITDA methodology. Our intrinsic value of \$145.00 (Previously: \$98.00) for GE is based on the 2025e EV/ EBITDA multiple of 16.7x for GE Aerospace (~16% premium to its peer median multiple of 14.4x) and 7.0x for GE Vernova (~12% discount to its peer median multiple of 7.9x). The revised target price factors in the value unlocking post-separation of GE Healthcare and strengthening the balance sheet as GE sold its entire stake in AerCap at \$4.7 billion, of which \$2.0 billion was sold via a secondary offering on 11/16. The company also redeemed its \$4.0 billion preference shares in 3Q23. Furthermore, GE Vernova performance has improved significantly with operational turnaround as the Renewables segment secured orders of ~5 billion and recorded double-digit revenue growth in FY23. The company is expected to provide more color on the standalone outlook for both GE Aerospace and Vernova on Investor Day, which will be held on March 6 for Aerospace and March 7 for Vernova. Our GE valuation also includes the value of a 13.54% stake in GE Healthcare (valued at CMP). **We maintain our 'Hold' rating on General Electric Co. with an implied upside of 10.6% from the current market price of \$131.10 on 1/29.**

Post spin-off of GEHC, GE stock has appreciated ~87% and outperformed the S&P 500 index by ~60% since RW trading on January 4, 2023. We believe the company's turnaround and value unlocking story has played

Key Data

Ticker	GE
Primary Exchange	NYSE
Price (\$ as of Jan 29, 2024)	131.10
52 Week Range (\$)	79.47 - 132.50
Shares Outstanding (million)	1088.4
Market Cap (\$ billion)	142.7
Net Debt (\$ billion)	4.0
Enterprise Value (\$ billion)	147.9
Market Float	99.0%
FY24 Estimated P/E (x)	22.0
Dividend (\$) / Div. Yield (%)	0.32/0.24
Fiscal Year Ending	Dec 31
FY23 Revenue (\$ billion)	67.9
Index Member	S&P 500, NYSE Composite

* P/E is calculated on the basis of Bloomberg Consensus estimates

Source: Bloomberg, Company Reports and Spin-Off Research.

Top 5 Shareholders	Holding %
The Capital Group Cos Inc	12.79
The Vanguard Group	8.08
BlackRock	6.40
FMR LLC	5.85
State Street Corp	4.54

out well in 2023, and in view of the limited upside potential; we have assigned a 'Hold' rating. We remain constructive on the stock, and advise buying on dips, factoring in the trigger of the impending spin-off of GE Vernova. Risks to our target price includes a lower market demand resulting in lower orders and sales figures at Aerospace, higher equipment costs due to inflation pressure, a drop in volumes in GE Power (Gas) and GE Renewables (Onshore Wind) businesses and higher than expected losses in the Renewable Energy segment.

Spin-Off Update

On November 9, 2021, General Electric announced its plan to form three investment-grade, industry-leading, global public companies: (i) GE Aerospace, (ii) GE HealthCare, and (iii) GE Vernova, focused on the growth sectors of aviation, healthcare, and energy. Following the spin-off of GE Healthcare on January 4, 2023, General Electric, comprised of GE Aerospace and GE Vernova (Power & Renewable Energy) segments. During the 3Q23 conference call on 10/24, GE provided further updates for the pending spin-off of its Renewable Energy/Power business, GE Vernova, which includes GE Renewable Energy, GE Power, and GE Digital. Similar to GE Healthcare's (SpinCo 1) spin-off, the spin-off for GE Vernova (SpinCo 2) business is intended to be tax-free for GE and GE shareholders for US federal income tax purposes. GE expects the completion of the spin-off in April 2024, which was earlier expected in 1Q24. **Following the spin-off shares of GE Vernova will be listed on the NYSE under the ticker symbol "GEV" and GE Aerospace will continue GE's listing on the NYSE under the ticker symbol "GE".**

GE will execute the Renewable Energy/Power segment spin-off in April 2024. In 2023, GE incurred separation costs of \$0.3 billion in the quarter and \$1.0 billion for the year, primarily related to employees, establishing standalone functions and IT systems, and professional fees. In addition to pension and some variables, the company has stated that they are working through taxes that will all be clear in the Form-10 filing in the middle of February, which will also add color on a good deal of costs related to the various businesses' sales and separations. The Company announced two boards to oversee GE Vernova and GE Aerospace. Scott Strazik has been the CEO of the GE Vernova business since November 2021 and will be appointed as CEO in connection with the spin-off, and Ken Parks joined GE Vernova as CFO, effective October 2, 2023. H. Lawrence Culp, Jr., will serve as Chairman of GE Aerospace, and Rahul Ghai, CFO of GE, will serve as CFO for GE Aerospace. GE Vernova Reached key milestones toward its spin-off, including naming its Board of Directors, filing its Form 10 registration statement confidentially, and achieving operational readiness. **During the 4Q23 earnings call, the company announced that GE Vernova and GE Aerospace will hold Investor Days in New York, NY, on Wednesday, March 6 and Thursday, March 7, 2024, respectively, where they will provide additional details on their outlooks.**

Balance Sheet/Liquidity Updates

GE received total proceeds of \$2.0 billion in 4Q23 from the sale of its remaining AerCap shares. During 2023, GE monetized approximately \$9 billion in proceeds from exiting its Baker Hughes and AerCap stakes and a portion of its GE HealthCare shares.

GE repurchased, under its \$3 billion authorized repurchase program, approximately 2.2 million common shares for \$0.3 billion in the fourth quarter, bringing the total common shares repurchased under the program in 2023 to approximately 10.6 million shares for \$1.1 billion. In addition, the company redeemed all outstanding preferred stock for \$5.8 billion during 2023.

Financial Overview

In \$ million (except per share data)	4Q23	4Q22	YoY%	FY23	FY22	YoY%
Net Sales (GAAP)	19,423.0	16,828.0	15.4%	67,954.0	58,100.0	17.0%
Net Sales Organic (Non-GAAP)	18,182.0	16,043.0	13.3%	64,336.0	55,150.0	16.7%
Operating Profit (Non-GAAP)	1,773.0	1,366.0	29.8%	5,662.0	3,159.0	79.2%
Operating Margin (Non-GAAP)	9.6%	8.5%	110 bps	8.8%	5.7%	310 bps
Net earnings (loss) attributable to GE common shareholders	1,591.0	2,100.0	-24.2%	9,186.0	51.0	17911.8%
Adj. Net income	1,138.0	725.0	57.0%	3,085.0	839.0	267.7%
Diluted EPS	\$1.44	\$1.53	-5.9%	\$7.98	\$(1.00)	NM
Adj. Diluted EPS	\$1.03	\$0.66	56.1%	\$2.81	\$0.77	264.9%

Source: Company Data

4Q23

Net Sales (GAAP) increased 15.4% YoY to \$19.4 billion in 4Q23, while Non-GAAP Organic Revenues were up 13.3% YoY to \$18.2 billion, which excludes the effect of acquisitions, dispositions, and foreign currency. GE's Non-GAAP Operating Profit surged 29.8% YoY to \$1.7 billion in 4Q23. Operating margin (Non-GAAP) expanded by 110 bps YoY to 9.6%, driven by volume & price (net of inflation), partially offset by a negative mix from higher equipment and growth investments. Net earnings attributable to GE shareholders declined from \$2.1 billion to \$1.5 billion due to higher costs. Diluted EPS declined to \$1.44 in 4Q23 compared to \$1.53 in 4Q22. GE's adjusted Net Income soared 57% YoY to \$1.1 billion in 4Q23, while the Adjusted Diluted EPS increased to \$1.03 from \$0.66 in the previous year.

FY23

GE's yearly revenues (GAAP) increased 17% YoY to \$67.9 billion in FY23, mainly driven by growth in Aerospace and Renewables segments due to high demand, better execution, and pricing. Revenues from Services were up 15% and equipment 19%. Non-GAAP Organic Revenues were up 16.7% YoY to \$64.3 billion. The Non-GAAP Operating Profit jumped to \$5.6 billion in FY23, from \$3.1 billion a year ago. Non-GAAP Operating margin increased 310 bps YoY to 8.8%, driven by Aerospace growth, sizable renewables improvement, and price increases across the three businesses, partially offset by inflation on long lead items and investments in growth. Net earnings attributable to GE shareholders jumped to \$9.1 billion from \$51 million, while Diluted EPS increased to \$7.98 from \$(1.00) in FY22. Adjusted Net Income rose 267.7% YoY to \$3.0 billion, compared to \$839 million in FY22. Adjusted Diluted EPS increased to \$2.81 from \$0.77 a year ago, supported by strong profit growth and lower interest from debt reduction.

FY24 Outlook

FY24 annual guidance reflects GE Aerospace and GE Vernova operating independently for the full year, incorporating standalone and other impacts each business will incur separately.

Segmental Information

i) GE Aerospace

In \$ million	4Q23	4Q22	YoY%	FY23	FY22	YoY%
Net Sales (GAAP)	8,520.0	7,615.0	11.9%	31,770.0	26,050.0	22.0%
Net Sales Organic (Non-GAAP)	8,510.0	7,624.0	11.6%	31,755.0	26,067.0	21.8%
Segment profit (GAAP)	1,598.0	1,434.0	11.4%	6,115.0	4,775.0	28.1%
Segment profit margin (GAAP)	18.8%	18.8%	0 bps	19.2%	18.3%	90 bps
Segment profit (Non-GAAP)	1,590.0	1,477.0	7.7%	6,037.0	4,813.0	25.4%
Segment profit margin (Non GAAP)	18.7%	19.4%	-70 bps	19.0%	18.5%	50 bps

Source: Company Data

4Q23

During 4Q23, Revenue was up 11.9% YoY to \$8.5 billion, primarily driven by solid demand for Commercial engines and services, as orders were up 10%. Commercial revenue was up 15%, driving the overall revenue growth during the quarter. In Commercial, Services revenue was up 23% from higher volume, pricing, and heavier work scopes. External spare parts increased with higher LEAP volume, and internal shop visits increased slightly. Revenue grew by 1%, with LEAP deliveries up 22%, and as expected, the mix continues to shift towards install engines. Defense Revenue was down 1%, driven by lower services, while equipment grew double-digits from higher combat engine deliveries. Non-GAAP Organic Revenue was up 11.6% YoY to \$8.5 billion. For the quarter, Aerospace orders were \$10.6 billion, up 10% YoY on a reported and organic basis, with continued services strength and strong commercial engine orders. The segment profit (GAAP) increased to \$1.6 billion from \$1.4 billion a year ago. Non-GAAP segment profit was up 8% YoY to \$1.6 billion, driven by increased Services volume and pricing, net of inflation. This was partially offset by unfavorable equipment mix from the expected higher installation and over spare engine deliveries and higher investments. Segment margin (Non-GAAP) was down 70 bps YoY to 18.7% as unfavorable mix and investments offset higher volume and price, net of inflation.

FY23

In FY23, GE Aerospace posted double-digit orders and operating profit growth, driven by commercial momentum and service strength. In FY23, orders of \$38.1 billion were up 22% YoY reported and organically. GE Aerospace posted revenue of \$31.7 billion in FY23, compared to \$26.0 billion in FY22, up 22% YoY. The Commercial Services revenue increased 30% with external spare parts up significantly and internal shop visits up 10%. Commercial Engines revenue grew 21% YoY, with total engine deliveries up 25% YoY and spare engine ratio consistent with FY22. Defense revenues grew 7% YoY, with book-to-bill of approximately 1.2x for the second consecutive year, and orders were up 9%. Non-GAAP Organic Revenue was up 21.8% YoY to \$31.7 billion. Segment Profit (GAAP) was up 28.1% YoY at \$6.1 billion. The Company's Non-GAAP segment profit increased 25.4% YoY to \$6.0 billion, driven by services growth and pricing, partially offset by a negative mix from higher LEAP volume and investments. Segment Margin (Non-GAAP) rose 50 bps YoY to 19.0% in FY23.

FY24 Outlook

In FY24, Adjusted Revenues are expected to grow in the double-digit ranges range. The Company expects Operating profit of \$6.0 - \$6.5 billion, and implies flat margins YoY, given the growth in LEAP, initial 9X shipments for the 777X platform, and other growth investments. Free Cash flow is expected to exceed \$5 billion during the year. Commercial Engines and Services are expected to deliver mid-high-teens revenue growth (growth in high teens for Commercial Engines and mid-teens for Services). Defense & Systems revenue is expected to grow in the mid-high-single-digit range. The Company expects incremental ~\$0.6 billion cost, primarily related to EH&S, standalone cost & run-off corporate expense.

Other Updates

GE provided some updates on the Aerospace segment during the earnings call. GE stated that from 1/24, the company is building its \$150 billion-plus backlog. At the Dubai Airshow, GE Aerospace and its partners received over 450 engine commitments and several service agreements across both wide and narrowbodies. This included an Emirates order for 202 GE9X engines and spares and a long-term services agreement to power its upcoming Boeing 777X fleet. GE intends to keep its customers' fleets flying with durability and maintenance enhancements such as the LEAP-1A fuel nozzle cooling system on its way to fleet introduction.

Furthermore, GE is investing in R&D and developing next-generation technologies. Recently, NASA selected GE Aerospace for phase 2 of the Hybrid Thermally Efficient Core program, which will significantly enhance fuel efficiency and reduce emissions, improving the company's leverage in its RISE program.

Also, on the Defence front of the segment, the National Defense Authorization Act authorized funding for the adaptive engine transition program and the Next-Generation Advanced Propulsion program, which will help provide cutting-edge future military capabilities.

ii) Renewable Energy

In \$ million	4Q23	4Q22	YoY%	FY23	FY22	YoY%
Net Sales (GAAP)	4,213.0	3,413.0	23.4%	15,050.0	12,977.0	16.0%
Net Sales Organic (Non-GAAP)	4,053.0	3,394.0	19.4%	15,056.0	12,920.0	16.5%
Segment profit (GAAP)	-347.0	-454.0	-23.6%	-1,437.0	-2,240.0	-35.8%
Segment profit margin (GAAP)	-8.2%	-13.3%	510 bps	-9.5%	-17.3%	780 bps
Segment profit (Non-GAAP)	-295.0	-433.0	-31.9%	-1,237.0	-2,245.0	-44.9%
Segment profit margin (Non GAAP)	-7.3%	-12.8%	550 bps	-8.2%	-17.4%	920 bps

Source: Company Data

4Q23

During 4Q23, Revenue increased to \$4.2 billion, up 23.4% YoY, driven by Grid and Offshore wind businesses. Grid revenue grew double-digits for the fifth consecutive quarter, while Offshore revenue more than doubled. Onshore revenue growth was driven by North American equipment volume. Non-GAAP Organic Revenue was up 19.4% YoY in 4Q23 to \$4.0 billion. For the quarter, Orders of \$5.1 billion increased 1% YoY on a reported and organic basis, including the cancellation of a large Offshore Wind order originally booked in 2Q23. Excluding this cancellation, orders grew over 20% YoY, led by stronger Onshore Wind equipment and repower. Segment Profit (GAAP) was down 23.6% YoY to \$347 million. Non-GAAP Segment Loss narrowed during 4Q23 to \$295 million from \$433 million in 4Q22, as Onshore and Grid businesses more than offset the pressures from Offshore business due to better price and productivity. Segment margin (Non-GAAP) improved by 550 bps to -7.3% during the quarter.

FY23

Renewable segment revenue was up 16% YoY for the full year, to \$15.0 billion, driven by growth across Offshore Wind, Grid, and Onshore Wind equipment. Non-GAAP Organic Revenue was up 16.5% YoY in FY23 to \$15.0 billion. For the year, orders of \$22.6 billion were up 54% YoY on a reported and organic basis. Segment Loss (GAAP) decreased 35.8% YoY from \$2.2 billion to \$1.4 billion during FY23. The Non-GAAP Segment Loss also declined 44.9% YoY, from \$2.2 billion in FY22 to \$1.2 billion due to price, quality, and productivity in Onshore and Grid, plus the absence of last year's largely Onshore-related charges. At Grid, price and higher volume enabled full-year profitability following three consecutive quarters of profit. Onshore has been profitable for two consecutive quarters, while Offshore Wind was challenging, with roughly \$1.1 billion in losses in FY23. Consequently, the Segment margin improved by 920 bps during FY23.

FY24 Outlook

Grid is expected to expand to mid-single-digit margins, primarily from higher volume and price. The guidance assumes roughly \$200 million of standalone and \$100 million of other ongoing carve-out costs.

Other Updates

GE Vernova secured a 2.4 GW order to support Pattern Energy's SunZia wind project in New Mexico - expected to be the largest wind project in U.S. history - with 674 onshore wind turbines and a long-term services award.

iii] Power

In \$ million	4Q23	4Q22	YoY%	FY23	FY22	YoY%
Net Sales (GAAP)	5,786.0	5,030.0	15.0%	17,731.0	16,262.0	9.0%
Net Sales Organic (Non-GAAP)	5,627.0	5,038.0	11.7%	17,514.0	16,310.0	7.4%
Segment profit (GAAP)	759.0	692.0	9.7%	1,449.0	1,217.0	19.1%
Segment profit margin (GAAP)	13.1%	13.8%	-70 bps	8.2%	7.5%	70 bps
Segment profit (Non-GAAP)	741.0	769.0	-3.6%	1,503.0	1,369.0	9.8%
Segment profit margin (Non GAAP)	13.2%	15.3%	-210 bps	8.6%	8.4%	20 bps

Source: Company Data

4Q23

The power segment posted revenues of \$5.8 billion in 4Q23, up 15% YoY, driven by Gas Power with equipment revenue growth from Aeroderivative and heavy-duty gas turbines and strength in services due to higher contractual outages and upgrades. Orders grew 5% YoY for the quarter, with double-digit service growth in Gas Power. In contrast, equipment orders declined due to the exit from Steam new builds, partially offset by higher Aeroderivatives. Non-GAAP Organic Revenue was up 11.7% YoY in 4Q23 to \$5.6 billion. Segment Profit (GAAP) was up 9.7% YoY to \$759 million. However, the Non-GAAP Segment Profit slightly declined from \$769 million in 4Q22 to \$741 million in 4Q23. Segment margin declined 210 bps YoY to 13.2% as higher equipment volume weighed on margins in the short term.

FY23

Net Sales increased to \$17.7 billion in FY23, compared to \$16.2 billion in FY22. The higher revenue was driven by deliveries of 58 heavy-duty gas turbines, including 14 Has, and strength in services, which was up mid-single digits, led by Gas Power. Non-GAAP Organic Revenue was up 7.4% YoY in FY23 to \$17.5 billion. For the year, orders of \$18.5 billion were up 4% YoY reported and 3% YoY organically. Segment Profit (GAAP) was up 19.1% YoY to \$1.4 billion. The Non-GAAP Segment Profit rose 9.8% YoY to \$1.5 billion during the year. Non-GAAP segment margin was up 20bps to 8.6%, with services strength, productivity, and price more than offset inflation and higher equipment volume.

FY24 Outlook

The Company expects Gas Power to remain strong with continued services growth and low-double-digit margins. Management believes Onshore will continue to improve significantly, achieving high-single-digit margins on roughly flat revenue from better mix, price, and cost out. Offshore is expected to execute the current backlog with slight year-over-year improvement.

GE Vernova Consolidated Outlook

GE Vernova is building momentum, expecting substantial profit and free cash flow growth in 2024. The Company expects solid organic growth with revenue between \$34 billion to \$35 billion, up low-to-mid-single-digits from FY23. The Company forecasts adjusted EBITDA margin at the higher-end of the mid-single-digits range, up from low-single-digit EBITDA margin in FY23. Continuing price, productivity, and benefits from restructuring efforts support this outlook.

Valuation

General Electric:

General Electric is a global high-tech industrial company that operates worldwide through its four industrial segments- GE Aerospace and GE Vernova (Power & Renewable Energy). The company spun-off GE Healthcare on January 3, 2023, and will spin-off GE Vernova (Power and Renewable Energy) in April 2024. Post-spin-off, GE Aerospace will comprise the Aerospace business, splitting General Electric, thereby completing the planned split of General Electric into three individual companies. GE's FY24 guidance reflects GE Vernova and GE Aerospace operating independently, incorporating standalone and other costs each will incur separately. GE Vernova expects to deliver revenue of \$34 billion to \$35 billion, an adjusted EBITDA margin of mid-single digits toward the higher end of the range, and free cash flow of \$0.7 billion to \$1.1 billion. GE Aerospace expects adjusted revenue to grow low double digits or more, operating profit of \$6.0 billion to \$6.5 billion, and free cash flow greater than \$5 billion.

2025e EV/EBITDA - GE (Consolidated)

(in \$ million, except per share data)	Adj. EBITDA	Multiple	EV
GE Aerospace	8,750	16.7x	146,125
GE Vernova	2,850	7.0x	19,950
GE (Stub) - EV			166,075
Add: 13.54% stake in GE Healthcare			4,585
Less: Net debt & Other Adjustments*			(12,950)
Implied Equity Value			157,710
Number of Shares (million)			1,088.0
Intrinsic Value per share (\$)			145.00

Source: Spin-Off Research

*Other Adjustments Insurance buffer/pension deficit/Separation cost/Early debt Redemption costs & Others

EV/EBITDA Valuation: We value General Electric (GE) using the 2025e EV/EBITDA methodology. Our intrinsic value of \$145.00 (Previously: \$98.00) for GE is based on the 2025e EV/ EBITDA multiple of 16.7x for GE Aerospace (~16% premium to its peer median multiple of 14.4x) and 7.0x for GE Vernova (~12% discount to its peer median multiple of 7.9x). The revised target price factors in the value unlocking post-separation of GE Healthcare and strengthening the balance sheet as GE sold its entire stake in AerCap at \$4.7 billion, of which \$2.0 billion was sold via a secondary offering on 11/16. The company also redeemed its \$4.0 billion preference shares in 3Q23. Furthermore, GE Vernova has improved significantly with operational turnaround as the Renewables segment secured orders of ~5 billion and recorded double-digit revenue growth in FY23. The company is expected to provide more color on the standalone outlook for both GE Aerospace and Vernova on Investor Day, which will be held on March 6 for Aerospace and March 7 for Vernova. Our GE valuation also includes the value of a 13.54% stake in GE Healthcare (valued at CMP). We have assumed a 2025e net debt and other adjustments of \$12.9 billion. The company expects to monetize the stake monetize the remaining 13.54% stake held in GE Healthcare to reduce the debt burden further, thereby improving its balance sheet. Other adjustments to arrive at Equity value include insurance buffer, pension deficit, separation costs, and others.

Peers

GE Aerospace - Valuation comparison						
Company	Ticker	Price (in LC)	Market Cap	Enterprise Value	EV/EBITDA	
					FY24e	FY25e
Raytheon technologies	RTX	90.08	129,526	169,825	13.3x	12.2x
Boeing Company	BA	205.19	124,135	163,047	NM	22.8x
Honeywell	HON	203.05	133,861	147,779	15.4x	14.4x
Parker-Hannifin Corporation	PH	476.50	61,219	72,962	15.6x	14.5x
Safran SA	SAFRY	189.55	80,987	79,199	17.1x	14.4x
MTU Aero Engines AG	MTUAY	236.30	12,719	13,168	14.0x	10.3x
Woodward Inc	WWD	142.72	8,568	9,142	16.4x	14.9x
Hexcel Corporation	HXL	66.77	5,615	6,088	14.6x	12.3x
<i>Mean</i>					<i>15.2x</i>	<i>14.5x</i>
<i>Median</i>					<i>15.4x</i>	<i>14.4x</i>

GE Vernova - Valuation comparison						
Company	Ticker	Price (in LC)	Market Cap	Enterprise Value	EV/EBITDA	
					FY24e	FY25e
Hitachi Ltd	HTHIY	82.92	76,879	88,251	9.9x	9.5x
Vestas Wind Systems A/S	VWS	27.89	28,162	29,809	28.0x	16.2x
Mitsubishi Heavy Industries Lt	MHVYF	71.89	24,254	32,506	9.8x	8.8x
Siemens Energy	ENR	14.47	11,565	12,041	7.5x	4.9x
Fuji Electric Co Ltd	FELTF	53.58	8,000	8,652	7.8x	7.1x
IHI Corp	IHICY	20.73	3,206	7,271	NM	5.8x
Nordex SE	NDX1	9.86	2,331	2,094	NM	7.7x
<i>Mean</i>					<i>12.6x</i>	<i>8.7x</i>
<i>Median</i>					<i>9.8x</i>	<i>7.9x</i>

Source: Spin-Off Research

Company Description

General Electric (GE)

Post spin-off of GE Healthcare, General Electric is a global high-tech industrial company that operates worldwide through its three industrial segments. Power, Renewable Energy, and Aerospace. The Power segment offers technologies, solutions, and services related to energy production, including gas and steam turbines, generators, and power generation services. The Renewable Energy segment provides wind turbine platforms, hardware and software, offshore wind turbines, solutions, products and services to the hydropower industry, blades for onshore and offshore wind turbines, and high voltage equipment. The Aerospace segment provides jet engines and turboprops for commercial airframes, maintenance, component repair, overhaul services, replacement parts, additive machines and materials, and engineering services. The company reported consolidated revenues of \$67.9 billion in FY23.

GE Vernova (Spin-Off)

Post-separation, the new company will include Renewable Energy, Power, and Digital businesses. This business possesses a unique offering with powerful wind turbines and efficient gas turbines, as well as technology to modernize and digitize the grid. The energy transition represents the largest market opportunity for Digital with vertical market solutions in Grid and Power Generation. For FY23, the company recorded revenues of \$32.7 billion. GE is expected to spin-off GE Vernova in April 2024.

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