

GE PAPER 2 – SPLIT OF THE CONGLOMERATE INTO THREE COMPANIES

General Electric, in November 2021, announced that it would split the conglomerate into three branches viz; Healthcare, Aviation, and Renewable Energy. These divisions will be named GE Aerospace, GE Healthcare, and GE Vernova. This is one of the most important events in corporate history as GE is one of the most trusted, reputed, and influential companies, known for its corporate structure that dominated the global market for over a century as a role model.

H. Lawrence (Larry) Culp, Jr., the Chairman and CEO of GE and GE Aerospace, has been leading the company since 2018 and led the operations leading to the split. He was called an outsider in the company who was not the first CEO choice but was accepted. In his prior role as the CEO of Danaher Corporation, Culp was known for his successful leadership leading to techniques that helped the organization's growth.

The strategic move was inevitable to restore and rejuvenate GE and place it back on the global map. The divide into three different sectors has helped the company to focus on its core businesses, improve financial performance in the market, increase value for its shareholders, and give hope to the investors looking towards a bright future for investment purposes. Culp truly believed that the split would enable "greater focus, tailored capital allocation and strategic flexibility to drive long-term growth and value for customers, investors, and employees," reaffirming the tagline GE swears by - "building a world that works."

Thus, GE entered a new era on January 4, 2023, and laid the foundation stone to achieve towering heights when it completed the spin-off of its healthcare business by launching GE HealthCare Technologies Inc. The new company is a global leader in Precision Care and will trade on Nasdaq under the ticker symbol "GEHC." The separation of GE Healthcare marks a pivotal moment in GE's transformation into three independent companies focused on critical and growing sectors. GE Aerospace and GE Vernova are also set to become standalone companies in early 2024.

Although GE's Renewable Energy and Power are not performing well at the moment, they are set to be one of the most important parts of the company as they are a significant part of GE Vernova, which is set to begin in 2024. Scott Strazik, CEO of GE Vernova, is leading the onshore and offshore wind power businesses, ensuring that it succeeds in this industry sector and attracts more investors to build a solid foundation in the future.

GE's financial year 2022 ended with a total revenue of \$76.6 billion, \$2.4 billion more than the previous year, which was seen as a result of an increase in profits in its Aerospace and HealthCare segments. However, there was a decline in earnings in the Renewable Energy and Power sectors. The EPS increased from negative \$3.25 in 2021 to positive \$0.53 in 2022. General Electric distributed 80.1% of GE Healthcare (GEHC) stock to GE stock owners based on the number of shares they own. The original parent company kept the remaining 19.9% of GEHC stock. When GEHC went public on Nasdaq, its stock price increased by 8.4%.

The CEO of GEHC Peter. J. Arduini describes the company as the sixth largest medical device maker firm in Healthcare. He stated that GE Healthcare is primarily a digital innovation firm that believes in providing the best precision devices for the benefit of Healthcare providers, hospitals, clinicians, and patients. Safe, correct, qualitative analysis and clarity of digital images for easy and correct diagnosis and treatment of the patients is a priority and policy. He trusts the lean mindset and promotes it for better performance of the company as a whole. They plan to acquire smaller companies in cardiology and oncology in the future.

Peter Green from Medtechdive, on January 6, 2023, ran a Q and A session with Arduini post-GEHC spin-off. Here it was revealed that the budget for R&D has been raised by a considerable margin, from \$700 million in 2017 to over 1 billion today, keeping in mind the innovation in Precision Care. He also spoke about AI, FDA regulations, M&A for capital allocation strategy, sales, PR, and financials that would need consistent monitoring, an upscale, agile mindset, and a keen eye to up the game.

On March 28, 2023, GE announced that Ecogreen Energy had selected them to provide its FLEXINVERTER Solar Power Station technology for the upcoming Nigde Bor Solar power plant in Nigde, Turkey. This initiative is in addition to the 1.3 GW of solar projects already underway in Turkey with GE's involvement. Turkey aims to expand its renewable energy resources and generate 10 GW of solar capacity between 2017 and 2027, and the Nigde Bor Solar power plant is part of this plan. According to the International Energy Agency (IEA), Turkey's solar energy capacity is expected to grow by 500% and reach 52.9 gigawatts by 2035.

The FLEXINVERTER Solar Power Station is a containerized solution combining different solar power plant components into one unit. This technology helps reduce costs and improve plant performance. FLEXINVERTERS, FLEXIQ, and FLEXRESERVOIR are part of GE's Renewable Hybrids FLEX portfolio. Its innumerable uses include producing dispatchable green MWhs using solar energy, battery storage, and a digital platform to manage energy systems. It can be put to multiple uses due to its diverse functionality. Solar power has been used for decades, but such humongous projects are few. It is commendable that GE still conforms to its policies, such as following the UN norms of SDG - Sustainable Development Goals, even when the company has split.

GE Vernova will revolutionize the energy industry forever for consumers and producers alike. It will help combat the adverse effects of climate change, along with reducing cost and improving efficiency and availability. Green energy would address the energy crisis in the most effective manner. This brings hope that GE Vernova will have a great start in the market next year.

Most news outlets reacted positively to General Electric's split emphasizing benefits such as more productivity and improved focus on core businesses. The investors also supported the move, and as a result, the stock prices increased. Some pointed out the

flaws in the strategy, such as adverse effects in its financials and lack of coordination between different sectors which could lead to criticism and a bad reputation for GE companies in the long run.

The public, in general, saw this as an overwhelming historic moment. Many thought it would mean they would pay less attention to power and renewable energy and focus more on aviation and Healthcare. Some people were heartbroken to see a global giant-GE, a part of their family too for decades and known for its leadership worldwide getting torn apart. While some were thrilled for GE as it was being updated to a better version, meaning that they would now have undivided attention to each area, which would mean quality over quantity for the consumers.

The Public Relations team was on top of their game and communicated all the events with utmost transparency. The CEO proactively released press statements with upcoming plans and visions in detail that helped instill confidence and trust in its stakeholders and employees. This was another boost to the company's image, as the team successfully showcased that the company believed in open communication and valued its consumers. The website is also well-maintained, with information covering various topics providing up-to-date, accurate, and relevant information for the public to make informed decisions.

GE, the conglomerate, or GE, the standalone companies, still have its primary mission in place. GE stands for innovation for the benefit of its consumers, the well-being and progress of its employees, and the success and reputation of the company. It has bounced back and is here to stay because of Culp's futuristic vision of embracing change with courage and open arms.

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