

GE to split into three companies in latest restructuring

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Multinational General Electric, a flagship of American industry, is splitting into three separate companies.

Multinational conglomerate General Electric announced Tuesday it will split into three separate, publicly-traded companies in the latest move by

the industrial giant to shore up its fortunes.

GE will spin off its healthcare and energy businesses, and the remaining core of the century-old company founded by Thomas Edison will focus on aviation.

Hard hit by the 2008 financial crisis, the company has undergone several downsizing and restructuring efforts by multiple CEOs, and incurred massive debt.

The Boston-based company said in a statement the split will leave the independently run businesses better positioned to "deliver long-term growth and create value" for customers, investors and employees.

General Electric will spin off GE Healthcare in early 2023, with the parent company expecting to retain a 19.9 percent stake, the statement said.

It would then combine three divisions—GE Renewable Energy, GE Power and GE Digital—into a single business that will be spun off in early 2024.

The remaining core of the company, which will retain the name General Electric, will focus on aviation, whose future will be tied closely to Boeing, one of its major clients.

"We have a responsibility to move with speed to shape the future of flight, advance precision health and lead the energy transition," said company chairman and chief executive Lawrence Culp, who will retain a leadership role in the new aviation group.

He said the new entities will "benefit from greater focus, tailored capital allocation and strategic flexibility to drive long-term growth and value."

Multiple restructurings

The company previously shed its oil and appliance units and said it will use proceeds from the recent merger of its aircraft leasing business with AerCap to reduce its debt.

Culp was appointed head of GE in October 2018 in an attempt to raise the bar, including pledging to alleviate the company's debt.

The company on Tuesday restated its goal of reducing the debt load by \$75 billion from the end of 2018 and the end of 2021.

Investors embraced the news. On Wall Street, GE shares were up nearly four percent at midday.

"After years of debt reduction, restructuring and the implementation of a decentralized business model, these businesses are ready to stand on their own with the expectations of more consistent results," Third Bridge analyst Peter McNally said.

However, S&P Global Ratings put the company on credit watch for a possible downgrade given plans to offload the profitable healthcare arm.

"Upon the separation of GE Healthcare, we would view GE as less diversified," the ratings agency said, noting that "in the past year, the health care segment has been more resilient."

In contrast, the aviation sector was badly damaged by the Covid-19 pandemic, forcing thousands of layoffs at the company, and "power remains in turnaround mode," S&P said.

"Still, the remaining aviation, power, and renewable businesses benefit from strong market positions and large scale operations" and are

expected to continue to recover.

Founded at the end of the 19th century by inventor Thomas Edison, General Electric has long been a flagship of American industry, with a sprawling presence in many sectors, from electricity transmission to finance, media and computers.

But the company suffered from missteps and acquisitions that failed to improve its fortunes, including that of mortgage company WMC in 2004 or the energy division of French multinational Alstom in 2015.

The financial arm of GE has suffered a severe blow in 2008 at the height of the subprime mortgage crisis, due to risky investments in commercial real estate.

The company was dropped from the prestigious Dow Jones Industrial Average in 2018 after 111 years, despite being one of the original components of the benchmark Wall Street index.

Last month, GE reported fairly satisfactory quarterly results, benefiting in particular from strong growth in its aviation revenues.

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