GE Earnings Rise On Emerging Market Growth

Jonathan Fahey, AP Energy Writer

NEW YORK (AP) — General Electric Co. has been re-energized.

Performance at all of the conglomerate's industrial segments is improving thanks to cost cutting, a shift in strategy and growth in emerging markets.

GE, based in Connecticut, reported an operating profit per share of 44 cents, a penny higher than analysts polled by FactSet expected. Perhaps more importantly for shareholders, GE's revenue rose 4 percent to $39.3 billion and beat Wall Street expectations. Shares rose over 3 percent Friday.

CEO Jeff Immelt said the outlook for developed markets remained uncertain. But China and other emerging markets, along with regions that are exploiting natural resources, are growing.

Immelt has been reshaping GE, focusing on its more traditional operations, such as making complex industrial equipment and providing services to companies. GE also makes refrigerators, CT-scanners, wind turbines, gas turbines and engines for jets and trains. In a new push, it also provides equipment and services to the oil and gas industry.

The company is shrinking its banking division and trimming other non-industrial operations like commercial real estate.

The shift has led to higher profit margins, a trend that continued in the fourth quarter. GE reported increased profits at all seven of its industrial segments, with growth topping 10 percent at four of them — oil and gas, energy management, aviation and transportation.

GE also improved its cash flow and in turn gave some cash back to shareholders. It repurchased $2.1 billion in stock in the quarter and $5.2 billion for the year, while boosting the quarterly dividend 12 percent to 19 cents per share.

In a conference call following the earnings released, Immelt called 2012 "a year we hit all of our financial commitments to investors." GE shares rose 17 percent last year.

Daniel Holland, an analyst at Morningstar, said he was encouraged to see the cost-cutting measures show up in improved profitability, and that the financial performance improved in nearly every division.

"A lot of what they've been talking about is coming to fruition," he said. "And it's pretty broad-based across the portfolio."

Another good sign is revenue growth. GE's revenue had slipped after it sold non-industrial assets like NBC Universal, and this has concerned investors. It started growing again in the second quarter and grew 4 percent in the final three months of 2012 compared with the year-earlier period.

"It's definitely important to see revenue growth," Holland said. "That's something that had been keeping investors from getting excited."

Fourth-quarter net income, including discontinued operations and pension costs, totaled $4 billion. Last year during the same period the company earned $3.7 billion on sales of $38 billion. Per share earnings rose to 38 cents from 35 cents.

GE shares rose 74 cents, or 3.5 percent, to close at $22.04 Friday. The stock closed at a 52-week high of $23.08 in October.

For all of 2012, GE posted net income of $13.6 billion, or $1.39 per share, on revenue of $147.4 billion. That's up from net income of $13.1 billion, or $1.24 per share, on revenue of $147.3 billion in 2011.

Jeff Sprague of Vertical Research Partners called GE's performance during the quarter "solid" but cautioned that the company's stock is expensive compared with that of similar companies. That may limit how high GE stock can rise, he said in a research note.

GE expects revenue and profit growth to continue this year. GE said its backlog of new business reached $210 billion, its highest ever. During the fourth quarter the company announced new contracts with Petrobras in Brazil and with Chevron in Angola to help those oil companies extract oil from deep waters off shore. It also announced orders for jet engines to power 50 airplanes for Alaska Airlines.

Source URL (retrieved on *10/25/2014 - 11:01pm*):
http://www.impomag.com/news/2013/01/ge-earnings-rise-emerging-market-growth?qt-most_popular=0