

General electric

Finance



General Electric Bonds of General Electric General Electric Company's finance arm sold \$6 billion of debt which is considered to be the largest offering in the last year. The company has planned to issue \$25 billion to \$30 billion of long-term bonds. The company's \$62 billion of debt is falling due in 2011 and further \$81 billion is going to be matured in 2012. (Harris, A. & Catts, T. 2011) All these bond offerings are spread to different maturities with different coupon rates attached to it. The company has offered \$1.75 billion at 2.1 percent with 3-year notes yielding 1.1 percent more than comparable treasuries and \$2 billion is offered at 4.625 percent with 10-year notes. Bond Rating GE lost its AAA rating during the financial crisis in 2008. But good quarterly results have brought back the preference for GE bonds. The company currently enjoys long term rating of Aa2 for its bonds as declared by Moody's recently (Moody's 2011). GE Bonds Compared with Siemens and ABB When compared with similar companies such as Siemens and ABB in the similar industrial group companies, GE bonds offer slightly higher returns to the investors though the difference is nominal. (Klee, 2011)

General Electric Co. In order to explore the long term prospects of the company, it will be worthwhile to know a bit about its past history, its products and businesses, its past performance, its operations worldwide and its financials. GE is a diversified company having its interests in aircraft engines, business and consumer financing, power generation, industrial products. The company was established by legendary Thomas Edison, a scientist par excellence with hundreds of patents in his fold. The company ever since its inception displayed a true entrepreneurial spirit and spearheaded multidimensional growth and development in several fields. The company has a long heritage of research and innovation in various

<https://assignbuster.com/general-electric/>

fields. GE Global Research lab is known for its mettle to explore new technologies in the wake of expanding horizons of science and technology. GE's strength can be gauged from the fact that this is the only company of U. S to form a part of Dow Jones industrial index ever since 1896 when the index was first evolved. (FactSheet, 2011) Products and Industries GE has a varied and highly diversified product list starting from Appliances, Aviation, Consumer Electronics, Health Care, Finance, Lighting, Media, Energy, Entertainment, Water Business and many more. (FactSheet, 2011)

Geographical Markets GE's operations are spread in more than 100 countries providing employment to more than 300, 000 people throughout the world. (FactSheet, 2011) Financials Second Quarter Earnings GE announced second quarter results in the current year with earnings from operations up by 18 percent or per share earnings of \$0. 34, up by 17 percent when compared with same quarter of 2010. Though, revenues were down by 4 percent. In a press note release, the company informed that this is the fifth consecutive quarter that registered double-digit earnings growth in spite of ongoing recession since 2008. The growth came from Healthcare, Aviation, Transportation, and GE Capital. GE'S industrial segment registered double-digit growth in the countries such as China, India, Africa, Southeast Asia, Canada, Australia, and Latin America. GE capital also displayed a strong performance through the second quarter. The growth in earnings of Consumer and Commercial Lending division was 57 percent and leasing division of the company registered fabulous 100 percent growth. (2Q Highlights 2011) Long Term Prospects If the recent results of few quarters are any indication, the long term prospects of the company certainly look promising. The company's innovative culture and continued search for

<https://assignbuster.com/general-electric/>

excellence has paid even in difficult times. The GE is an established multinational company with manufacturing and marketing operations in several countries. That provides enough leverage to the company during difficult times in some of the countries as is the case currently. From a fundamental view point, GE is on a solid platform and looking forward to the strong long term growth across various divisions of the company. GE Credit Ratings Short term and long term debts of the GE are rated by the two leading rating agencies such as Moody's and Standard & Poor's and the same are tabulated as per the following. Company S&P Rating Moody's Rating Short Term Long Term Short Term Long Term General Electric Company A-1+ AA+ P-1 Aa2 General Electric Capital Corporation A-1+ AA+ P-1 Aa2 Source: [http://www. ge.com/pdf/investors/investing/fixed_income/ge_LongTermDebt2Q11. pdf](http://www.ge.com/pdf/investors/investing/fixed_income/ge_LongTermDebt2Q11.pdf)

Current Debt Scenario and Debt Magnitude GE has completed \$20 billion of long term debt issuance (unsecured) in the year 2011 so far in 9 currencies, which signifies a downward trend for the last two years. Out of the total debt composition, long term debt with maturity period less than a year constituted \$73 billion. As on second quarter of 2011, total debt stood at 463 billion. Out of which, long term debt (non-guaranteed) constitutes at \$281 billion. (Long Term Debt Overview 2011) Cost of Fund or Interest Rate All along the year option adjusted spread has moved between 120 and 140 bps; however lately it has crossed 140 bps. When compared with other finance companies and banking industries, the cost of funds is lower and competitive. (Long Term Debt Overview 2011) Reference 1. Harris, A. & Catts, T. (2011), GE's \$6 Billion of Debt Is Biggest Sale Since February, Bloomberg, online November 28 2011, [http://www. bloomberg.https://assignbuster.com/general-electric/](http://www.bloomberg.com/news/2011-11-28-ge-s-6-billion-of-debt-is-biggest-sale-since-february.html)

com/news/2011-01-04/general-electric-sells-6-billion-of-debt-in-four-part-offering. html 2. Moody's (2011), General Electric Capital Corporation, online November 28, 2011 http://www.moody.com/MdcAccessDeniedCh.aspx?lang=en&cy=global&Source=http%3a%2f%2fwww.moody.com%2fviewresearchdoc.aspx%3fdocid%3dCOP_314000%26lang%3den%26cy%3dglobal 3. Klee, T. (2011), GE bonds considered attractive, online November 11 2011, http://www.ge.com/europe/downloads/BZ_28072011_page_17.pdf 4. FactSheet (2011), GE, online November 28, 2011, <http://www.ge.com/company/factsheets/corporate.html> 5. 2Q Highlights (2011), GE press release, online November 28, 2011, http://www.ge.com/pdf/investors/events/07222011/ge_webcast_pressrelease_07222011.pdf 6. Long Term Debt Overview (2011), online November 28, 2011, http://www.ge.com/pdf/investors/investing/fixed_income/ge_LongTermDebt2Q11.pdf