

B / S	P / C / S	Strike	Exp.	Premium
BUY	Call	20.00	DEC 17 '19	(\$7.25)
Levered Long				(\$7.25)

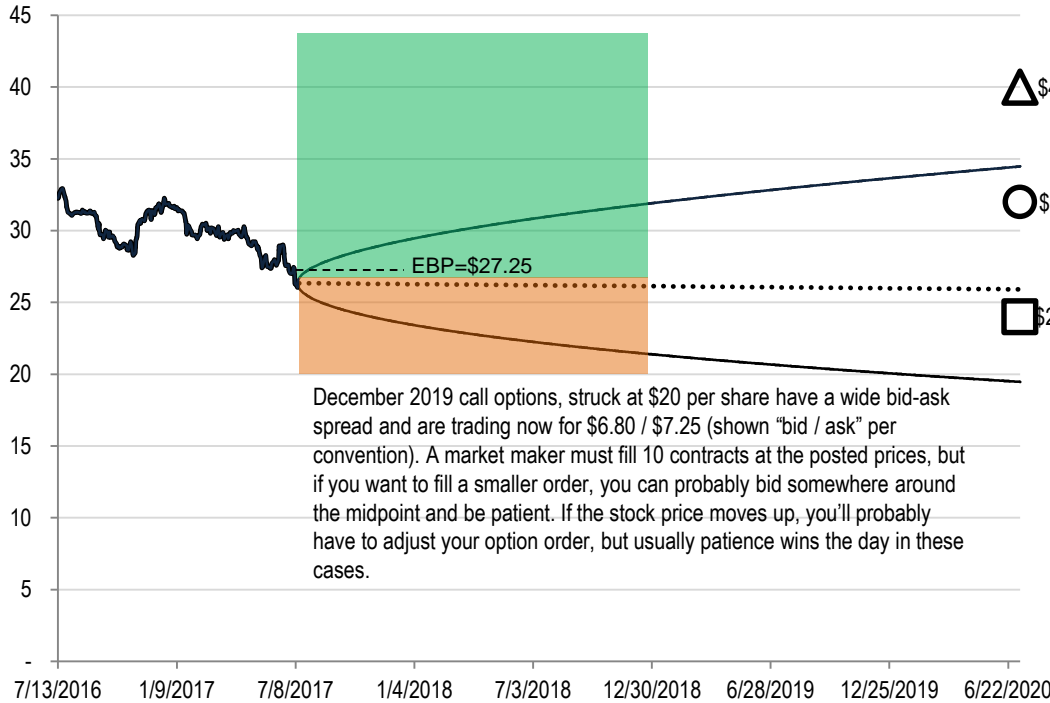
### Framework's Take

We list this as low conviction since there is one valuation scenario just below the present price and EBP. We do not think this scenario is the most likely one, but there have been so many changes at the company over the last few years, some uncertainty exists. Our main uncertainty relates to normalized profitability levels. Profits over the past few years have been influenced by the disposal of the financing business, and we do not yet have any historical evidence of what worst-case profits for the "new GE" will be. We continue to hold an unlevered position in GE from early 2015 and considering our updated valuation, we made a mistake in not taking profits last year. We continue to think GE's value is probably closer to the high end of our range.

### Drivers

<b>Revenues</b>	GE meets fundamental demand for modern life: power, transportation, medicine. It is a leader in all its markets. Proj: +4% (Best), +1% (Worst).
<b>Profitability</b>	Using competitor HON's avg OCP margin for worst-case. We think this is too low. Proj: +14%(B), +11%(W)
<b>Investment Level/Eff.</b>	Investments ex-divestitures are under 10% of profit. We forecast inv. spend of 15% of OCP. Proj (med-term growth): +7% (B), +5% (W)

**Balance Sheet** No hidden assets/liabilities found in our analysis.



### Valuation & Return

Valuation Uncertainty: High

	Low	Likely	High
<b>Stock Fair Value (\$)</b>	24	32	40
<b>Stock Return(%)</b>	-11	17	47
<b>Option Period Return (%)</b>	-38	66	176
<b>Option Annual Return (%)</b>	-27	39	95

### Historical Metrics

	Historical Median	
	5-year	10-year
Revenue Growth (%)	2	NA
Profit Margin (%)	15	NA
Med-term Growth	NA	NA

### Market Risk

GE is in the midst of a transition and there is a good deal of uncertainty. Any hint that GE's cash flows are light will likely cause a sell-off. If other prominent analyst cut rating, price might fall as well. Note PS lower bound around \$20/share.

