GE Profits a Figment of Immelt-Imagination

Jeffrey Immelt touts earnings growth while GE profitability remains scarce, claims financial expert, Carole Symonds.

(PRWEB) June 6, 2005 -- With broad strokes, CEO Jeffrey Immelt, paints a rosy picture of GE's future, taking every opportunity to boast about GE's double-digit earnings growth, revenue growth and rebounding stock price. But a look behind the numbers suggests a much bleaker truth.

Since Immelt took the reigns of GE in 2001, General Electric has been on a bumpy ride. Its stock price tumbled from nearly $60 per share in 1999, to a low $21.30 per share in 2003. And the earnings growth, that predecessor Jack Welch worked so hard to build, slowed to a trickle, growing a mere 3% in 2002.

As Jeff is quick to point out, he did take the helm just days before the 9/11 attacks, and the impact that event had on the economy was beyond his control. Since that low point, Immelt has built revenue up to $152 million and posted double-digit earnings growth in 2004, the first time since before good-old Jack stepped down in 2001. GE stock is trading above $36 per share, and, more importantly, Jeff has improved the Company's balance sheet, slowly working down the massive debt build-up of the late 1990's to a somewhat more manageable debt-to-equity ratio of 3.4:1 at the end of 2004.

However, if GE has such "phenomenal growth," as Immelt tells us, then why is its Return on Invested Capital (ROIC) continuing the downward trend that Welch started? Between 1992 – 1999, investors saw GE's ROIC slide from 8.5% down to 7.24%. Under Immelt's leadership, ROIC has worsened each year, down to 5.3% today.

"Immelt can take action now to prevent further slippage in GE's financial performance," claims Symonds, co-author of "Millionaire Manager, 5 Easy Steps to Profitability," and partner in one of the world's largest Big Four Public Accounting Firms. "Companies that train their employees how to use ROIC to manage the business have a much greater success rate over the long term." By giving employees the tools to impact results, they are empowered to make the right decisions and take ownership in the financial health of the business.

Symonds contends, "until Immelt gets out of the 'earnings for the sake of earnings' mentality, the tail will continue to wag the dog, and GE won't see any real growth in its profits."

See article: http://www.millionairemanager.com/media/Article/Welch.pdf

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