

GE shares surge despite disappointing profits (Update)

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General Electric has announced a preliminary \$1.5 billion settlement with US officials over subprime mortgages

General Electric shares rocketed higher Thursday despite disappointing quarterly earnings after the company announced a preliminary settlement

with US officials over subprime mortgages.

Chief Executive Larry Culp said the company had made progress overall, even as he acknowledged it was still in only the early stages of a turnaround of its troubled power division, the biggest problem over the last two years.

Executives were guarded in their comments: they did not release 2019 profit forecasts and repeatedly declined analyst questions seeking details on key financial targets.

Yet shares surged after the report and conference call, with investors apparently willing to give the recently-appointed Culp time to reset the company as he outlined cost-cutting and debt-reduction actions and promised a more customer-focused management.

"Beyond power, it's important to recognize the underlying strengths of our business," said Culp, who was named CEO in October. "2019 is very much a work in progress, but the company is becoming stronger."

Near 1600 GMT, GE shares had surged nearly 14 percent to \$10.36.

The company posted a profit in the fourth quarter of \$574 million, after a loss of \$11 billion in the same period of the prior year that was due to one-time expenses, including for US tax reform.

Revenues rose to \$33.3 billion, up 5.3 percent.

GE, which was thrown out of the prestigious Dow index last year, reported a quarterly loss of \$872 million in its troubled power division.

The industrial group downgraded its power assets late last year, a key factor in the annual loss of \$22.8 billion in 2018.

But GE's other industrial divisions were profitable, led by aviation and healthcare.

No new 'skeletons'

GE said it reached a \$1.5 billion settlement with the Justice Department connected to subprime mortgages sold by its WMC finance unit from 2005 to 2007, ahead of the 2008 financial crisis. The sum was in line with reserves the company set aside for the case. GE shut down that division in 2007.

GE conference calls sometimes have led to big sell-offs of company stock following disclosures of government investigations and other unexpected problems.

But there were no such disclosures Thursday, prompting an analyst to ask if the company had found "all of the skeletons in the closet."

Culp said it was impossible to completely rule out any negative surprises in the future, but said the mortgage settlement was good news and "in the absence of no new news, that is a positive sign that we aren't adding to the list."

But GE still faces US probes over its accounting treatment of the troubled power business.

GE's quarterly profits translated to 17 cents a share, still below the 22 cents anticipated by analysts. But revenues came in above the expected \$32.6 billion.

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