General Electric cuts dividend as it reports huge loss

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Troubled US industrial giant GE reports a $22.8 billion third quarter loss as it writes down assets as part of a turn-around bid

General Electric announced another steep dividend cut on Tuesday amid continued losses, and disclosed that US regulators broadened an investigation into the company's accounting.

GE reported a third-quarter loss of $22.8 billion following a massive downgrade in the value of key assets held by the ailing industrial giant, a move that sparked new scrutiny by US authorities.

Chief Executive H. Lawrence Culp, who was tapped earlier this month to try to lead a recovery, also announced a plan to split up the troubled power division, and signaled that a turnaround in will take time.

Investors have been hopeful that Culp, an outsider to GE as the former chief executive of Danaher, could change the company's fortunes, and shares initially rose in pre-market trading after the results were released.

But shares retreated after Chief Financial Officer Jamie Miller disclosed on the conference call that the US Securities and Exchange Commission expanded an ongoing investigation into the company's accounting.

That include the latest $22 billion charge, the bulk of which concerns GE's 2015 purchase of power assets from French company Alstom.

The Department of Justice is also probing the matter, Miller said.

GE slashed the quarterly dividend to just a penny, from the current level of 12 cents. It had been 24 cents prior to a November 2017 cut.

GE's new CEO Lawrence Culp is trying to lead a turnaround at the ailing industrial giant

'Strong company'

The loss in the latest quarter compares with profits of $1.3 billion in the year-ago period and is due to a $22 billion write-down announced when Culp's surprise appointment was unveiled on October 1.

Culp said the latest steps are key to his effort to get a grip on the century-old company's struggles.

"This is a strong company," Culp said on a conference call with analysts. "We can do better, but this is an important company and I'm pleased to be on the team."

"Everything is on the table" with respect to the power business, he added.

There was better news in the company's revenues, which fell 3.6 percent $29.6 billion, due in part to a big drop in power, but were higher in most of GE's other segments.

Aviation and health care, two businesses that have held up well in recent years, posted gains. And revenues also increased in oil and gas, a division that had sputtered until recently.

Culp said one of his objectives is "wring out the undo optimism" around the power business "so we can establish a baseline we can build on."

Shares of GE, which was bumped from the prestigious Dow index earlier this year, were down 4.3 percent to at $10.68 shortly after the opening bell, but later recovered to $11.29.

Restructuring GE's power division by breaking into two units is a key part of Culp's plan

Power woes continue

GE's big problem continues to be the power division, which has been beset by overcapacity due in part to the growth of renewable energy sources that has dented demand for GE's turbines.

GE has described the weak market conditions in power as a multi-year issue and signaled again Tuesday that demand remained poor.

Adding to those woes in September was a technical glitch that temporarily shuttered new plants installed in Texas. Worries about the problem sent shares to multi-year lows that only began to turn around when GE announced Culp's surprise appointment on October 1.

GE, under former CEO John Flannery, eliminated more than 12,000 jobs, replaced top executives and sold some assets.

Culp now plans to split the power business into two units, one focusing on gas and industrial services and the other comprising steam, grid solutions, nuclear and power conversion.

GE must "materially" change its power organization, Culp said. "It has become clear to us that we must simplify power."

Flannery also announced plans in June to shed its oil services and health businesses. Some analysts had questioned the wisdom of exiting health care, a reliable cash cow.

But Culp said the previously announced plan on health was "probably" the best course. During the hour-long conference call, Culp repeatedly endorsed the broad outlines of the June plan.

While GE continues to enjoy strong talent and technology assets, but that the company needs to pivot, he said.

"We need to focus more on customers and competition and frankly less on corporate."