

# GE seeks to raise \$4bn with sale of Baker Hughes stake



General Electric Co yesterday unveiled a plan to raise about \$4bn by accelerating a proposed sale of a stake in oilfield services provider Baker Hughes, its latest move to simplify its businesses and reduce debt. Under the deal, the Boston-based industrial conglomerate will sell up to 101.2mn shares on the market and Baker Hughes will repurchase another 65mn shares from its parent. Based on yesterday's share price of \$23.76, the sale would raise around \$3.97bn. Once a symbol of American business power, GE faltered during the 2008 financial crisis and since then has replaced two CEOs. Its stock price has shed more than 80% of its value from highs in early 2000.

After the announcement, shares of GE rose 4.5% to \$8.35, while Baker Hughes was up about half a per cent. The two companies also struck a series of agreements covering digital technology, products and debt to pave way for the share sale.

GE, which bought Houston-based Baker Hughes in July 2017 and agreed to maintain a 62.5% stake until the middle of next year, has made a series of changes to lower its debt and focus on its core businesses of jet engines, power plants and renewable energy. The two will continue to share certain oil and gas technologies, and has a six month lock up of GE's remaining stake in the oilfield company. On Monday, recently appointed GE chief executive officer Larry Culp said the company will sell assets with "urgency" to reduce debt, as GE shares tumbled as much as 10% and the cost of insuring its debt hit a six-year high. "The agreements announced today accelerate that plan in a manner that mutually benefits both companies and their shareholders," Culp said in a statement. Baker Hughes CEO Lorenzo Simonelli on Tuesday said the deal provides "clarity for our customers, employees and shareholders." In June, GE said it would sell its stake in Baker Hughes over the next two to three years. As part of the new deal, the companies will dissolve a two-year lock-up that would have prevented GE from selling shares of Baker Hughes until July 2019.

The sale comes as improving oil markets have helped Baker Hughes post a third-quarter adjusted net profit. The oil services firm also said it was optimistic about the near future with oil production in North America climbing to record levels. As part of the deal, GE will sell an undisclosed portion of its shares in the market and others will be acquired by Baker Hughes. GE will reduce its ownership to no more than 50.1% as part of the deal, the companies said. The companies also will create a joint venture focused on rotating equipment technology, primarily used in Baker Hughes' liquefied natural gas, oil and gas production, and pipeline and industrial segments. Baker Hughes said it had entered into long-term supply and distribution agreements with GE for heavy-duty gas turbine technology.