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SEPTEMBER 25, 2017

# Leadership in electrification

ABB to acquire GE Industrial Solutions



GE  
Industrial Solutions





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# Leadership in electrification

ABB to acquire GE Industrial Solutions (GE IS) for \$2.6 billion



## Deal rationale

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### Market access

- Expanded access to North America
- Significant installed base globally

### Performance improvement

- Non-core business for GE
- Significant value creation potential:
  - ABB technology leadership
  - Cost synergies

### Comprehensive electrification portfolio

- Complementary portfolio and solutions

### Strategic supply partnership

- GE to tap ABB's leading portfolio through long-term supply partnership

# GE IS – a leader in electrification solutions

Established global player with strong North American roots

## Facts and figures

Revenues: \$2.7 bn (60% in NAM)  
Op EBITDA: ~8%, Op EBITA: ~6%

13,500 employees

HQ: Atlanta, Georgia, USA

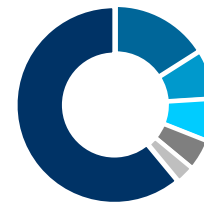
100+ countries:

- 29 manufacturing facilities
- 15 distribution centers
- 13 service centers
- 9 R&D centers

Offering for commercial, residential and industrial:

- Products
- Solutions
- Services

## Geographies



- North America
- Europe
- China
- Latin America
- Asia (excl. China)
- Middle East and Africa

## Products and solutions



- Products
- Engineered solutions
- Configured solutions
- Embedded solutions

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# GE IS – a leading position in North American market

## Attractive market

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### Market size

~\$32 bn electrification market<sup>1</sup>

### Market growth

+2% CAGR<sup>2</sup> expected 2017-2020

### Attractive profit pool

Low-voltage segment,  
access to strong distribution



## Strong competitive position

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### Established player

Large US installed base  
Strong brand

### Go-to-market

Large sales force  
Deep channel relationships  
(1,000+ US distributors)

### Offering

Addressing US market  
requirements through full  
switchgear solutions

# GE IS – comprehensive electrification solutions

## Products



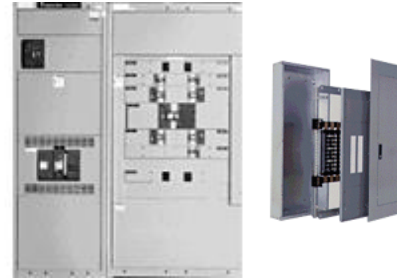
Circuit breakers  
Modular control products  
Critical power

## Engineered solutions



Low-voltage systems  
Busbars  
Medium-voltage  
switchgear  
DC power systems  
Distribution transformers

## Configured solutions



Switchboards  
Panelboards  
Switches and load centers  
Residential circuit breakers  
Dry transformers

## Embedded solutions



Telecom power supply  
Front-end power  
Custom power

Field services and workshops

# Opportunity to create value

## Current challenges for GE IS

## Potential with ABB

Non-core business for GE



Integrate into global #2 electrification player

Aging portfolio



Leverage ABB technology

Declining US market share



Stabilize, reshape, grow

Below peer margin



Realize margin potential

Plan in place, ready to improve performance together with GE IS team

# ABB's Electrification Products division

Partner of choice for electrification of all points of consumption

## Offering

**Electrification from substation to socket**

Full portfolio of low- and medium-voltage products and solutions

Delivering more than 1.5 million products per day

## Customers

**Utilities**

**Industry**

**Transport & Infrastructure**

## Geographies

**Globally**

Asia, Middle East, Africa 37%

Americas 27%

Europe 36%

~\$9.9 bn revenue

100+ manufacturing sites

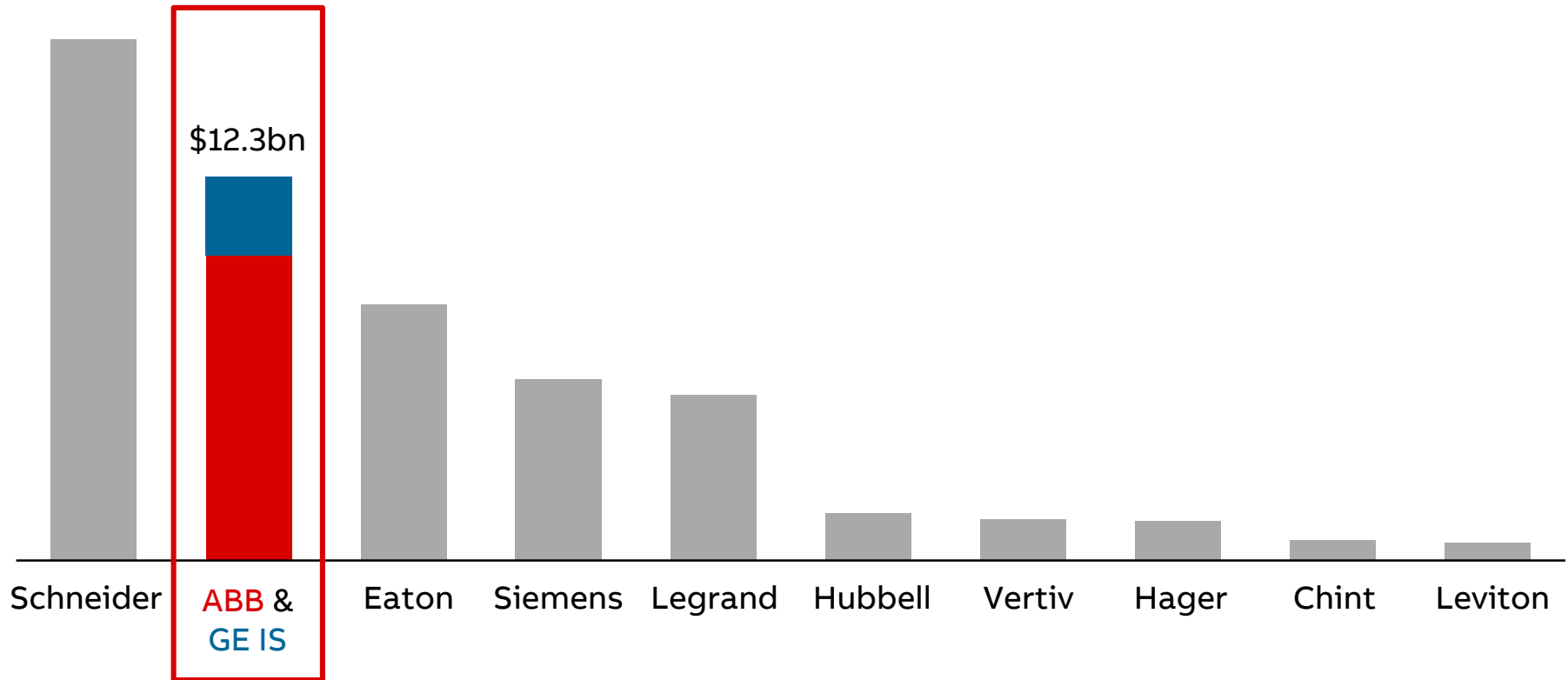
~42,500 employees



# GE IS and ABB

Strengthening global #2 in electrification

## Global electrification business volumes



# GE IS and ABB

Comprehensive North American electrification portfolio

	MV Protection and Control	LV Protection and Control	Building Products	Critical Power (UPS)	Installation Products	Solar Inverters	EV Charging
<b>ABB in NAM</b>	Red				Red	Red	Red
<b>GE IS</b>	Blue	Blue	Blue	Blue			
<b>ABB + GE IS</b>	Red	Red	Red	Red	Red	Red	Red
Schneider	Grey	Grey	Grey	Grey		Grey	Grey
Eaton	Grey				Grey	Grey	Grey
Siemens	Grey	Grey	Grey				Grey
Legrand			Grey		Grey		Grey
Hubbell					Grey		
Vertiv				Grey			
Hager			Grey				
Chint		Grey	Grey			Grey	
Leviton			Grey				Grey

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# GE IS and ABB

## 10 core principles of the acquisition

### Character of the acquisition

- 1 Integrating non-core GE business into global #2 electrification player
- 2 Attractive combination of two complementary businesses

### Transaction objectives

- 3 Shaping global leadership in electrification with a comprehensive US portfolio
- 4 Expanding access to North American market
- 5 Reaching a leading position in US power business
- 6 Raising GE IS's performance towards peer levels
- 7 Leveraging ABB's technology leadership and ABB Ability™ to realize GE IS's full potential

### Integration cornerstones

- 8 Retaining key management, engineering and sales staff
- 9 Building on deep customer relationships and strong brand position
- 10 Integrating “best of both worlds” within ABB's EP division

# GE IS and ABB – significant value creation potential

Annual cost synergies potential ~\$200 mn

## Sources of synergy

Product and technology portfolio harmonization

Footprint optimization

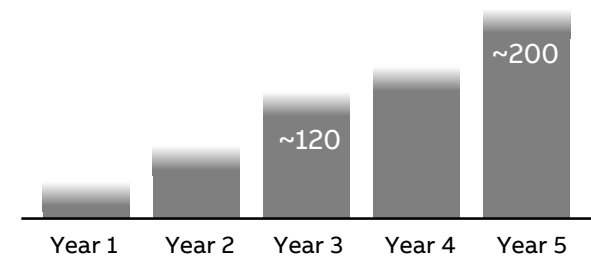
Supply chain savings

SG&A cost reduction

## Integration & implementation costs

Cumulative one-time costs \$400mn

Expected annual cost synergies (\$mn)



Expected annual costs (\$mn)



Upside potential through longer term revenue synergies

# GE IS and ABB

## Financials

\$2.7 bn sales  
Op EBITDA: ~8%  
Op EBITA: ~6%

Secured long-term supply  
partnership with GE

\$2.6 bn purchase price  
Deal multiples in line  
with peer valuations

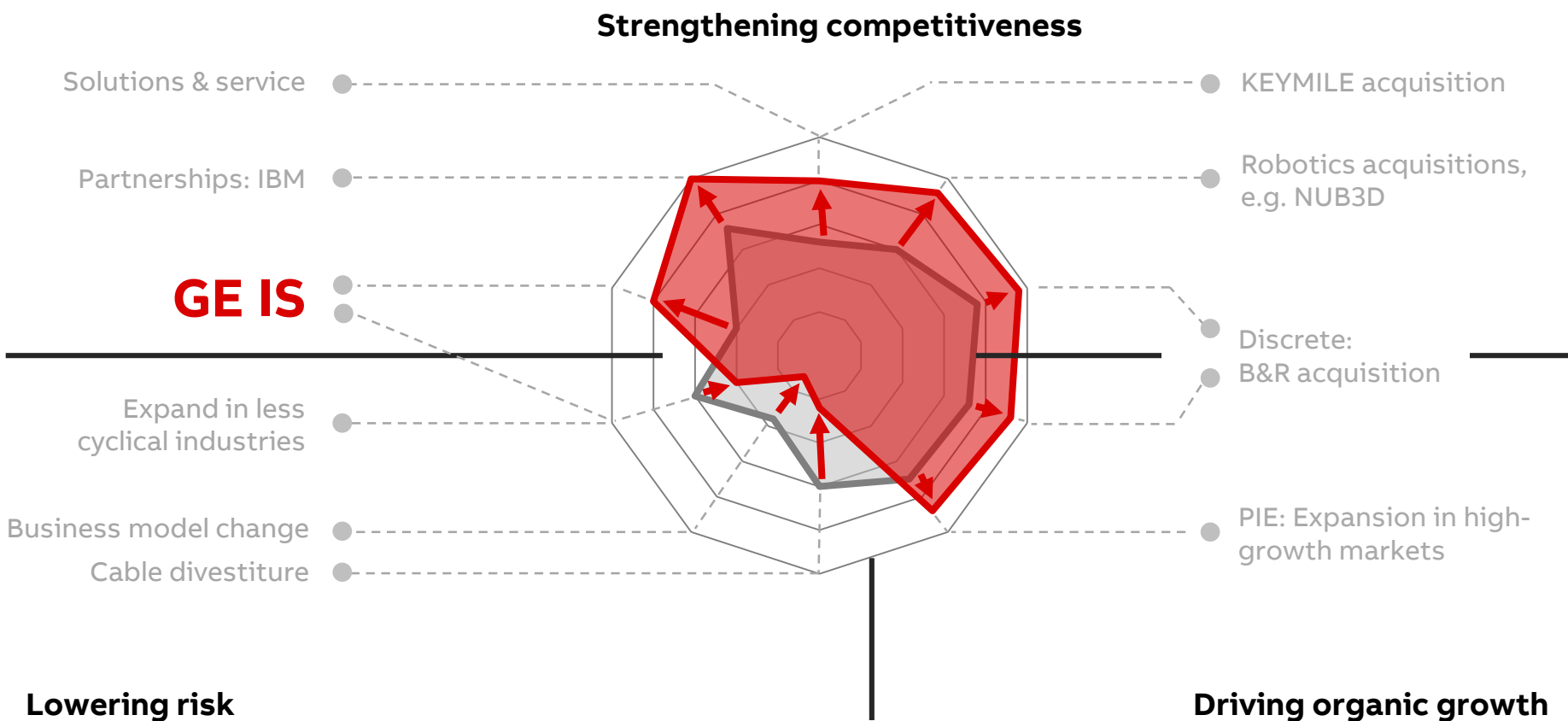
Targeting continued  
“A” credit rating  
Share buy back on hold

Operationally accretive  
in year 1

Closing subject to  
customary regulatory  
clearances, expected in  
H1 2018

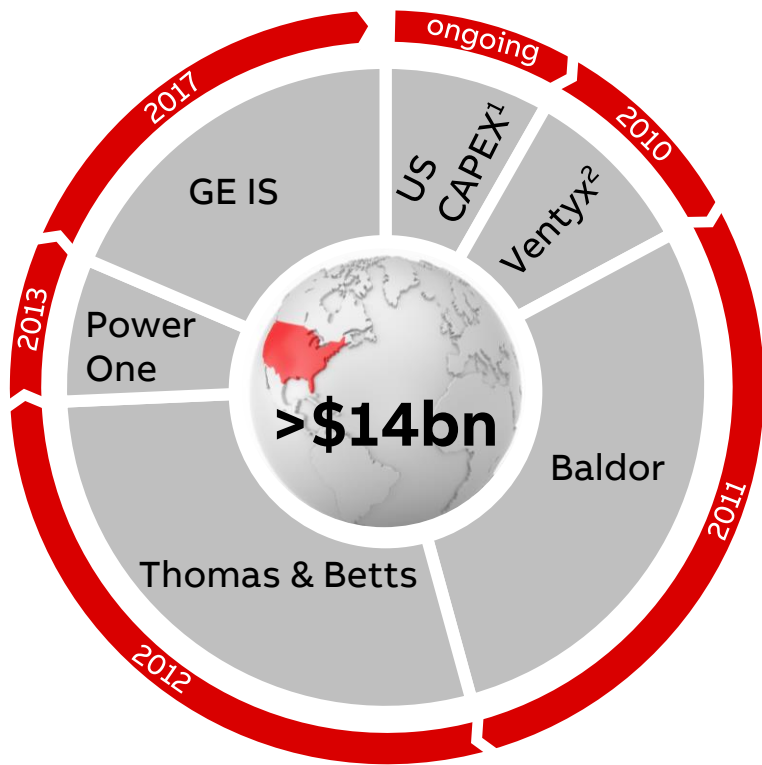
# GE IS and ABB

Another step in shifting ABB's Center of Gravity



# ABB – continued investment in the US

Leading positions across our portfolio



## Strengthening ABB US market position

### Electrification Products:

GE IS, T&B, Power One

### Power Grids:

Ventyx, Bolt-ons

### Robotics and Motion:

Baldor, Auburn Hills robot factory

### Industrial Automation:

K-TEK, Los Gatos

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**ABB**