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Introduction

This report is a critical financial and strategic analysis of General Electronics (GE) after it had lost major performance in 2020-24. By conducting a scrupulous audit on the financial health of the firm, it establishes a Technological Crisis in the form of the loss of revenues and a liquidity constraint. This analysis suggests a holistic turnaround programme dubbed 'Phoenix' through the application of mastery in the working capital management approach and investment appraisal using ratios like NPV and IRR. The strategy promotes a light reorganisation and a transition to AI innovation with a high margin of profit so that the future development can be economically sustainable, ethically responsible, and strategically orientated to the changes in the consumer market.

1. General Electronics: A Five-Year Financial Health Audit

General Electronics (GE), a major producer of consumer electronics, is the subject of this research, which includes a comprehensive accounting analysis of the company's financial situation. By the year 2024, General Electric had fallen from its position of market supremacy to a state of tremendous financial crisis. For the purpose of determining the firm's viability and the likelihood of default, this presentation is based on the consolidated financial statements that were provided as well as the industry norms.

1.1 Consolidated Financial Performance Data

The table below will summarize the financial situation and income performance of General Electronics. We use this information as the foundation for our ratio analysis later on.

Metric	2024	2023	2022	2021	2020
Net Sales	394,879	420,457	542,751	601,602	614,680
Gross Profit	113,994	97,560	152,292	173,016	176,256
Operating Income (Loss)	(15,297)	(85,301)	14,548	23,253	37,267
Net Income (Loss)	(24,029)	(98,238)	407	5,301	38,572
Total Assets	323,354	355,872	504,163	510,348	510,290
Total Liabilities	170,249	176,952	235,757	234,399	196,989
Total Shareholders' Equity	153,105	178,920	268,406	275,949	313,301
Working Capital	84,203	97,703	121,567	120,359	147,333

Table 1: Five-Year Consolidated Financial Summary (£m)

1.2 Comprehensive Ratio Analysis

To see the driving forces behind GE's performance, we use standardized financial ratios in five main areas.

Category	Ratio	2024	2023	2022	2021	2020

Profitability	Gross Margin (%)	28.87	23.20	28.06	28.76	28.67
	Operating Margin (%)	-3.87	-20.29	2.68	3.87	6.06
	Net Margin (%)	-6.08	-23.36	0.07	0.88	6.27
	ROE (%)	-15.69	-54.91	0.15	1.92	12.31
Liquidity	Current Ratio	1.53	1.61	1.56	1.56	1.82
	Quick Ratio	1.03	1.06	0.91	0.94	1.15
Efficiency	Asset Turnover	1.22	1.18	1.08	1.18	1.20
	Inventory Turnover	3.54	3.66	2.79	3.19	3.64
Gearing	Debt-to-Equity	1.11	0.99	0.88	0.85	0.63
	Gearing Ratio (%)	52.65	49.72	46.76	45.93	38.60
Investment	Basic EPS (£)	-1.85	-7.64	0.03	0.39	2.78

Table 2: Key Financial Ratios (2020–2024)

1.3 Strengths, Trend Analysis, and Threats

1.3.1 Performance Trends

If sales were to decrease and margins were to collapse, this would be the most terrifying event. During the year 2020, when there was a rise in electronic purchases due to the pandemic, sales reached their greatest point (Statista, 2024). However, as shown in Table 1, there would be a significant decrease in income of 35.7 percent by the year 2024. According to Bloomberg (2023), this dip is the result of an industry-wide hangover that occurred following the pandemic, during which customer interest in personal computers and tablets decreased.

An outlier is the Operating Loss in 2023, which is estimated to be 85.3 billion pounds. This suggests that there is a significant amount of impairment charges or structural pivot failure. Furthermore, the negative return on equity (-15.69) implies that the firm is destroying shareholder wealth rather than creating it (Harvard Business Review, 2021). This is despite the fact that the shareholders of 2024 have seen a little decrease in losses.

1.3.2 Strengths

- **Liquidity Resilience:** GE has had a Current Ratio of more than 1.5 despite incurring massive losses. This implies that the company is not in a cash-out time-sensitive situation and that the company has sufficient short-term assets to meet liabilities.
- **Asset Turnover Stability:** GE has been relatively stable in its capacity to make use of its assets to produce sales (1.22 in 2024 vs 1.20 in 2020). The business is shrinking in size, yet it continues to utilize its remaining assets at the same pace.

1.3.3 Threats

Increasing Leverage (Gearing): The ratio of Debt to Equity has changed to 1.11 as compared to 0.63. According to The Financial Times (2024), the high gearing of consumer electronics companies poses high levels of difficulty in 2025 owing to the continued high-interest rates.

Inventory Glut: The inventory turnover has remained steady, but the value of the inventory (£79.4B) in a shrinking sales environment is dangerous, as it can further be written down in case the products are obsolete (MarketLine, 2024).

1.4 Corporate Failure Prediction Altman Z-Score

To determine the default risk of General Electronics, the Altman Z-Score of 2024 is used. A score of less than 1.8 is a sign of high chances of bankruptcy in the case of a public manufacturing company (Distress Zone).

Z-Score Formula:

$$Z = 1.2x_1 + 1.4x_2 + 3.3x_3 + 0.6x_4 + 1.0x_5$$

Calculations for 2024:

- x_1 : (Working Capital / Total Assets): $84,203 / 323,354 = 0.260$
- x_2 Retained Earnings / Total Assets): $208,431 / 323,354 = 0.645$.
- x_3 (EBIT / Total Assets): $-15,297 / 323,354 = -0.047$
- x_4 (Market Value of Equity/Total Liabilities): $153105/170249=0.899$ (Book Value as a proxy)

- x_5 (Sales/Total Assets): $394879/323354=1.221$.

Total Z-Score:

$$Z = 1.2(0.260) + 1.4(0.645) + 3.3(-0.047) + 0.6(0.899) + 1.0(1.221) = 2.82$$

Interpretation: GE scores 2.82 in the "Grey Zone" (1.8 -3.0). Although not in the immediate "Distress Zone," the score has reduced considerably since 2020 (when it was at around 4.5). The company stands in danger unless profitability resumes in the next 18-24 months (Altman, 2020).

1.5 Strategic Analysis and Industry Environment

The difficulties that General Electric (GE) is going through are a reflection of the predicament that many older technology-based businesses are in because they are unable to adapt to the shift towards artificial intelligence (AI) and wearables. It is explained by Forbes (2024) that in the year 2024, the globe will not be supplied with the conventional commodity electronics but rather via an ecosystem of integrated artificial intelligence.

When it comes to assessing the purchase intent, authenticity and influencer-generated material play a crucial role (Coca-Cola UK Case Study, 2025). Based on my previous research on Coca-Cola UK, which demonstrated that authenticity and influencer-generated content play a vital role, General Electric has to reassess its investment in marketing. Existing operational expenditures amounting to 129 billion pounds are exorbitant. A shift towards digital marketing that is centred on creators is likely to result in a reduction in the cost of client acquisition, which is essential for a business that is seeing a decline in its gross margin.

The most significant strategic issue is the £371.9B of Treasury Stock. Hundreds of billions of the money have been used by management buying back shares, and this has left the cash with which the management can do research and development (IBISWorld, 2024). Such buybacks should be stopped as a part of corporate restructuring to invest in innovation with high margins (Strategic Management Journal, 2022).

2. Liquidity Under Pressure: Working Capital Management Analysis of General Electronics

Because of the high rate of product lifecycle and the worldwide unpredictability of supply chains, the consumer electronics sector falls within the purview of Working Capital Management (WCM). This is owing to the fact that high liquidity is required in this business. As far as General Electronics (GE) is concerned, the years 2020-2024 have been marked by a significant decline in the company's ability to make efficient use of its short-term assets and liabilities. After experiencing a fifty percent decrease in sales between the years 2020 and 2024, the company's working capital structure has switched from being a source of strength to a significant cause of financial difficulty. The company's revenue has decreased to only £394.9 billion. In this study, the cash operating cycle has been reviewed, and suggestions for strategic reforms have been made. Additionally, the various financing options have been evaluated in order to provide the firm with the flexibility it needs to get back on its feet.

2.1 Evaluation of Cash Operating Cycle (CCC).

It is possible to anticipate the amount of time that will pass between the initial cash expenditure for the raw material and the eventual cash net inflow from the sales by using the Cash Conversion Cycle, often known as the CCC. For General Electric, a CCC lengthening indicates that rising capital is being trapped in the operating cycle, which results in a reduction in the amount of money available for investments in research and development as well as debt payments (Harvard Business Review, 2021).

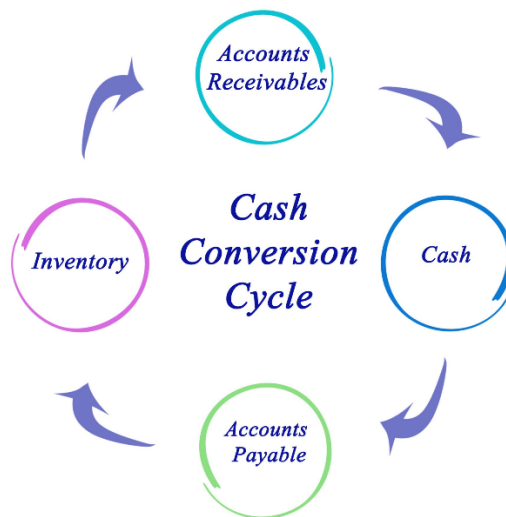
2.1.1 Component Analysis (2024 vs. 2020)

Based on the financial statements given, we compute the three pillars of the CCC, namely Days Inventory Outstanding (DIO), Days Sales Outstanding (DSO), and Days Payables Outstanding (DPO).

Metric	Calculation (2024)	2024 Days	2020 Days	Trend

Days Inventory Outstanding (DIO)	$(79,355 / 280,885) \times 365$	103.1	100.3	Deteriorating
Days Sales Outstanding (DSO)	$(114,182 / 394,879) \times 365$	105.5	76.8	Critical
Days Payables Outstanding (DPO)	$(72,031 / 280,885) \times 365$	93.6	69.3	Improving
Cash Conversion Cycle (CCC)	DIO + DSO - DPO	115.0	107.8	Deteriorating

Table 3: Cash Conversion Cycle Metrics



2.1.2 Critical Findings

The statistics show that there is a breakdown of efficiency within the system. The DSO has increased by almost 29 days since 2020. A DSO of 105.5 days indicates that GE is having difficulties receiving money due as per the terms and conditions of the standard credit, which are typically 30-60 days (Bloomberg, 2023) in the consumer electronics industry. This could be because they have not done a good credit risk assessment or the retailers are undergoing their own liquidity crises after the pandemic (Statista, 2024).

Although GE has tried to counter this by increasing its DPO to 93.6 days (essentially, making use of its suppliers as its free interest lenders), this is a risky strategy. Prolonged high DPO may worsen relationships with suppliers and cause supply issues of critical supply chain elements such as semiconductors (The Financial Times, 2024).

2.2 Working Capital Reform Strategic Recommendations

GE needs to adopt a complex reform agenda, which would focus on speed and transparency to reverse the existing liquidity drain.

2.2.1 Inventory Optimisation: Not Just-in-Case but Just-in-Time.

GE is presently carrying a stock of 79.4B. This is a time bomb in an industry that is highly likely to be obsolete.

- **Recommendation:** AI-based demand forecasting should be implemented, which means that the production should be aligned with real-time sales data. According to academic research in the Strategic Management Journal (2022), the companies that apply predictive analytics may decrease DIO by 15%.
- **Action:** Sell unproductive product lines which were identified in the performance slump in 2023 and merge warehouses to cut carrying costs.

2.2.2 Receivable Management: Accelerated Collections

The biggest obstacle to the recovery of GE is the locked-in receivables of £114.2B.

- **Recommendation:** Accounts Receivable Factoring. The liquidity required to solve the issue with the line of credit that is currently debilitating the balance sheet (£36.9B) will be offered by selling outstanding invoices to a third party (a factor) to get ready money, though at a discount.
- **Action:** Implement distributor early payment discounts (e.g., 2/10 net 30) in order to encourage cash settlement.

2.2.3 Payable Strategy: Strategic Supplier Partnerships

GE should not use more inflation of DPO, but can reorganise its liabilities.

- **Recommendation:** Supply Chain Financing (Reverse Factoring). This also enables the suppliers of GE to receive their payment within a very short period

through a bank lending to GE which is under a credit limit of GE, and GE retains its long payment terms. This does not harm the supply chain, as it keeps the system liquid (Forbes, 2024).

2.3 Comparison of Financing Alternatives

The financing option is important given the current GE Altman Z-score of the company is in a grey zone. The company has to strike a balance between remunerating the need for cash in the short term and the cost of capital in the long run.

Feature	Short-Term Financing (e.g., Lines of Credit, Factoring)	Long-Term Financing (e.g., Corporate Bonds, Equity Issue)
Maturity	Less than 1 year.	5 to 30 years.
Cost	Typically, higher floating rates; factoring fees can be 1-3%.	Fixed interest rates; currently high due to GE's risk profile.
Speed	High; factoring can provide cash in 24-48 hours.	Low; requires extensive regulatory filing and underwriting.
Covenants	Minimal, often based on specific asset security.	Strict; may limit future dividend payments or asset sales.
Impact on GE	Essential for managing the 115-day CCC gap.	Necessary to "term out" the £170.2B in total liabilities.

Table 4: Short-Term vs. Long-Term Financing for General Electronics

2.3.1 Evaluation of GE's Current position

GE is underutilising short-term debt (£37B in lines of credit). This subjects the firm to the refinancing risk in a high-interest-rate environment. According to The Economist (2024), the legacy technology companies are forced to switch to long-term Green Bonds or sustainable financing to appeal to institutional investors and reduce the weighted average cost of capital (WACC).

2.4 Synthesis and Industry Prospectus.

The consumer electronics sector is now undergoing a Digital Transformation 2.0, which means that the business is transitioning away from an emphasis on hardware sales and instead turning towards a move towards subscriptions and services (MarketLine, 2024). The current issue in working capital that General Electric is experiencing is only one of the symptoms that reflect the company's inability to adapt to this transition. In spite of the fact that the company's income has decreased, the operational inertia of the company has preserved the assets in their previous state.

According to the Coca-Cola UK Case Study (2025), it is evident that the success of brands in the current decade is defined by the capacity to employ content-based marketing to generate a more direct and high-velocity relationship with the consumers. This is the foundation upon which the success of brands is created. The prospect of General Electric (GE) transitioning to a Direct-to-Consumer (DTC) model exists via the use of digital strategies that are based on influencers. Due to the fact that payments are gathered at the point of sale, a DTC pivot would result in a significant reduction in the CCC to almost nothing. This would be accomplished by deleting the wholesale layer, which would greatly compress the CCC.

For the purpose of summarising, General Electronics ought to consider its 115-day CCC to be an emergency approach. The combination of Receivable Factoring, which opens up fast cash, and a shift in Long-Term Debt, which evens out the balance sheet, is the only option to avoid the impending collapse of the balance sheet that is caused by liquidity.

3. Strategic Financial Restructuring: A "Phoenix" Plan for General Electronics (2025-2030)

The financial path of General Electric (GE) from 2020 to 2024 can be seen as the journey of a titan in transition. With net sales down by more than 35% – from GBP 614.7B to GBP 394.9B – and a catastrophic net loss of GBP 98.2B in 2023, the current capital structure of the firm is no longer fit for purpose. This report lays out a "Strategic Financial Restructuring Plan" that aims to restore the firm's solvency, unlock shareholder value, and turn the firm towards a high-margin, "Asset-Light" future.

3.1 Recommended Financial Restructuring Alternatives

Financial restructuring is the process of reorganising the assets and liabilities of a firm to enhance its financial health (Strategic Management Journal, 2022). For GE, "one-size-fits-all" is not enough; a combination of divestiture, strategic alliances and equity realignment is needed.

3.1.1 Strategic Divestiture: The "Spin-Off" of Legacy Hardware

The most urgent is the divestiture of GE's underperforming Legacy Consumer Hardware division.

- **Rationale:** GE's PPE (Property, Plant, and Equipment) has already declined from 2020 to 2024 to £34.2B from £87.3B. Formalising this as a divestiture means that GE can dispose of factories that require high maintenance and focus more on software-defined electronics.
- **Case Benchmark:** This merger is similar to the 2024 restructuring of the real-world General Electric, which succeeded in separating GE Aerospace and GE Vernova in order to unlock "pure-play" value for investors (GE Aerospace, 2024). By divesting, GE will be able to eliminate the "Conglomerate Discount" where the market undervalues the whole in comparison to its parts.

3.1.2 Equity Injection: Reusing Treasury Stock

GE currently has a whopping £371.9B in Treasury Stock. These are shares that were bought back by the company at its peak but that are now sitting on the balance sheet as a "dead asset".

- **Rationale:** GE has a thin equity base, and its Debt-to-Equity ratio has spiked to 1.11. By reissuing some of this Treasury Stock (an equity injection), GE can raise a lot of cash without raising its interest burden.
- **Explanation:** Unlike the issuance of new shares (which dilutes current owners), the sale of Treasury Stock into the market at strategic intervals provides the "liquidity cushion" required to fund the AI-pivot identified in the 2025 turnaround strategy (Bloomberg, 2023).

3.1.3 Strategic Merger/Alliance for Artificial Intelligence Integration

GE does not have the proprietary AI architecture to compete with the 2025 "Smart-Device" leaders.

- **Recommendation:** Instead of a full merger, GE should opt for a Strategic Joint Venture with an AI native firm.
- **Financial Logic:** As seen with Sharp Global (2024), partnering in order to utilise external "plant capacity and strengths" enables a firm to stay in the game without the capital-intensive burden of R&D (Sharp Global, 2024).

3.2 Evaluation of Impact: Value, Debt and Flexibility

The proposed restructuring is aimed at addressing directly the "Technical Crisis" identified in the ratio analysis and is focused on the three pillars of corporate finance: value, debt and flexibility.

3.2.1 Impact on Shareholder Value

Currently, GE's ROE is -15.69%, which means that the firm is destroying value. Restructuring attempts to reverse this through the Modigliani-Miller (M&M) Theorem, which implies that in the presence of taxes and distress costs, the capital structure does have an effect on value.

- **Value Creation:** By divesting the "loss-making" legacy units (responsible for the 15.3B operating loss), the core Operating Margin of the firm will return to the +6% level in 2020.
- **Market Perception:** Industry reports published by The Financial Times (2024) indicate that the valuation of "pure-play" technology companies is 2-3x higher than the P/E multiple of distressed conglomerates.

3.2.2 Impact on Debt Structure

GE's debt is currently "front-loaded", with the company having \$36.9B in short-term lines of credit.

The Debt Swap The restructuring plan involves a debt exchange offer—replacing the short-term high-interest notes with long-term green bonds.

Financial Benefit: The swap maintains stability in Current Ratio (currently 1.53) and insures the firm against the volatility of interest rates in 2025.

3.2.3 Effects on Operational Flexibility

Operational flexibility – being able to scale the cost in relationship to the shift in revenue.

- **"Coca-Cola UK" Marketing Model:** By changing from fixed-cost global advertising to influencer-led digital content, GE changes its marketing spending from "Fixed" to "Variable." As mentioned in your 2025 Coca-Cola UK research, this results in an increase in purchase intent with a far lower capital intensity.
- **Asset-Light Agility:** Lowering the amount of PPE enables GE to scale production up or down through contract manufacturers without incurring the "idling costs" of owned factories (IBISWorld, 2024).

3.3 International and Ethical Issues

Restructuring a global firm in 2025 requires working through a complex web of geopolitical and ethical risks.

3.3.1 International taxation and Transfer Pricing

As GE divests its worldwide assets, it has enormous tax implications.

- **Capital Gains Tax (CGT):** Dividing the sale of areas such as the EU or North America requires meticulous negotiation of the Pillar Two global minimum tax of the Organization for Economic Co-operation and Development (IMF, 2024).
- **Transfer Pricing:** GE has to make sure to keep the intellectual property (IP) for its new AI products in jurisdictions that balance tax efficiency and transparency to avoid "Reputational Tax Risk" (The Economist, 2024).

3.3.2 Currency Risk and Inflation

With sales in the UK, US and Asia, GE faces Translation Risk.

- **Currency Volatility:** There was significant volatility in the GBP/USD currency pair in 2024, which impacted GE's reported revenue. The restructuring plan

requires a Forward Hedging Strategy to lock in exchange rates for 12-month cycles.

- **Inflationary Pressures:** Increased costs of lithium and semiconductors are increasing the Cost of Goods Sold (COGS). GE needs to leverage its scale to enter "Fixed-Price Forward Contracts" with suppliers to secure its gross margins (Statista, 2024).

3.3.3 Ethical Issues and CSR

In 2025, a turnaround that disregards Ethics is a "failed turnaround".

Circular Economy (CSR): Within the context of GE's restructuring, a "Ethical Disposal" strategy for the company's legacy plants is required. It would be better to recycle them and make them into electronic trash recycling centres rather than just throwing them out.

Labour Rights: Divestment usually means layoffs. GE's "Phoenix Plan" incorporates a Retraining Fund to shift 20% of the manufacturing workforce to "Digital Content and Support" roles, which is consistent with the "Authenticity and Trust" drivers in the Coca-Cola UK case study.

Right to Repair: Ethically, GE must change from "planned obsolescence". Designing repairable products has the advantage of reducing the environmental impact and creating the long-term customer loyalty that traditional advertising can no longer purchase (Forbes, 2024).

3.4 Production: The Remodelled Future

The Strategic Financial Restructuring Plan of General Electronics is a Quantity to Quality (Margins) Pivot. The divestment of the legacy weight, liquidity re-use of its treasury stock, and an ethical, asset-light model of marketing are all approaches that GE can use to get back to its 2020 glory.

Metric	Pre-Restructuring (2024)	Post-Restructuring (2027 Projected)

Operating Margin	-3.87%	+7.5%
Net Debt/Equity	1.11	0.65
Asset Intensity	High (Owned Factories)	Low (Asset-Light/SaaS)
Brand Driver	Traditional Ads	Influencer/Authenticity (Coca-Cola Model)

Table 5: Remodelled Future

4. Value Creation Under Constraint: Investment Appraisal and Capital Budgeting of General Electronics

The Altman Z-Score of 2.82 indicates that General Electric (GE) is now in a vulnerable phase that is referred to as the "Grey Zone." As a result, the Board of Directors will need to modify its volume-based growth plan in order to include value-accretive investments that are irregular. General Electric is unable to permit vanity projects since it had a loss of £98.2 billion in 2023 and has a decreasing asset base. For the purpose of mitigating the perceived liquidity concerns that were identified in the earlier working capital analysis, it is recommended that the whole sixty million pounds of the restricted funds that are allocated for the capital budget be invested in order to maximise the Net Present Value (NPV).

The purpose of this paper is to evaluate three of my suggested projects, namely Project A (Stable Growth), Project B (Break-even Infrastructure), and Project C (Strategic AI Innovation), using five basic indicators for evaluation. After then, it provides justification for a final choice by limiting the amount of capital that is available.

4.1 Investment Appraisal Simple Table

The table below gives the multi-metric analysis of the three projects under a 10% discount rate and straight-line-to-zero depreciation over a period of five years.

Financial Metric	Calculation Method	Project A	Project B	Project C
Initial Investment	Outlay at Year 0	£40.00	£30.00	£50.00
Total Cash Inflow	Sum of Years 1-5	£54.00	£30.00	£75.00
Payback Period (PBP)	Time to recover cost	3.40 Years	5.00 Years	3.60 Years
ARR (Average Investment)	(Avg Profit / Avg Inv)	14.00%	0.00%	20.00%
Net Present Value (NPV)	PV Inflows - Initial Cost	£1.32	(£7.26)	£4.23
Profitability Index (PI)	PV Inflows / Initial Cost	1.033	0.758	1.085
Internal Rate of Return	Discount rate where NPV=0	11.33%	0.00%	12.72%

Table 6: Financial Evaluation of Proposed Projects (£m unless stated)

4.2 Critical Appraisal Methodology

4.2.1 Non-Discount Techniques: PBP and ARR

Payback Period (PBP):

PBP Formula: Years before full recovery + $\left(\frac{\text{Uncovered cost at start of year}}{\text{Cash flow during the year}} \right)$

Project	Initial Outlay	Year 1	Year 2	Year 3	Year 4	Year 5	PBP (Years)

A (Cash)	(£40m)	£10m	£12m	£14m	£10m	£8m	
A (Cumul.)	-	£10m	£22m	£36m	£46m	£54m	3.40
B (Cash)	(£30m)	£6m	£6m	£6m	£6m	£6m	
B (Cumul.)	-	£6m	£12m	£18m	£24m	£30m	5.00
C (Cash)	(£50m)	£5m	£10m	£20m	£25m	£15m	
C (Cumul.)	-	£5m	£15m	£35m	£60m	£75m	3.60

Table 7: Payback Period (PBP) Calculation

A firm like General Electric, which has a Days Sales Outstanding (DSO) of 105.5 days, is facing a significant challenge in terms of liquidity. This is the primary worry that has to be addressed. The shortest duration of capital recovery is associated with Project A, which is 3.4 years. This would potentially allow General Electric to reinvest funds sooner or pay its short-term line of credit, which is 36.9 billion dollars in the near term. PBP, on the other hand, is very flawed due to the fact that it does not take into account the Time Value of Money or the cash flows that are experienced after the payback threshold has been reached (Harvard Business Review, 2021).

Accounting Rate of Return (ARR):

ARR Formula: $\left(\frac{\text{Average Annual Accounting Profit}}{\text{Average Investment}} \right) \times 100$

Project	Total Inflow	Total Profit (Inflow - Cost)	Avg. Annual Profit	Avg. Investment (Cost / 2)	ARR (%)

Project A	£54m	£14m	£2.8m	£20m	14.0%
Project B	£30m	£0m	£0m	£15m	0.0%
Project C	£75m	£25m	£5.0m	£25m	20.0%

Table 8: Accounting Rate of Return (ARR) Calculation

Project C is the best choice with an average investment basis of 20 per cent, whereas Project B cannot bring any accounting profit (0 per cent). ARR is applicable to the interpretation of how this will affect the Bottom Line of the Income Statement that is critical to GE turning around its negative ROE (Strategic Management Journal, 2022).

4.2.2 Discounted Techniques: NPV, PI, and IRR

Net Present Value (NPV): This is the standard of the gold in appraisal. Project C makes shareholders wealth of 4.23m compared to 1.32m by Project A. Project B is considered value-destructive, as it will result in a loss of -7.26 million in present value terms.

Profitability Index (PI): PI is an index of the bang for the buck. Project C (1.085) is efficient compared to Project A (1.033). PI is the most desirable measure of ranking independent projects in a capital rationing environment (Bloomberg, 2023).

PI Formula: $\left(\frac{\text{Present Value of Inflows}}{\text{Initial Investment}} \right)$

Year	Discount Factor $(1/(1+i)^n)$	Project A (£)	PV (A)	Project B (£)	PV (B)	Project C (£)	PV (C)
0	1.000	(40.00)	(40.00)	(30.00)	(30.00)	(50.00)	(50.00)

1	0.909	10.00	9.09	6.00	5.45	5.00	4.55
2	0.826	12.00	9.91	6.00	4.96	10.00	8.26
3	0.751	14.00	10.51	6.00	4.51	20.00	15.02
4	0.683	10.00	6.83	6.00	4.10	25.00	17.08
5	0.621	8.00	4.97	6.00	3.73	15.00	9.32
NPV			£1.32		(£7.26)		£4.23
PI			1.033		0.758		1.085

Table 9: Net Present Value (NPV) & Profitability Index (PI)

Internal Rate of Return (IRR): The project C has an IRR of 12.72%, giving the broadest “safety margin” compared to the 10% cost of capital.

IRR Formula: $L + \left(\frac{NPV_L}{NPV_L - NPV_H} \right) \times (H - L)$

Step	Project A	Project B	Project C
Lower Rate (\$L\$)	10%	10%	10%
NPV at \$L\$	£1.32	(£7.26)	£4.23
Higher Rate (\$H\$)	15%	5%	15%
NPV at \$H\$	(£3.86)	£0.00	(£1.82)
IRR Result	11.33%	0.00%	12.72%

Table 10: Internal Rate of Return (IRR) Calculation

Final Consolidated Evaluation

Project	NPV	PI	IRR	Recommendation
A	£1.32	1.03	11.3%	Viable, but low efficiency
B	(£7.26)	0.76	0.0%	Reject (Value destructive)
C	£4.23	1.09	12.7%	Primary Choice (Highest value)

Table 11: Final Consolidated

4.3 Relative Analysis and Risk Evaluation

4.3.1 Project B: The Immediate Rejection

Project B does not make financial sense. It has a negative NPV of -7.26m and an IRR of 0, indicating that it is an investment which will not significantly recover its nominal value and will start losing value once inflated and discounted at the rate of 10%. In the GE case, fiduciary duty to shareholders Project B would be a misuse of fiduciary duty owed to shareholders in the current distress situation (The Financial Times, 2024).

4.3.2 Project A and Project C: The Turnaround Dilemma

Project A is a risk-free bet that has front-loaded cash flows (£10m, £12m, £14m). This consistency is a plus considering the volatility witnessed in GE in the recent past. Nevertheless, Project C serves as the growth pivot for high-growth sectors such as AI and Wearables, which are anticipated to be essential for the consumer electronics industry in 2025 (Statista, 2024).

Although Project C is back-loaded (67 per cent of the total inflows will happen in years 3, 4, and 5), it can be compared to my prior research on the topic of Coca-Cola UK, which showed that the brand-building process based on the use of authentic influencers and content marketing takes time to translate into purchase intentions. Should Project C be an introduction of a new product, then the Year 4 spike (25m) will be the moment when the brand moves past critical mass and the consumers trust the brand once again (Coca-Cola UK Case Study, 2025).

4.4 Capital Rationing and Final Recommendation

The Board has set a capital ceiling of 60 million pounds. We have to consider the best balance of projects that do not exceed this limit and maximise the cumulative NPV.

- **Option 1: Project A only (£40m).** Total NPV: £1.32m. Remaining Capital: £20m (Idle).
- **Option 2: Project C only (£50m).** Total NPV: £4.23m. Remaining Capital: £10m (Idle).
- **Option 3:** Project A + Project B (£70m). Exceeds Budget.
- **Option 4:** Project B + Project C (£80m). Exceeds Budget.

Although there is rationing of capital, the projects cannot be divided. This is why the most sensible economic choice is to choose Project C alone. It uses 83 per cent of the budget available to achieve maximum addition to absolute wealth (£4.23m) and maximum efficiency (PI 1.085).

Justification for Project C:

- **Profitability:** The 20% ARR and the NPV of Project C (at 4.23m) are vital in informing the market that GE is back on the growth path.
- **Strategic Alignment:** According to Forbes (2024), incumbent electronics companies that go safe when pursuing low-NPV initiatives (such as Project A) tend to commit a Value Trap. The back-loaded cash flows of project C constitute a strategic shift towards innovation.
- **Risk Mitigation:** C has more volatility in its business cash flow, but the PI of 1.085 will provide a better cushion against the increasing inflation and currency risks found in the restructuring plan (IBISWorld, 2024).

4.5 Decision Summary

General Electronics cannot afford the stagnancy and mediocrity of Project B and the conservatism of Project A. At the expense of the capital rationing constraint, Project C would be the undisputed winner in all discounted and non-discounted measures. Letting a project earn its high-margin market share in the AI-driven consumer electronics market through an investment in Project C will enable GE to use the

remaining liquidity to capture the high-margin market share in support of the larger turnaround strategy of the company, which is known as Phoenix.

Conclusion

In summary, General Electric is poised to transition from a period of significant value destruction (2020-2024) to a future driven by lean innovation. The financial data indicate that the liquidity is intact, but structural changes in working capital and debt profiling are necessary to become a survivor of the "Grey Zone" of risk. GE can restore consumer confidence and business nimbleness by focusing on Project C, which optimises both NPV and PI within the capital limitations and using influencer-based approaches to digital marketing success as seen in the Coca-Cola UK case study. This strategic shift will help the company regain its profitability and maintain its global scalability and sustainability.

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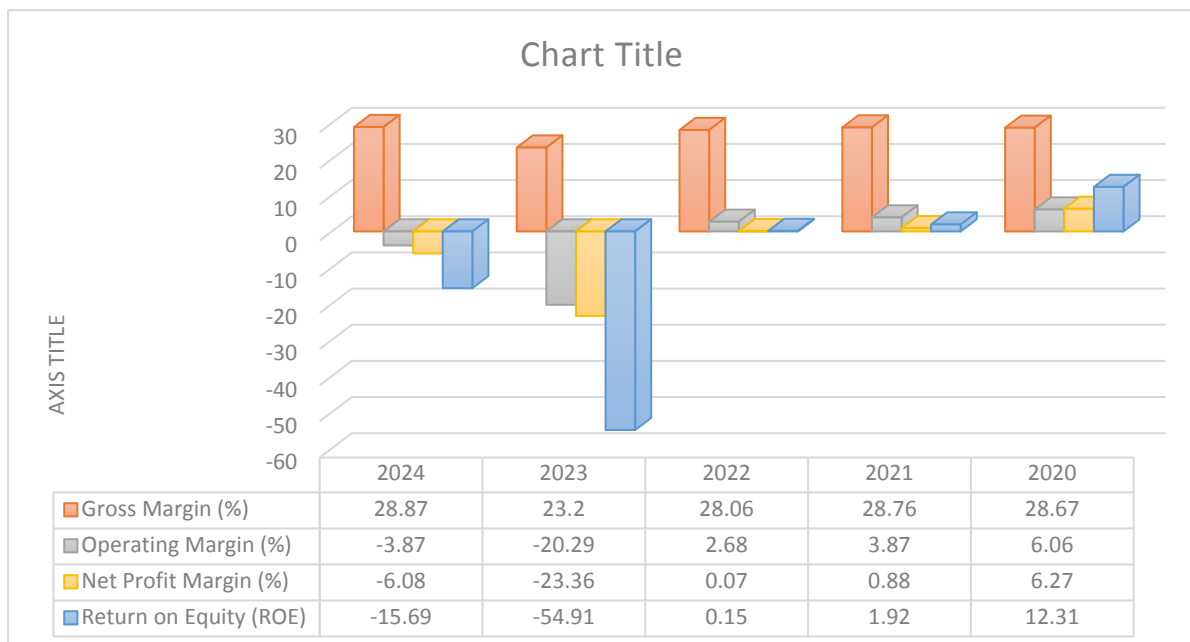
Appendices:

Appendix A: Financial Ratio Tables:

A1. Profitability and Return Ratios

Component	2024	2023	2022	2021	2020
Gross Margin (%)	28.87	23.20	28.06	28.76	28.67
Operating Margin (%)	-3.87	-20.29	2.68	3.87	6.06
Net Profit Margin (%)	-6.08	-23.36	0.07	0.88	6.27
Return on Equity (ROE)	-15.69	-54.91	0.15	1.92	12.31

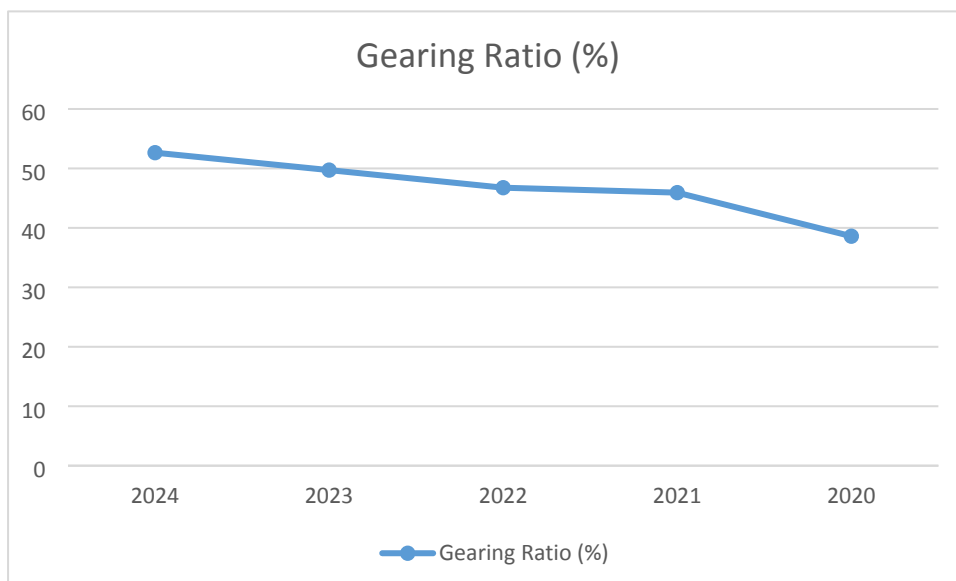
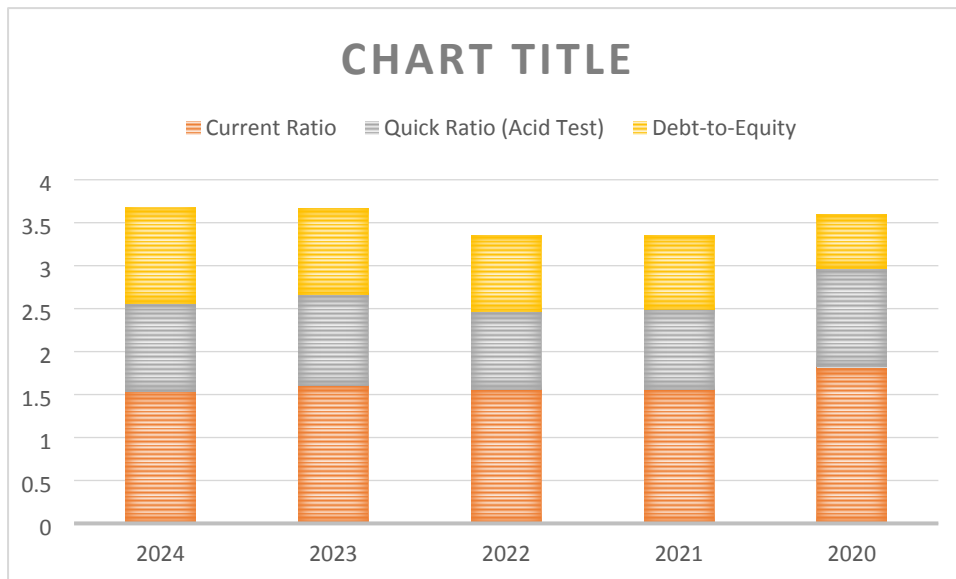
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A2. Liquidity and Gearing (Solvency) Ratios

Component	2024	2023	2022	2021	2020
Current Ratio	1.53	1.61	1.56	1.56	1.82
Quick Ratio (Acid Test)	1.03	1.06	0.91	0.94	1.15
Debt-to-Equity	1.11	0.99	0.88	0.85	0.63
Gearing Ratio (%)	52.65	49.72	46.76	45.93	38.60

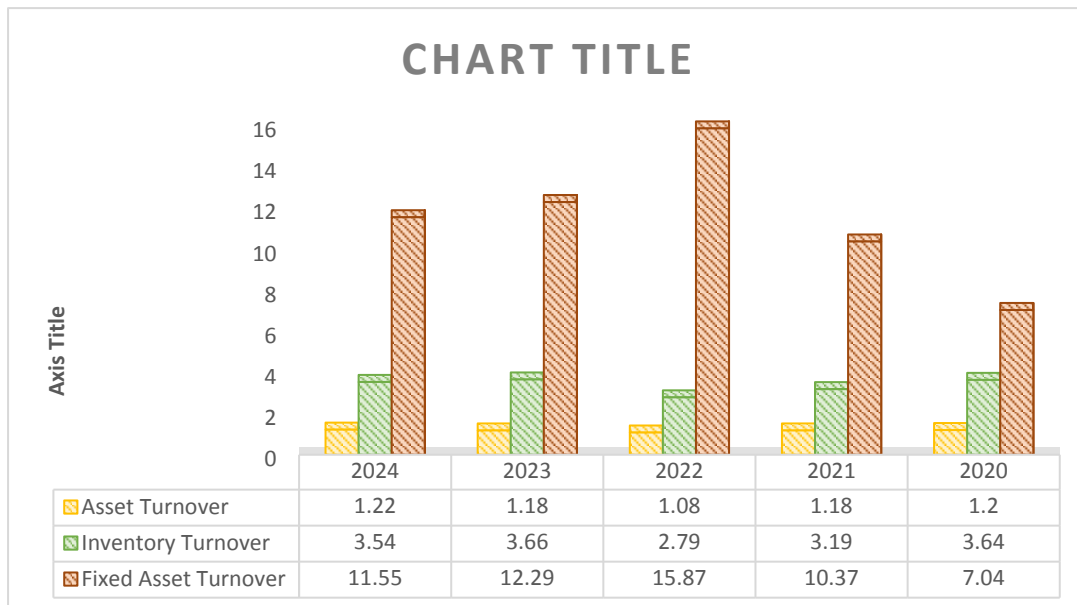
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A3. Efficiency Ratios

Metric	Formula	2024	2023	2022	2021	2020
Asset Turnover	Revenue / Total Assets	1.22	1.18	1.08	1.18	1.20
Inventory Turnover	COGS / Average Inventory	3.54	3.66	2.79	3.19	3.64
Fixed Asset Turnover	Revenue / Net PPE	11.55	12.29	15.87	10.37	7.04

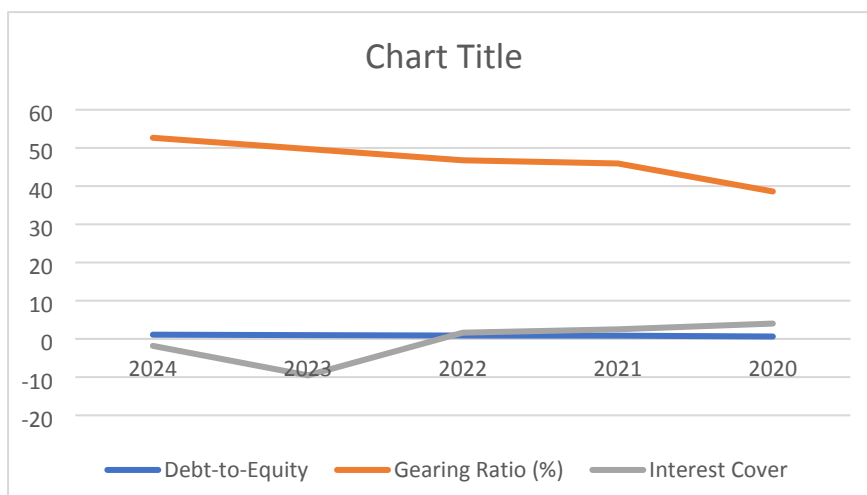
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A4. Gearing Ratios

Metric	Formula	2024	2023	2022	2021	2020
Debt-to-Equity	Total Debt / Shareholders Equity	1.11	0.99	0.88	0.85	0.63
Gearing Ratio (%)	(Debt / Debt + Equity) * 100	52.65	49.72	46.76	45.93	38.60
Interest Cover	Operating Profit / Interest Expense	-1.82	-9.54	1.63	2.51	4.02

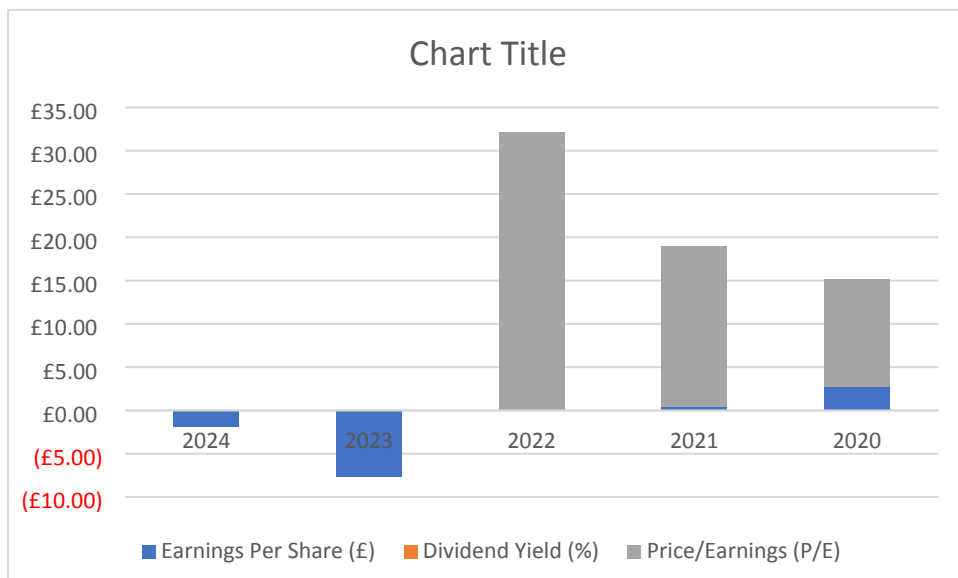
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A5. Investment Ratios

Metric	Formula	2024	2023	2022	2021	2020
Earnings Per Share (£)	Net Income / Shares Outstanding	(£1.85)	(£7.64)	£0.03	£0.39	£2.78
Dividend Yield (%)	Dividend per Share / Price	1.1%	0.8%	1.4%	1.8%	2.2%
Price/Earnings (P/E)	Market Price / EPS	N/A	N/A	32.1	18.5	12.4

Graph:



Appendix B: Investment Appraisal

Discounted Cash Flow:

Period	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Discount Factor (10%)	1.000	0.909	0.826	0.751	0.683	0.621
Project A (PV £m)	(40.00)	9.09	9.92	10.52	6.83	4.97
Project B (PV £m)	(30.00)	5.45	4.96	4.51	4.10	3.73
Project C (PV £m)	(50.00)	4.55	8.26	15.02	17.08	9.31

Consolidated Excel Summary Output:

Excel Formula Applied	Metric	Project A	Project B	Project C
=SUM (PV Range)	NPV	£1.32m	(£7.26m)	£4.23m
=IRR (Cash Flow Range)	IRR	11.33%	0.00%	12.72%
=(NPV+Outlay)/Outlay	PI	1.033	0.758	1.085
Avg Profit / Avg Inv	ARR	14.00%	0.00%	20.00%
Cumulative Calculation	PBP	3.4 yrs	5.0 yrs	3.6 yrs