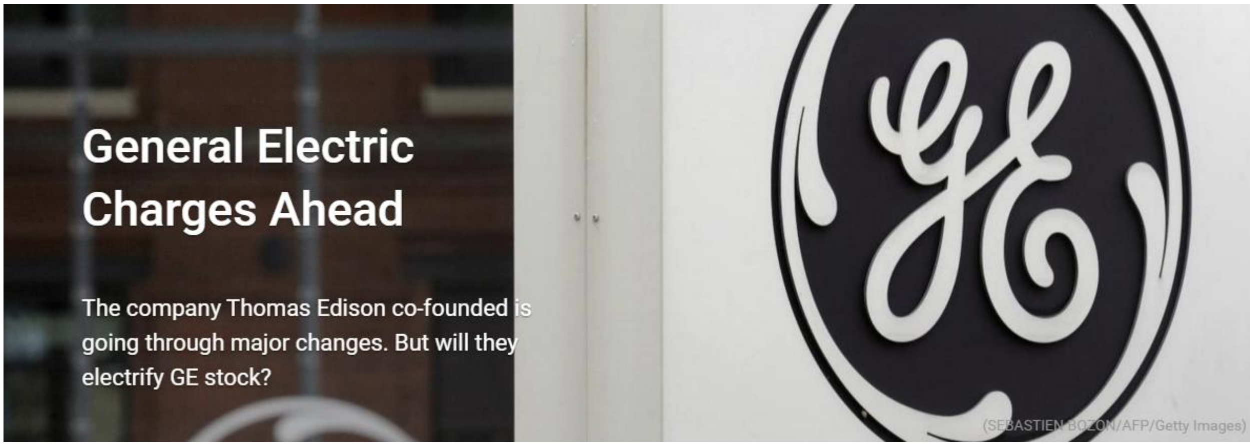

By Lou Carlozo | Contributor

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While companies such as Alphabet (ticker: GOOG, GOOGL) and Facebook (FB) might be the hotshot high-tech kids on the block, General Electric Co. (GE) can claim the title of the original tech pioneer.

Thomas Edison co-founded GE in 1892 and some four years later, it became one of the founding stocks on the Dow Jones Industrial Average, where it still sits today. It spawned RCA. It sent the first public TV broadcasts while Calvin Coolidge was in the White House.

Yet in 2016 – even with a monstrous market cap of nearly $290 billion – GE faces a formidable challenge: to shed a spread-too-thin identity one might as well dub "General Eclectic."

The evidence is everywhere, from relocation (GE announced plans in January to move its headquarters to Boston) to reallocation (it's forging a more focused portfolio of companies that build on its industrial strengths).

"Today our portfolio is simpler and stronger," CEO Jeff Immelt said in a statement accompanying GE's earnings report for the first quarter of 2016, released April 22. To that end, GE is shedding most of its financial services assets and moving out of the home appliance business, while purchasing the French power company Alstom in December for $10.3 billion – the largest single industrial investment GE has ever made.

If GE's pivot toward a streamlined, energy-centric strategy will take some time to complete, it at least looks like a solid work in progress.

The Q1 2016 report beat Wall Street expectations by a hair, as GE posted earnings per share of 21 cents, ahead of the 19 cents analysts predicted. "Yet there is some concern with the revenue miss," says Jerry Braakman, chief investment officer of First American Trust in Santa Ana, California.

Though GE's backlog grew to a record of $316 billion, "We have some concern with industrial orders, which were down 7 percent for the quarter," Braakman says. "Further, GE had some currency headwinds … the quarter was respectable but not exceptional."

While not a bonanza, GE's first quarter earnings at least affirmed that the company is holding its own in a challenging energy environment. GE provides a broad swath of industrial equipment for the industry, from steam and gas turbines to energy software that came with its Alstom purchase.

"GE has made clear that it's in a transformational strategy," says John Alan James, a professor at Pace University's Lubin School of Business in New York and chairman emeritus of its Center for Global Governance, Reporting and Regulation.

This will take the company toward "industrial-related products that focus on the new age of digital controls; GE's acquisition of Alstom is a major commitment to this new direction."

What's more, GE may already have another energy company in its crosshairs. "The next biggest potential deal in sight is the purchase of some or all of Baker Hughes (BHI), a $20 billion oil and gas equipment company," says K.C. Ma, director of the George Investments Institute at Stetson University in DeLand, Florida. "The deal may prove to be too little, too late. But the fact that GE has started sniffing around for fire sales in the sector is encouraging."

Still, the sector remains challenging, a fact evidenced by recent cost-cutting moves. "After its Alstom acquisition, GE announced in January that it plans to lay off more than 6,500 employees in Europe to save administrative costs," Ma says. Meanwhile, a decline in its oil and gas equipment segment has also led to announced layoffs.

If energy is GE's future, it's also a bona-fide case of back to the future. Edison did of course invent the light bulb – and GE sells more than 200 million of those in the U.S. annually. But the "E" in its moniker is "electric," and the merger of two electric companies formed GE.

Whether the latest actions by GE will power its stock is another story. Since the start of the year, share prices have remained flat at just above $31. But investors may be encouraged that GE shares have shown a steady if not spectacular incline over the last five years, up 52.5 percent.

And looking ahead, "GE's renewable energy segment could be a potential goldmine," says Stephen Ciccone, an associate professor of finance and department chairman at the Peter T. Paul College of Business and Economics in Durham, New Hampshire.

For now, "GE has been a decent performer of late," Ciccone says. "It slightly outperforms the (Standard & Poor's 500 index) year-to-date, but handily outperforms the S&P 500 over the past one-year period, returning about 14 percent versus a loss to the S&P of about 1 percent." It also compares favorably to the industrial exchange-traded fund XLI, which returned just 0.4 percent over the past year.

All of this places GE in positive territory so far as analysts are concerned. Four rate GE a "strong buy," one a "buy" and five a "hold." Ciccone calls it a hold as well, noting: "Because it is so large and diversified, I do not expect huge gains. But I also don't expect large losses even if the going gets tough in the near future."

That said, the company has made a high-stakes move from which it can't retreat in saying goodbye to GE Capital. On the one hand, selling its financial services assets has already generated $166 billion, with an anticipated total of $200 billion.

Yet as Ma points out, "Eventually, the real issue shareholders will have to face is that GE Capital used to contribute more than 40 percent of GE's bottom line profit. After 2016, what would GE do?"

Perhaps GE will benefit from a rebound in oil and gas prices, or begin to tap the "potential goldmine" in its renewable energy holdings. Its aviation segment has been a top performer for the last few quarters, reporting double-digit increases in revenue and profit. And that growing backlog marks another bright spot for the company.

Then again, the turnaround could take some time and require shareholders to hold on. If so, they'll likely take it in stride. Immelt is a popular CEO who took the reigns from Jack Welch just four days before the Sept. 11 attacks. He's also served as an economic advisor to President Obama.

"As a tradition, GE shareholders have given management all the benefit of the doubt," Ma says. "You'd never want to criticize Immelt with GE's shareholders, just like you don't pick on Warren Buffett with Berkshire's (BRK.A, BRK.B)."