MULTINATIONAL CAPITAL BUDGETING REPORT FOR GE HEALTHCARE

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GE Healthcare - Executive Summary and Financial Recommendation to the Firm

Cash Outflow Analysis (NINV)

Initial Investment for establishing GE Healthcare Subsidiary in Poland		
Initial Investment	**Current Market Spot Rate**	**Investment Converted into U.S Dollar (USD)**
2 billion Polish zloty (PLN)	4.0885 PLN per dollar	$489,176,960

Table 1 - Calculation and Spot Exchange Rate for Converting Initial Investment from Polish zloty to U.S. Dollar (USD)

Cash Inflow Analysis (NCFs)

Net Cash Flow Analysis for GE Healthcare's Foreign Subsidiary					
Year 0 (NINV)	**Year 1** (NCF_1)	**Year 2** (NCF_2)	**Year 3** (NCF_3)	**Year 4** (NCF_2)	**Year 5** (NCF_5)
$489,176,960	$133,295,486	$117,454,200	$88,270,155	$73,802,954	$125,929,148

Table 2 - Net Cash Flow Forecasted with the Subsidiary Using the CAPM of 19.97% and Converted into U.S. Dollar (USD)

Capital Budgeting Evaluation

Key Evaluation Metrics for Determining GE Healthcare's Subsidiary Financial Value to the Firm	
NPV (Net Present Value)	$49,574,580
IRR (Internal Rate of Return)	24.09%
Pay Back Period	4 Years and 7 Months
CAPM (Capital Asset Pricing Model)	19.97%

Table 3 - Key Evaluation Metrics Calculated from the Supplemental Spreadsheet Data. The key metrics on return and profitability included NPV, IRR, Pay Back Period, CAPM, Revenue, EBITDA, Gross Margin, and Net Income

Approval Recommendation for Subsidiary Proposal

The Capital Budgeting Team has concluded that the proposed subsidiary for GE Healthcare specializing in the manufacturing and selling of CT scanners in Poland would be a valuable investment opportunity for the firm and prospective growth for its shareholders and the firm enterprise value. The Capital Budgeting Evaluation has determined the Net Present Value of the subsidiary to be $49,574,580 and contains an Internal Rate of Return of 24.09%. Moreover, the payback period of the proposed subsidiary is projected to be approximately 4 years and 7 months into the project. These metrics produce a strong indication that the subsidiary will have substantial return opportunity relative to the investment size of $489,176,960 and return of 19.97% that is associated with the risk of entering this market. The Capital Budget Team recommends the firm optimize the project by taking measures to reduce risks that are pivotal to the NPV and IRR projections. Our recommendation is to secure put options contracts for potential volatility in currency exchange, maintain close relationships with vendors and material suppliers to control variable costs, and negotiate contract terms on the salvage value to maximize the profitability of the subsidiary.

Appendix: GE Healthcare – Financial Analysis of Polish Subsidiary for Manufacturing and Selling Computer Topography (CT) Scanners

Cash Outflow Analysis (NINV)

Initial Investment for establishing GE Healthcare Subsidiary in Poland		
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Cash Inflow Analysis (NCFs)

Net Cash Flow Analysis for GE Healthcare's Foreign Subsidiary					
Year 0 (NINV)	**Year 1** (NCF_1)	**Year 2** (NCF_2)	**Year 3** (NCF_3)	**Year 4** (NCF_2)	**Year 5** (NCF_5)
$489,176,960	$133,295,486	$117,454,200	$88,270,155	$73,802,954	$125,929,148

Financial Risk Assessment

Financial and Operational Risk Analysis		
Item	**Level of Risk**	**Assessment**
Beta of 1.82	Moderate to High	Beta is a measure of the sensitivity of the project's cash flow relative to the market. A beta of 1.82 suggests that the firm's return on this project may be up to 82% more volatile than the market. This high level of risk will subsequently increase the cost of capital, with the risk being driven from systematic risks associated with the project, including economic conditions in Poland, geopolitical risks, the global market for CT scanners, and competition with other related products or services.
Required Rate of 19.97%	Moderate to High	The required rate of return is the minimum target return the firm must achieve for the relative level of projected risk the projected risk intrinsically contains and is measured by Beta. In our case, our beta is moderate to high and will require a substantial expected return to be financially favorable for establishing a subsidiary relative to other investment opportunities.
Currency Exchange Rate (PLN per USD)	Low to Moderate	The subsidiary will be established in Poland and will operate utilizing Polish Zloty acquired from operations and convert annual cash flows back to the parent company. Risks associated with currency exchange are primarily derived from economic performance in the country as well as the relative level of appreciation/depreciation of the Polish Zloty to the U.S. Dollar. If the Zloty were to have a high rate of depreciation during the timeline of this subsidiary, it could create high variability in the exchange rate, leading to uncertainty in the firm's ability to maintain financial returns. However, the recent economic reporting suggests that the rate of inflation, valued by the consumer price index, has slowed in recent years and is forecasted in our financial model to have low volatility in the future.
Unsystematic Risks and Variable Cost	Moderate to High	The unsystematic risk within this project focuses on GE HealthCare's ability to operate its subsidiary at a high level and avoid poor management or inefficient operations. The variable cost makes up a significant portion of the total expenses of this project. Additionally, the subsidiary specializes in CT scanner manufacturing and selling, leading to low diversity in its assets that it acquires revenue from. If economic volatility or variable costs significantly increase in the duration of this project, the forecasted cash flows can be significantly impacted by changing the cash flow results that may impact the NPV and IRR of the project.
Salvage Value Bias in Model	Low to Moderate	A key element of the success of this project is dependent on the valuation of the salvage to the Polish authorities at the end of Year 5. The project is able to appear profitable purely looking at NPV and IRR. However, reducing the salvage value can significantly affect the financial outcomes, creating risk with the projected cash flows in year 5. With the assumption that the firm is negotiating contract terms with a strong reliability of its future value, this risk is relatively low.

Table 4 - Financial Risk and Uncertainty Assement Looking at Key factors that have significant impact on the future cash flow evaluation of the Subsidiary. Level of risk was determined by the sensitivity and impact on future cash flow projections

Capital Budgeting Evaluation

Key Evaluation Metrics for Determining GE Healthcare's Subsidiary Financial Value to the Firm	
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Pay Back Period	4 Years and 7 Months
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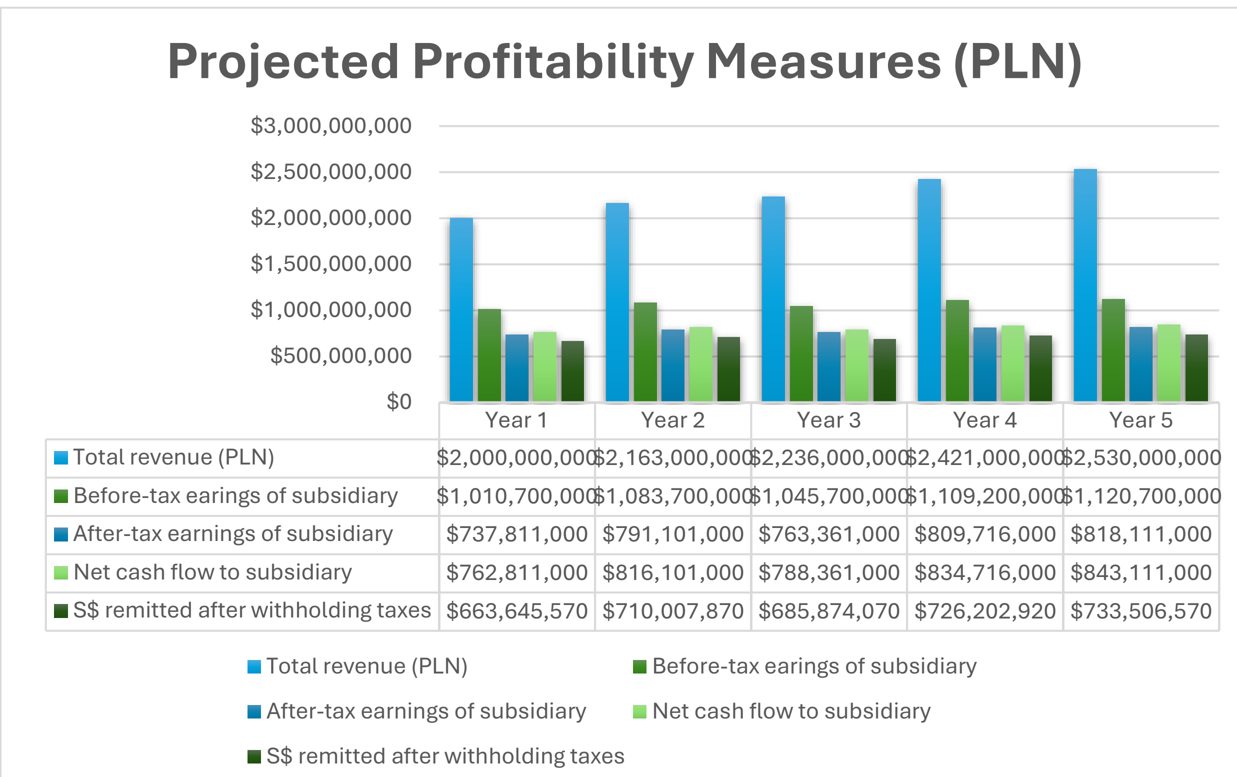
Complimentary Financial Evaluation Visuals



	Year 1	Year 2	Year 3	Year 4	Year 5
Total revenue (PLN)	$2,000,000,000	$2,163,000,000	$2,236,000,000	$2,421,000,000	$2,530,000,000
Before-tax earings of subsidiary	$1,010,700,000	$1,083,700,000	$1,045,700,000	$1,109,200,000	$1,120,700,000
After-tax earnings of subsidiary	$737,811,000	$791,101,000	$763,361,000	$809,716,000	$818,111,000
Net cash flow to subsidiary	$762,811,000	$816,101,000	$788,361,000	$834,716,000	$843,111,000
S$ remitted after withholding taxes	$663,645,570	$710,007,870	$685,874,070	$726,202,920	$733,506,570

Table 5 - Key Financial Overview of the Subsidiary Profitability for Year 1 through Year 5

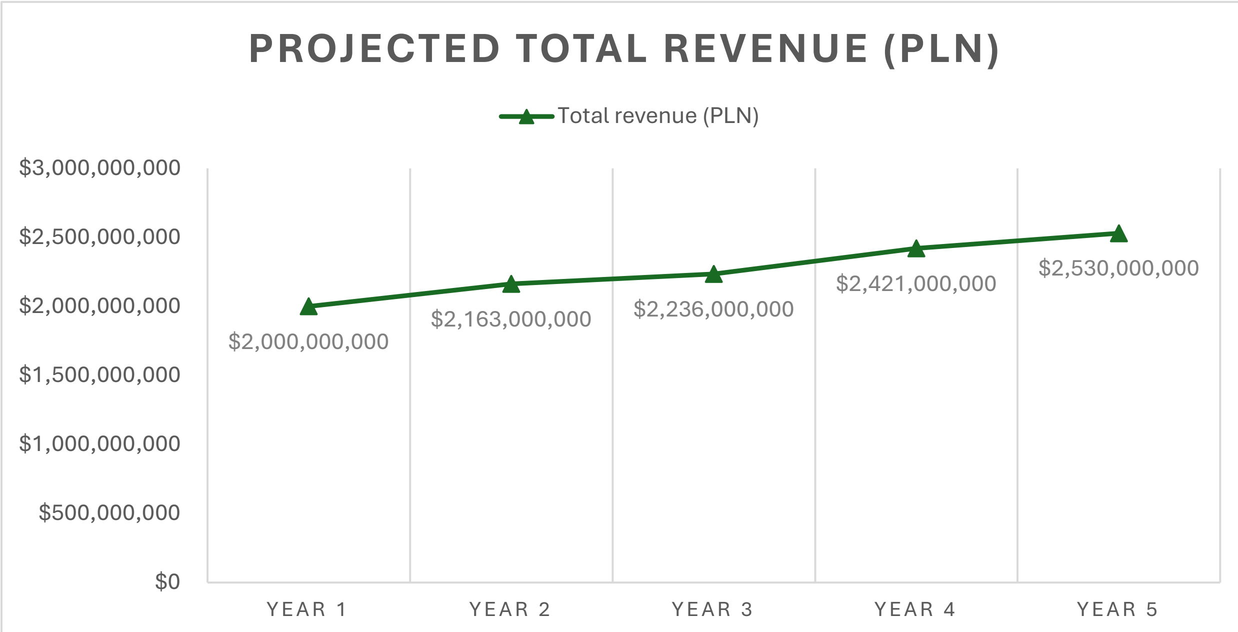
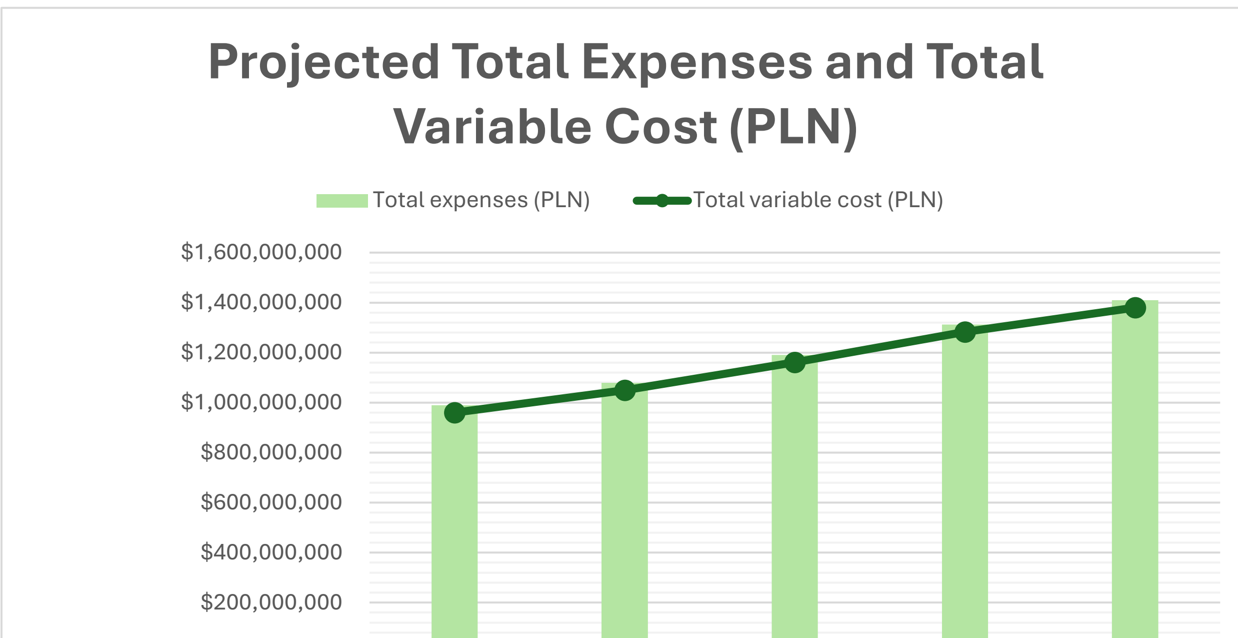


Table 6 - Projected Revenue of the Subsidiary from Year 1 to Year 5. The revenue was forecasted utilizing demand and price per unit provided from data analytics team



	Year 1	Year 2	Year 3	Year 4	Year 5
Total expenses (PLN)	$989,300,000	$1,079,300,000	$1,190,300,000	$1,311,800,000	$1,409,300,000
Total variable cost (PLN)	$960,000,000	$1,050,000,000	$1,161,000,000	$1,282,500,000	$1,380,000,000

Table 7 - Projected Total Expenses in comparison Total Variable Cost. The Total Expenses of the Subsidiary were calculated by taking the sum of the fixed and variable costs with data provided by the analytics team