



**M**ICHAEL NEAL SLEEPS JUST FOUR HOURS A night. That way he can rise before the sun at 4 a.m. in Stamford, Conn., e-mail his staff in Asia, where the sun soon will set, and touch base with Europe, where it is midmorning—all before showing up at work at 7 a.m. sharp.

Neal, 52, runs one of the largest nonbank lenders in the world: GE Commercial Finance, with \$233 billion in assets, \$24 billion in annual revenue and aftertax profit of \$4.5 billion last year, higher earnings than at any other GE business. He boasts that his division, which provided 27% of GE net income last year, has seen profits grow an average of 20% every year since 1996—and he vows to continue at that pace.

Never mind that interest rates are rising and revenue in the U.S. financial services industry fell 10% from 2000 to 2003. Europe fared no better, says Adam Dener of Capco, a consulting firm.

GE Commercial Finance was one of four major divisions carved out (the others being consumer finance, equipment services and insurance) when GE Capital was split up in 2002. Neal

gram—known as the clunky “At the Customer, For the Customer”—taps the parent company’s wealth of expertise in the vaunted Six Sigma defect-reduction method, just-in-time manufacturing and such management pursuits as succession planning.

For GE this is a cheap goodie for wooing and keeping customers. Since 2002 GE Commercial Finance has provided 350,000 hours of advice to 3,000 commercial borrowers. It places a value of \$1 billion for these services to customers but hasn’t quantified the benefit to itself. Some observers peg the cost to GE at a mere \$15 million a year, not even a rounding error on the finance unit’s earnings of \$4.46 billion last year (after taxes and before restructuring charges and accounting changes).

But customers love a freebie, even a small one. “When we heard the phrase ‘at no cost,’ that was great by us,” says Paul Tate, chief financial officer of Frontier Airlines. In late 2001 the GE folks leasing 12 aircraft to the Denver airline offered some free counsel. GE brought a dozen Frontier employees to its leadership center in Ossining, N.Y. for two weeks of training in Six Sigma. Then it assigned the company a GE mentor, who visits

# Money Machine

**Michael Neal runs General Electric’s biggest profit engine, raking in \$24 billion a year lending money to businesses big and small. His secret: “free” advice for the clientele | By Kerry A. Dolan**

had been president at GE Capital before the split. This past summer the insurance business was folded back into his division and he was named one of six vice chairmen. Now he focuses on leveraging GE Capital’s AAA credit rating and GE’s giant presence in aircraft engines, power plants and medical equipment to bankroll 1 million corporate customers.

Neal’s division owns the largest commercial real estate lending business in the world, GE says, with \$28 billion in assets, financing office complexes to hotels to apartment buildings. It also claims to be the largest lender to companies in bankruptcy proceedings, peddling \$1.5 billion through September this year in financing to companies in pain. Until recently the unit ran one of the largest fleets of leased jets in the skies, with 1,370 planes rented out to 200 airlines; in July that business was moved into a new unit, GE Infrastructure.

GE’s gold-plated credit rating lets Neal borrow money at 3% to 5% interest and lend it out at rates of 10% to 12%, on average. Only a few percent of the \$95 billion that Neal’s group lends out each year is to finance GE-related deals (such as a purchase of GE-made aircraft engines); the rest is lent at arm’s length.

One key weapon: GE Commercial Finance hands out millions of dollars in free advice to its clients each year. The pro-

Frontier for two or three days a month to check the progress on various projects. Four years later Frontier still has a mentor.

One project, to reduce the amount of thrust used by the engines at takeoff to save on maintenance, took eight months and saves Frontier \$5 million a year. The upside for GE: In 2003 Frontier leased an additional 13 planes from GE. The engines on all 49 planes are from GE, as well.

A similar engagement in late 2002 with the fast-food chain Wendy’s led to a four-day training session in leadership for 30 executives. “In 18 months we did a number of initiatives that would have taken us four to five years to get done on our own,” says Wendy’s chief executive, John (Jack) Schuessler. GE helped the chain shift to booking travel and filing expense reports online and to updating its company-car policy to save money. The benefit to GE: Its loans to Wendy’s franchisees doubled to \$800 million in 14 months.

Neal has used acquisitions to stoke growth, buying some \$50 billion in assets for an undisclosed sum since 2002. The biggest deal came in 2001, when GE acquired \$20 billion in assets from Heller Financial for \$5.3 billion. Other buys included Deutsche Bank’s inventory finance arm, with \$3.3 billion in assets, in 2002; and Transamerica’s commercial finance business, with

## GE Commercial Finance

\$8.5 billion in assets, in 2004. A decade ago 90% of GE's commercial lending was in the U.S., compared with 50% today, as GE has expanded to 32 nations.

But the GE vice chairman also looks for internal organic growth—simply by trying to sell more products to existing customers. Thus far GE's real estate lenders haven't had much to do with the folks financing copy machines. Neal wants to change that. "We're identifying enterprise accounts, companies that should be buying four or five things from us," he says. Adds Tom Quindlen, chief commercial officer for GE Capital Solutions, one of the unit's leasing and loan arms: "We're asking customers, 'What are your needs?' instead of 'How about a lease?'"

In a test program in Texas, GE examined 1,200 companies and selected 325 with revenue of \$100 million to \$1 billion. It aims to wring more sales out of those targeted accounts. Last year this multiple-product sales strategy generated \$1.2 billion of new loans and leases. This year it should bring in \$2 billion.

Like many of the GE brass, Neal has spent his whole career at the company. A small-town Georgia native, he studied industrial management at Georgia Tech and joined GE in 1979 as a salesman of electrical components. In 1987 Gary Wendt, head of GE Capital (then called GE Credit), tapped Neal to move to Stamford to sell financing for technical equipment.

Neal's personable manner and familiarity with industrial equipment were a good fit. He rose to the number two job of president at GE Capital in 2000. Meanwhile GE Capital was providing fully half of GE's net income each year. That created some tension inside GE. "There was always this rub between" GE Chairman Jack Welch and GE Capital Chief Executive Gary Wendt, Neal says. Some say the two men spoke only rarely.

Wendt quit in 1998, and Welch retired as chairman in September 2001, succeeded by current Chief Executive Jeffrey Immelt. In July 2002 Immelt separated the gargantuan GE Capital, which comprised 28 different businesses, into four arms, with the newly named GE Capital Services as their umbrella. (He then folded insurance back into Neal's division in July this year.)

All of GE Capital had assets of \$70 billion in 1990. Fifteen years later just one

GE Chief Executive Jeffrey Immelt.



Frontier Airlines saves \$5 million a year thanks to free GE consulting.

part of that behemoth, Neal's commercial finance arm, has more than tripled that total to \$233 billion in total assets (in essence, its loans outstanding). The division's aftertax income has grown elevenfold in the same period.

Neal weathered some tough turns along the way. The division took an \$800 million hit to earnings in 2002 and 2003 as its jet-leasing business got hurt by airline losses, says a report by UBS analyst David Bleustein. Neal says the business (switched to a new division in July) is on the rebound, thanks to growing demand in Asia. "We can take planes back from [bankrupt] US Airways and two days later have them in Asia. Some of our fastest-growing customers are in China."

Rising interest rates don't bode well for commercial lending, but the GE suit insists it isn't a worry. "On the positive side, our most profitable businesses are our leasing businesses. Corporations tend to lease more rather than just borrow in higher-interest-rate environments," he says, adding that his group can make as much as 50% more leasing an asset than by simply making a loan. Recessions don't bother him, either. "In a recession," he says, "we are the biggest bankruptcy lender."

Some hurdles, however, limit Neal's hell-bent pursuit of growth. Unlike his counterpart, David Nissen at GE's consumer finance business, Neal passes by such booming markets as China, Russia and Brazil. He does business only in places with a stable government and a legal system that protects the property rights of foreigners. Neal has 80 people scouring the world for businesses to buy, although the most obvious deals are already done. "Acquisitions are more opportunistic," he says. To grow from within, he has 8,000 salesmen and will add 700 more this year. "Every year is hard, every quarter is hard, but I don't think the plan needs to be changed dramatically," he says. "In many places people haven't heard of us." **F**

### By the Numbers

GE Commercial Finance shares its corporate wisdom with customers and reaps more business in return.

Aftertax profits in 2004

Hours of "free" consulting provided to 3,000 customers since 2002.

Estimated annual cost to GE for this consulting.

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