GE Vernova | Citi - 2025 Global Industrial Tech and Mobility Conference | February 19, 2025

Andy Kaplowitz:

We're going to get started again. Welcome back. We are very excited to have GE Vernova with us today. We've got Scott Strazik is the chief Executive officer. Scott, as I walk over to you, I know you have a few prepared comments, so I'll turn it over to you and then we'll get into Q&A.

Scott Strazik:

Sounds great, Andrew. Thanks for having me. I appreciate the opportunity. Thanks for everyone in the room being here and everyone online. GE Vernova is excited about 2025 and what's ahead. I bumped into Andrew in the lobby last night when I was checking in and we were talking about our kids skiing over the past weekend and kind of using a skiing analogy for GE Vernova. In '24 we were skiing a lot of greens. We are kind of just starting, kind of understandable, new public company. At this time last year we were still negotiating our transition service agreements with GE Corporate. Hard to believe, but then we kind of got to April 2nd, got to the spin and spent the better part of last year really firming up our foundation as a company. Built a strong balance sheet, over $8 billion of cash by the end of the year.

Launched our first capital allocation program with the dividend that we paid out in January, a $6 billion stock buyback and worked really hard to improve the trajectory of our profitability going forward, and we talked about that in our January earnings. Equipment backlog, $6 billion of margin growth in our equipment backlog over the prior two years. So I think from our first junior foundationally skiing greens, we're kind of graduating up to some blues and blacks here for '25 and beyond, and looking forward to what's ahead for us. A few quick headlines by business or at least the larger businesses. Gas Power, we've talked in the past about the fact that we see at least 20 gigawatts of new capacity additions and orders per year going forward. We certainly continue to see that today. Strong market. We expect our first quarter to be at least five gigawatts of new orders, so somewhat linear in the pathway for the year, but it's not just new capacity additions.

I was in an operating review with our Gas team in Madrid a week ago, and if you look at our services business, our scope per outage comparing '21 to '24 is up 60%. And then if you double click on that and look at our scope per outage in North America and the Middle East, it's double. The regions that really need more electrons right now, you see real growth into our install base with Gas. That is an incredible opportunity, but one that we've got to work hard to serve. I had taken our board down to Greenville, South Carolina in January for the better part of a week. We spent half a day on the factory. Just for context, we need to move within our Gas supply chain over 300 large machines and add over 500 between now and the summer of '26 to meet this growth and be at a point by the summer of '26 that we're ready to ship 20 gigawatts of gas turbines a year and meet this services demand.

On Wind, just briefly, I'd say it continues to be a soft end market for us, certainly on new capacity additions, but we see opportunities with both the re-powering pipeline and some international markets to offset some of that weakness. But what I'm most pleased about with Wind is the business is really controlling what it can control. And if I just give two quick examples, I mean we have more than double the crews and cranes out in the install base today than this time last year, and we're seeing a real improvement in our availability rate because of that. And with that, I have increased confidence that from a services' profitability perspective, we're going to really turn a corner in 2026 in our Wind business.

Just briefly on blades, we had a real challenge last year in Offshore wind with blades. What I would tell you today is every blade that comes out of our factory, whether it's for onshore or for offshore today has a robotics technology, a crawler that goes through the blade before it leaves the factory, looks at the visual intelligence using AI to confirm that that blade is of high quality. We then do it again when that blade gets to the site because at the end of the day, if the wind industry is going to really play the role it needs to play, it's going to come from quality. And I'm really proud of how the teams responded to our quality challenge last year in Offshore wind.

And just finally with Electrification, I would say we continue to see real growth. We project our backlog in Electrification to grow in a similar amount in 2025 as what it grew in ‘23 and ‘24. And if I just give context to one of our factories, I was in our largest circuit breaker factory in Pennsylvania last week. This is a factory that in ‘24 did about $400 million of revenue. In ‘26 we expect this one factory in Pennsylvania to do a billion dollars of revenue and that transfer function from 400 to a billion requires $20 million of CapEx.

So it's just really an illustration for how investment efficient we see the growth opportunities for us in Electrification and the optimism that comes with that business. So at the wrap, I just kind of go to where I started. We're really excited about our 2025 early in the year, six weeks in. Certainly no change to our financial guidance at this point for the new year, but we're excited about what's ahead and look forward to our chances. So Andrew, with that I'll hand it to you.

Andy Kaplowitz:

Scott, a ton of good information there. Good update. So let me step back and ask because I get this question often, right, new administration, you got this on the earnings call. Has anything changed in your conversation with customers? Because it seems like it has, if you talked about the five gigs, your ratably toward your 20. So has anything changed with your customers?

Scott Strazik:

I would say there's even a stronger realization that we're going to need more power for longer. So what's happening with the end customer base is I think the real magnetic approach to ‘27, ‘28 and as much power as we can possibly get as quickly as we can get is normalizing towards more power for longer. In the conversations, whether that be with gas, whether that be for the electrical equipment are spanning out over even a longer period of time today than maybe 4, 6, 8 weeks ago. That gives us even more transparency to how we want to plan and manage the business.

Andy Kaplowitz:

And you know this because there's a lot of noise out there but DeepSeek, that news came out at the same time the administration changed. Again, it doesn't seem like any conversations changed to your point.

Scott Strazik:

No, and I think you take that and again, whether their cost of AI goes down quicker and that leads to a higher adoption, I think that really just supports the more demand is going to be needed for those applications longer. So if I think about the second half of last year with new power additions in the US, very focused on ‘27, ‘28. First six weeks of 2025, we're spreading out that time horizon to an even longer period of time that gives us even more confidence that we've got a real opportunity to serve this market.

Andy Kaplowitz:

Got it. And then you mentioned Wind. Maybe just stepping back, Scott, so what are your Wind customers saying? Do they have any visibility right now because it seems difficult on that side?

Scott Strazik:

Apprehension, I think our US customers right now when it comes to new capacity additions are in a little bit of a wait and see mode. I do expect our orders for new capacity additions and onshore wind to be light in the first half of the year based on where I see it right now. There are 192 gigawatts in the US of new wind additions sitting in the queue. But I don't think we're close to an inflection point with those transitioning into orders right now. But we do continue to have very healthy discussions on re-powering the existing install base, and we have over 35 gigawatts in the US of existing install base where that conversation is continued at a healthy pace. The new capacity additions, we've got a cautious customer base right now.

Andy Kaplowitz:

It's helpful, Scott. And then you've talked about ramping your turbine capacity 55 this year, 80 by ‘27, right. So can you maybe give a little more color where these turbines are going? I think right now something like half are going to US customers, you've talked about hyper scaler orders, so maybe updates somewhere you're seeing that. And then talk about the sustainability of demand in other points of the world, not just the US.

Scott Strazik:

Our largest market in 2024 for new gas capacity additions was in the Middle East. Our biggest orders market in 2025 will be in the US by a fairly large margin as we see the profile of ‘25 orders. So when it comes to shipment and where these things are going, ’26-‘27 is going to be a little bit more Middle East oriented. ‘27, ‘28 and I would say beyond, is going to be a much larger US market. I wouldn't dismiss though Asia generally as a market. It's a part of the world that needs a lot of power-dense solutions. There's only just so much land and we continue to see a healthy pipeline of opportunities there. I was in Singapore the first week of the year. There is a lot of hyper scale or build-out into Malaysia and Indonesia leveraging the Singapore infrastructure that's going to create a lot of gas turbine orders for us in the next 18 months or selections in the next 18 months at minimum. So there's demand in a number of locations.

Andy Kaplowitz:

That's helpful. And then you talked about the 20 GW and that's embedded in your ‘28 forecast. We know you want to be careful about sort of boom bust, right? But the markets have been stronger than that before. So how do you think about adding new roofline? So you've recently announced $300 million over the next two years. How do you think about the next steps after that?

Scott Strazik:

Because we're seeing increased confidence and transparency in Gas for longer, I would say we're going to continue to look for opportunities to invest into Gas for the durability of the Gas supply chains. So we'll close the small acquisition with Woodward in the next month or so that just vertically integrates parts of the supply chain. We're going to continue to look for opportunities to strengthen the resilience of our supply chain for this demand growth. But when it comes to expanding the capacity beyond the 20 gigawatts that we have today, we don't see that. We see a realization at the moment that there's going to be a steadier demand for a time, but it's not going to necessarily require new rooftops. It doesn't mean we're not going to continue to invest in our Gas supply chain because that's a valuable part of the company that's only going to have more demand for a longer period of time, and where we have opportunities to invest and strengthen that supply chain, we're going to take advantage of that.

Andy Kaplowitz:

That's helpful, Scott. And then we understand it's difficult to discuss pricing specifics, but you did raise, as you said to us, your pricing again for new turbine potential slots in December. So what has been the receptivity from customers to that newest pricing?

Scott Strazik:

We continue to have customers secure more slots with us subsequent to our pricing increase in December. So an acknowledgement of pricing at that higher levels. And I expect in the case of Gas, we'll continue to gain accelerating price in 2025. So I don't think we're at the end of this journey sitting here right now, most overtly in Gas. Different pricing dynamics in different parts of Vernova, but in the gas market and the Gas business, we continue to view this to be a gas price up environment sitting here in the middle of February today.

Andy Kaplowitz:

And Scott, to that point, we always want to see it materialize in the results, so maybe talk about that. Is it possible to see pricing manifest itself in higher margin faster? So like transactional power services. Like I think you said ‘26 plus is sort of where you see their pricing, but how do we think about the pricing evolution here in the margin?

Scott Strazik:

Yeah, we are going to continue to see that price benefit in our transactional book. When I talked earlier about the fact that the scope per outage in a transactional book has doubled in both North America and the Middle East, that is both the content of what the customers are buying with every outage. It's also price. And I would say in the transactional book, we're in a 24 to 36 month conversion ratio very often between order and revenue. So that's really what's continuing to drive the margin expansion in Gas in '25 and really the first half of '26. Because we don't really get to an equipment uptick until the second half of '26, but we're going to continue to Materially create margin over the next 18 months in Gas off of services, growth and price. But then on new equipment, we continue to see opportunities to price up.

And where you'll see that most overtly in how we communicate to you is how we talk about the continued margin that's in the equipment backlog. So we talked about the fact that in January earnings we had accreted margin and backlog by 400 basis points last year. We will accrete margin in our power backlog by more than 400 basis points in 2025 off of the pricing orders that will get closed this year.

Andy Kaplowitz:

Scott, I should ask you, just because it's topical, people ask me a ton.

Scott Strazik:

Please.

Andy Kaplowitz:

Around sort of the tariff situation, all that kind of stuff. How are the contracts structured? Do they, I assume protect you from price escalation, whether it's steel, whether it's some tariff on any country? How does that work for you guys?

Scott Strazik:

We certainly on our long-term contracts have, I think our Gas services long-term contracts, which are the longest contracts we have on average 10 to 12 years. We have escalators for all of those types of things to protect us. Generally speaking with the tariffs today, it's early to kind of understand what the financial implications are for us. But we talked about in our January earnings, when you think about Canada, Mexico, China imported into the US, it's less than 5% of our material buy.

So it's not nothing, but it's something that we'll manage our way through and I think it's something we're going to have to get smarter on every day on how we manage through the volatility that we're going to have with the topic of tariffs. Our team's working on it every day and I'm confident we'll navigate our way through it.

Andy Kaplowitz:

I wanted ask you, you give us a good update on the rate of growth on your services side and your transactional services side, but if I just look at the numbers you reported, right? Power services orders up 10% for '24, but I think it was down 6% in Q4 against, was a very difficult comp, right?

Scott Strazik:

Yes.

Andy Kaplowitz:

So I think there's an expectation though that power services can grow more than mid-single digits, which is your long-term guide. So how should we sort of reconcile? I understand there's lots of long-term contracts, all that kind of stuff, but how do you reconcile that?

Scott Strazik:

Sure. I think some of it just comes down to the fact that we've got a services book in Gas specifically that's $10, $11 billion a year of revenue. We have guided towards expecting mid-single digit revenue growth through the cycle. When you're up at $10, $11, $12 billion of revenue, mid-single digit revenue growth is a lot of incremental revenue at a margin rate that helps drive our profitability going forward. By no means are we saying that we can't have more 7% revenue growth years, but for the context of a financial framework, we've kind of, we've got mid-single digits as a foundation to build upon and we're going to work really hard every day to service that install base and hopefully do better than that.

Andy Kaplowitz:

So you guys are on the forefront of structural change and power, all that kind of stuff. So I want to ask you this question actually now that I usually ask all of our companies, and then I'll open up the audience in case they have any questions. What are the top two or three innovations and structural changes affecting your company over the next five years and are there any emerging industry trends that are perhaps being overlooked in the current discourse?

Scott Strazik:

Well, when we talked a little bit earlier on the Gas install base, we've talked a little bit about the demand into the transactional fleet. We also continue to see real interest in investing into our nuclear fleet. We've got 65 nuclear plants with our technology, whether it be the nuclear fuel combustion, whether it be the steam turbine technology. We see a pathway to add three to five gigawatts of incremental gigawatts of nuclear power in the US this decade. Those conversations continue to accelerate. So that's something we're encouraged about that we haven't talked about yet.

But we're also investing in a lot of technology for the medium to long term. So sticking on that nuclear thread, we're very excited about where we are with our small modular reactor. We've talked a lot in the past, our launch customer will have our first commissioned 300 megawatt block of power with Ontario Power Generation in 2029. But what happened at the end of the year, beginning of this year is both Duke and AEP got added into the program on our DOE funding application. And we have more customers just reaffirming their support for our technology. So we're excited about small modular reactors.

We're excited about direct air capture. If you visited us in our research center in Niskayuna, New York, you'd see a running direct air capture prototype at this point, that we see a real pathway to ultimately apply that technology to gas at the point source and to decarbonize our gas fleet over time. So we hadn't really talked much earlier about the medium to long-term financial growth outlook of this business, but whether it be nuclear, whether it be carbon capture, whether it be grid software, that's an increasing element of need for our customers with the volatility that they're experiencing with more intermittent power, with more extremes of climate that has that part of the market coming towards us and we're investing in that business and are going to keep investing in that business.

So nuclear, carbon capture, grid software, those are all structural things that are real and that are going to be real parts of this company's ability to serve the market for a very long time.

Andy Kaplowitz:

Scott, I need to follow up there because I think a lot of us have been focused on Gas and Electrification for you guys, but it does seem like nuclear... And nuclear is long lead, I cover a bunch of nuclear-focused companies, but it seems like maybe it's getting pushed up. So is that kind of what you're trying to tell us? It's not going to move the GEV needle that much, but at the same time it's a real impact. When is it a real impact, I guess?

Scott Strazik:

This decade, it's an example of a contributor towards the power services revenue potentially growing faster than that mid-single digits because of the upgrades into those 65 plants that I referenced. I was also in Japan the first week of January. We've got 20 nuclear plants with our technology in Japan. Two of the 20 have been turned back on in the last six months. There's another 18 to turn back on. More services revenue that comes through that.

So this decade, nuclear can help services growth. Next decade, it can become a much more material contributor towards the equipment revenue growth as we get into a run rate of commissioning X number of small modular actors every year, which is what I expect we will be doing.

Andy Kaplowitz:

And it seems like you're also saying that because there's a lot of competition on the SMR side, but it seems like you really are starting to get positive momentum versus that competition. I mean, those are some big utilities that signed up, right?

Scott Strazik:

Our combustion technology with nuclear is proven. It's the same boiling water reactor technology we use in many of those 65 plants I referenced earlier. And that's a big deal because having the fuel infrastructure already licensed, having the fuel supply chain already ready is going to allow us to deliver faster. So I'm highly confident in our '29 delivery of our first plant, and I think our customers are seeing that realization that the first half of the next decade, this can be real for us. Now we don't see any pathway to move it left from the first plant being commissioned in '29, but in the first half of the next decade in the US, this is going to start to become a real contributor towards zero carbon electrons.

Andy Kaplowitz:

Any questions from the audience? Otherwise, I'll move on. Please.

Audience Member 1:

Just a quick question. What is the most pressing issue or concern I would say in your opinion you have right now? And then if there's anything, and if there is, then how do you tackle that?

Scott Strazik:

We have experienced so much growth in our equipment backlog broadly in the last two years, primarily in Grid and Gas, that this really comes down to how do we fulfill in the safest and highest quality way? Because these businesses have not experienced this arc of growth in at least 15 years, depending on the part of the business that we're talking about. So that's why I spent the better part of a week in Greenville, South Carolina in our largest Gas factory. It's why I was in Pennsylvania last week in one of our circuit breaker factories, because we need to really swarm the fulfillment centers, not just our factories, but also our suppliers. That's a big reason why I started the year in Singapore. Because the reality is for a lot of our larger HVDC projects that we'll be fulfilling in Europe, our supply base is in Singapore and Southeast Asia, and I wanted to go to the shipyards myself and physically see the build out that we're dependent on and see those suppliers to face-to-face with partners and make sure they understood the reality for how much growth we have ahead of us.

Because this is a long cycle business, and if you don't swarm the fulfillment milestones long before you're supposed to be fulfilling, that's when you can get yourself in trouble. So if there's something most in my focus first six weeks, first half, really all of this year, it's not concerns on whether we're going to continue to grow our business. The market's coming our way. It's that we've got to earn it every day on fulfilling long before we're even talking about fulfilling on that growth. Thanks for the question.

Audience Member 2:

Hi, thanks. Just a quick one on direct air capture. When do you think that can become sort of contributor? And I guess the idea is using it to capture carbon from your gas plants, is that right?

Scott Strazik:

Yeah, I think ultimately applying the technology to the flue of the gas turbine's going to be a much more economically efficient way to do it because the concentration of carbon's just higher than in the air. But the direct air capture's been an effective platform in partnership with the US government to advance the technology.

We do see direct air capture on its own having a niche kind of a market application. But for us, what we're most excited about is we're very good at thermal integration of power plants. And as an example, the NZ Teesside project that was announced in December in the UK will be the largest new gas build in the world with carbon capture on day one. Part of our ability to win that project is because what we've gotten very good at is with what we call exhaust gas recirculation. We're able to condense the carbon in the flue of the gas turbine to make it easier to catch.

We are gaining more and more conviction that as we get better and better at managing the carbon out of the gas turbine, the economics of carbon capture become more attractive, and that's going to become part of the equation the next decade. I would see us taking on commercial activity in the next, let's just call it, of a more material basis than what we've seen today in the next two to three years with stuff that can then rev-rack in let's just say four to six years.

So from an income statement perspective, it's a little bit like SMR, first half of next decade. But it's a technology that we're spending money investing into and believe is going to be an important part of the business in the next decade.

Andy Kaplowitz:

Another question?

Scott Strazik:

Please.

Audience Member 3:

Thanks. Could you maybe just tell us what your customers are seeing on the permitting side in Wind and Gas in the US and what's sort of changed in the last six weeks? And then secondly, in your Offshore business, I imagine the commercial terms there are getting worse, not better globally. How do you think about your manufacturing footprint there going forwards? Thank you.

Scott Strazik:

Well, let's work backwards. On Offshore wind, we announced a restructuring of our Offshore wind business in the late fall, approximately a thousand head count. We're continuing to streamline our Offshore and Onshore business into one and run that business with one existing footprint because we're projecting a much smaller Offshore wind business going forward and have directionally two years of existing backlog that we need to complete. We've talked openly about the fact that we're sizing our Wind business in totality for a small or non-existent offshore wind new capacity market on a go-forward basis. So we're not really concerned on the, I'll call it the cost footprint of offshore wind in the medium to long term because we're acting on that now long before. We're skating to where the puck will be versus where it is right now.

On permitting, generally, you're seeing a lot of states on gas that are very motivated to have the data centers. They're different states than maybe the existing data center build out is. So I do believe you're going to have a lot more data centers that are built out with gas in states like Louisiana and Texas and the Dakotas with governors that are going to work very hard to incentivize the build, including expediting air permits as an example, to allow that to happen. So our customers continue to secure gas capacity because through their interactions they're continuing to gain confidence that they're going to be able to move through the process.

Wind is not per se because of permitting, but more because of uncertainty generally with incentives, let's say; just as slow and cautious in the middle of February as it was in the end of December or in January. I don't see that changing this quarter. I think it's going to take a good part of this year for the US government to work their way through tax policy, and then with tax policy, implications for other incentive programs for our customers to have clarity. And we're running the business with the assumption that that ambiguity may be with us for the better part of this year. Thank you.

Andy Kaplowitz:

Any other questions?

Audience Member 4:

Yeah. Hi, Scott. It's about 2018-2019, the world looked different on turbines. As I was with Mitsubishi Heavy a few months ago, and they told me what their capacity is and how their order book was, and now at the moment you're increasing your capacity. In this field always, are you building perhaps over capacity? Or do you think your perhaps have not enough capacity to fulfill the demand? And with that comes normally margin, so pricing. I think that the world is starving for energy. How much can you push pricing into new orders? So I expect as you fulfill the old orders and the new ones are coming in, I think there is a rollover of just increasing margin and margins and margins. How do you feel about, let's say, the next five to six years on operating margins?

Scott Strazik:

Two thoughts on that and then we'll end with the operating margins. I think one of the benefits that we have in Gas is we have so much larger an install base than the other OEMs that our ability to manage our capacity, not just for new capacity additions, but ultimately to serve that install base, gives us even more strategic flexibility with how we play this game.

Andrew referenced $300 million that we recently announced that we're investing into our Gas supply chain. That's $300 million that's a complement for both new capacity additions and servicing the install base for today and for tomorrow. Because the reality is, take our HA franchise; we've got 176 HA gas turbines on order today. Over 140 have shipped. 116 have been commissioned. This is about $1 billion of services billings a year right now that's only growing. Most of those gas turbines haven't gone through their first major outage. This capacity addition that we are doing right now for a larger new capacity market, we'll also be capable of fulfilling on that age outage cycle that's going to ramp up over time. So when you have a larger install base, by default you've got more strategic flexibility to play this game smartly. And we have that benefit in Gas.

On the operating margins of the business, we have continued to accelerate our price up environment. We secured about 9 gigawatts of slot reservation agreements in essence in the month of November last year, and after that increased price in early December. We're sitting here today in the middle of February, and I would say we continue to be in a price up environment even relative to early December.

We continue to have customers that are securing more slots in the first six weeks of the year. We do not see adding more capacity. More demand is getting secured further into the out years. And in Gas, we're going to continue to manage that price or that supply demand dynamic as efficiently as we can with the available capacity that we have, which is 20 gigawatts a year.

Andy Kaplowitz:

I want to get to Electrification. Here you seem to suggest in your earnings call that in fact you can tap the gas pedal a little bit more on capacity expansion-

Scott Strazik:

Yes.

Andy Kaplowitz:

... to be able to sell premium slots, which it did seem to me that it'd be a subtle change from your investor day. So maybe there's more color in terms of what you're doing there to free up additional manufacturing slots and how that might translate into that 16% margin target by '28.

Scott Strazik:

You bet. And that is the reality in the sense that Electrification has less long lead material needs that are outside of our control. So as an example with gas castings and forgings, we won't get incremental supply until the spring of '26. So I know on new equipment growth, I won't overperform until I know when I'm going to get those forgings and castings. It's simply not going to happen. But I'm very confident with where we are for the second half of '26 onwards to be at a much more elevated 20 gigawatt a year run rate.

Electrification, this is, I would say, a simpler game. At the end of the day, we have many factories across our global footprint that are today only running at one and a half to two shifts per day. We are in the process of getting that this year to closer to two to two and a half shifts per day with a pathway that clearly we can get to three over time, or two and a half to three, let's say. Last year that business outperformed expectations with the volume ramp. If we continue to effectively add shifts, add workforce, we do see an ability to continue to accelerate volume faster in Electrification, that is probably more of an opportunity than create more slots, that then we can sell at a premium on short cycle. So it's more within our control, and candidly, the business continues to perform well. I was thrilled with my multiple days in Pennsylvania with our factory there. The team is ready for this. And if Ken was here sitting with us, our CFO, he was in a similar factory while I was in Pennsylvania in Turkey, and he came back with just as much confidence from that visit as I did from our factory in Charleroi and outside of Pittsburgh. So we do have an opportunity to really perform well in Electrification and I like the team's momentum.

Andy Kaplowitz:

Got it. And so to that point, Scott, given your comment in the beginning about backlog growth expected this year-

Scott Strazik:

Yes.

Andy Kaplowitz:

... it seems to me like the chances of potentially double-digit growth lasting longer are reasonably high in that segment. Is that fair?

Scott Strazik:

Double-digit growth most definitely is clearly in our sights for a number of years. I think the question is more is that going to be low to mid-single digit-

Andy Kaplowitz:

Double digits?

Scott Strazik:

Yeah.

Andy Kaplowitz:

I got it.

Scott Strazik:

Excuse me. Growth.

Andy Kaplowitz:

Or higher.

Scott Strazik:

Or even higher than that.

Andy Kaplowitz:

Right.

Scott Strazik:

And that's in the team's hands to go deliver on for us.

Andy Kaplowitz:

Okay, that's helpful. And then you got a few questions on Wind. Do you feel like you have the cost basis where you need it now, or do you need to do more there, would you say?

Scott Strazik:

There's always going to be opportunities for us to get more productive, but I think Vic and the team have done a very nice job resizing this business both Onshore and Offshore. We will continue to see some of the benefits from the restructuring of our Offshore business that really will trickle into our financials in the second half of the year as more headcount is reduced. But I think this really comes down to a game of how do we continue to invest in the serviceability of the install base for the profitability of services on a medium term basis. And then get ready for an inflection point with new capacity additions, although we think it's going to take us a little while for that to come.

Andy Kaplowitz:

And then just the two offshore jobs, anything to say about them? You already updated us very recently. They're proceeding along and you ramp up in the spring and summer, right?

Scott Strazik:

Both are in installation and commissioning right now. We're working our way through it. I expect that we'll have many more offshore wind turbines that we'll be creating electrons both in the North Sea and the Atlantic when we get to our first quarter earnings call.

Andy Kaplowitz:

And then you talked at the Investor Day about the $600 million G&A cost reduction program. How do I say this? You were kind of born out of lean, and so there's always room to do more. So how do you respond to that question? Is 600 the right number as you've dug into the business? Can you keep going? How do you think about the lean journey for you guys?

Scott Strazik:

I wouldn't think about the $600 million G&A target differently than frankly most any other financial metric that we try to provide you. It's more of a foundational floor to then outperform on. So we're certainly running the business to an expectation that we're going to get more G&A cost out than that $600 million over the next four years.

What Ken framed up in December, when you talk about the number of legal entities we have, the number of transition service agreements we're going to come off of over the next few years, we see real opportunity to get better. This second year as a public company is really an inflection point because we do have a number of transition service agreements that we'll come off of at the two-year anniversary point of the spin, in early 2026, and the cost out will accelerate on the other side of that. But we should see a similar performance in '25 that we had in '24, but the $600 million trajectory or higher will be on an even healthier ramp rate of savings in '26 and beyond for many reasons. But one of them is what I just cited with the transition service agreements maturing or coming off our books in the spring of '26.

Andy Kaplowitz:

Just before we run out of time, I wanted to make sure to ask you about cash. You have a lot of it. Over $8 billion, $6 billion buyback. You didn't buy back that much in Q4. So what's the strategy going forward, Scott? I know you've said you got to pay attention, there's a lot of organic opportunity, I get that. But you do have a lot of cash, so-

Scott Strazik:

We do.

Andy Kaplowitz:

... what do you do?

Scott Strazik:

Well, we've committed to giving at least a third of our free cash flow on a go forward basis back to the shareholders, but we've also acknowledged that we have so much organic growth right now that we don't necessarily need to create new balls in the air for our teams with M&A in the near term. So we may give a larger proportion of that cash flow back to the shareholders in the near term, but want to protect for optionality.

When it comes to the stock buyback, we're going to be pretty consistently in the market buying back our stock, but we also want to be opportunistic in how we use that capital at large sums of money. But just principally, we're going to be in the market consistently buying our GE Vernova stock, and we do expect over time we'll increase our dividend off of the fairly low baseline that we started as we grow earnings and free cash flow from here. But we may be a little bit slow to put all of that capital to work because we aren't even a year in yet here as a public company and we do want to be opportunistic. And that's opportunistic on how we invest into our supply chain, specifically with Gas and Grid, that's opportunistic with the buyback. But we are going to be in the market every day working to use our shareholders' money as efficiently as we can.

Andy Kaplowitz:

So I still have 20 seconds, I'm going to ask you one very quick one, just EPC companies you mentioned last quarter during the earnings call that maybe there could be a bottleneck there. You met with them?

Scott Strazik:

Yes.

Andy Kaplowitz:

Does it feel like it's going to be okay from that side or how would you say it?

Scott Strazik:

This is going to be a lift for everybody involved, including the EPCs, to meet this load growth and gas. I think the projects that are securing the early slots with the gas, turbine ramp in ‘27 and ‘28 are making good progress. But I do think the 20 gigawatts on our side that we're building out for feels like an appropriate number for the amount that the EPCs are going to be able to handle at an annualized basis.

Andy Kaplowitz:

Thank you very much, Scott. It was great.

Scott Strazik:

Andrew, thank you.