GE Vernova
2024 Investor Update

Tuesday, 10th December 2024

Introduction

Michael Lapides

Vice President Investor Relations, GE Vernova

Hello everyone! Welcome to GE Vernova's December Investor Update. Great for our team to be back in front of you again. And good to see people here and have so many people who are watching or listening in online. Before we start, real quick, a reminder our materials and our non-GAAP reconciliations are all posted on our website and also today our year-over-year commentary on revenues, adjusted EBITDA, EBITDA margin and orders are all on an organic basis. Note that some of the statements we make today are forward looking, and they are based on our best view of the businesses today, as we describe them in our SEC filings and as we post on our website. Those elements can change, and we are not obligated to update them.

Today, you'll primarily hear from Scott and Ken, our CEO and CFO, as they provide you updates on our multi-year financial outlook. We'll then do a Q&A session, and we'll conclude at around 6 p.m. Eastern time. For those on site in New York, we invite you to join Scott, Ken, and the rest of our leadership team for cocktails. Safety is paramount at GE Vernova, and we begin every meeting with a safety moment. Before we dive into that moment, just please pay attention to the exit signs in the middle and on the right-hand side and on the left. And with that, I'm going to hand over for that safety moment to Dan Garceau, our Chief Supply Chain Officer.

Safety Moment

Dan Garceau

Chief Supply Chain Officer, GE Vernova

Thank you, Michael. Thank you. Welcome. I'm Dan Garceau. As Michael introduced me, I'm the Chief Supply Chain Officer of GE Vernova, so I'm responsible for EHS, quality, lean, sourcing, as well as supply chain development and facilities. Nothing is more important than the safety of our team members and everyone that works alongside us. The magic of lean is that one of the tools is deep problem solving, and we use that to solve our safety issues and to make the place safer. This year we introduced our nine Life Saving Rules. So think of those as what's going to keep you alive.

So we have them, nine, but we have them for mechanical lifting, work at heights, driving, etc. but the key and the magic of all the Life Saving Rules are that we start work only when it's safe and we stop work when it's not. So I want to walk you through the right-hand side of the slide. It's really how we address stop work events to get to that root cause and make sure that it doesn't happen again. So a recent example is at a customer site in Italy. Fabio, our engineer, prior to commissioning, he stopped work due to an accessory installation not being correct, and that could have a substantial serious safety risk. So he contained the issue. We were able to fix it and commission the site without a safety issue.

But he didn't stop there. So he partnered with Mai and her team in quality to understand and get to the root cause of the issue. So what we discovered with the engineering requirements were improperly aligned with what was delivered. So as a company, we did a read across, across all of our facilities to make sure we didn't have that issue anywhere else. And at the same time, we did systemic problem solving. In that case, it was to change the engineering so we never had that issue happen again.

So accountability for safety, communication, taking time to truly identify the root cause is how we are building our safety culture. So we resolve for today and we learn for tomorrow. So that's just one example of how we're making progress to protect our people, to bring the energy to change the world. Thank you very much.

Overview & Strategy

Scott Strazik

Chief Executive Officer, GE Vernova

Good afternoon, everyone. I really value that video because I think it well illustrates the diversity and the energy of our GE Vernova team members throughout the world that I have the privilege of leading every day. Dan, thank you for the safety moment at the start. On behalf of my entire leadership team, that's all here on the left of the stage, we want to thank you all for being here today and giving us this time. You've committed a lot of time to GE Vernova in the last nine months, going back to our Capital Markets Day. I've personally enjoyed getting to know a number of you and look forward to a lot more interactions in 2025.

At the start, this is the one page in my section of the deck that is a carbon copy of what we used on our March 6th Capital Markets Day. Because the reality is, as much as the world has changed in the last nine months, and it has changed substantially, what hasn't changed is GE Vernova is a purpose-built company set up to electrify and decarbonize the world. But we're back together nine months after our Capital Markets Day because a lot has changed. Markets that were opportunities for us in March, today, this is our reality. If I could just give one stat, this is going to be the first year, 2024, where the global utilities CapEx spend will be larger than the CapEx spend of the oil and gas industry. This shift from molecule to electron is only going to accelerate over time, and GE Vernova is so well suited to serve this market.

At the same time, over the last couple of years frankly, going back to when we first announced the spin, we've spent a lot of time talking about how do we apply the Power Playbook to the rest of the Vernova businesses—better underwriting, simpler organizational design with a lower cost structure, culture of continuous improvement as an opportunity. That's fairly clearly becoming our reality in a number of our businesses. You see that with the stark improvement in the margin of our Grid business. You see that with our Onshore Wind business, with the path to high single digit margins this year. So we sit here today with better markets accelerating operational improvement in our businesses. The middle of this page being exactly the same. Every day we stand for sustainability, innovation and a culture of continuous improvement grounded in lean.

So our objectives for the day are on the left-hand side. I've really hit on the first in the top left-hand corner. Better markets, accelerating operational improvement that's driving us to increase our final financial expectations, both for 2025 and our by 2028 financial objectives. With a strong balance sheet, improving cash generation and even more visibility to our cash generation over the next four years, we're launching our capital allocation framework today, including a return to shareholders program that I'm highly confident will be the first of many return of shareholder programs we're going to have in the years ahead.

But before we spend time on the left-hand side, I just wanted to pause and talk about what's really been keeping us busy the last seven weeks since our 3Q earnings call on October 23rd. We've generated another $600 million of cash since October 23rd, monetizing another 8% of our India T&D JV that we still own 51% of. We've also sold 3% of our China XD Grid JV, to which we still own 12%. And I start there not because of the $600 million of cash or the value of the remaining stakes that we have with those ventures. I start there because of the culture of the company that we are driving, in which when we see opportunities to simplify our organization, when we see opportunities to monetize parts of the portfolio at prices that we like, that creates capital that allows us to invest more capital into our core scaled businesses and return more capital to our shareholders, we are going to act with urgency.

Gas. I've been involved in the Gas business for 12 years. I can't think of a time that the Gas business has had more fun than they're having right now. In the fourth quarter, our results will be very consistent with what we talked about at the 3Q earnings. We'll do another 5-6GW of new orders in the fourth quarter. That'll have us at 20GW for the year relative to 11GW last year globally. But I think the more interesting and indicative indicator is the 9GW of slot reservation agreements we've secured in the last 30 days. These are 9GW of contracts with cash, firm fixed price, all in the US, tied to both load growth in the US, and the best indicators yet in our Gas orders book, or what will be our Gas orders book of serving the hyperscaler demand associated with AI.

This isn't just Gas though. We've signed two more HVDC contracts in the last seven weeks; one in Germany, one in Korea. Europe remains our largest market for Grid, but we've got real green shoots of opportunity in Asia. North America will be our fastest growing market in 2024. On Wind, with Offshore we're back to installing at both of our projects in the North Sea and in the Atlantic, including blades. We have a clear pathway to modest profitability in the Wind segment in the fourth quarter, but we also remain cautious on the inflection point and growth with Onshore Wind today. We're having a lot more active discussions on nuclear, both the existing install base which includes 65 plants in the US that are running today, and new build with small modular reactor. And we're also having a lot more active discussions on Grid OS, our Grid Software business, especially after our customers that have the latest Grid OS software performed very well for the storms this season in the US.

Now, those are businesses that are going to take time for them to feather into the financials in a material way. But I sit here today on Nuclear, on Grid Software, with even more confidence and conviction that over the long term, these two businesses are going to play a material role in GE Vernova's future. One page on the near-term financials, and Ken will go into this in more detail. On ‘24, we'll be at the high-end of the revenue guide, approximately $35 billion of revenue. We're narrowing our EBITDA range for 2024 to 5.5-6%, and we'll be on the high-end of the free cash flow guide at approximately $1.7 billion. Jumping off of that into 2025, that will be the last year with mid-single digit revenue growth ahead of high-single digit and accelerating revenue as we get more of the Gas ramp in 2026 and beyond. We'll deliver high-single digit EBITDA margins and $2-2.5 billion of free cash flow next year.

Now, to me, the most important message is that inside Vernova there is no one that's satisfied with these numbers. This is a foundation to build from, a start, but just that, a start. An update to our by 2028 financial framework, we see a clear pathway to $45 billion of revenue by 2028, 14% EBITDA margins in which that 14% EBITDA margins is really grounded in the backlog that we have today. $76 billion high-margin services backlog. $42 billion equipment backlog that has grown 50% in the last seven quarters. We'll also generate at least $14 billion of free cash flow 2025 to 2028, and that's after investing $9 billion in R&D and CapEx to position this company to lead in the energy transition for the long term. We'll talk about all of that more as we go.

This page is an opportunity for us to go a level deeper on what's in and what's not in our by 2028 financial guidance. But before we go there, I just want to pause for a moment and talk a little bit more about the culture that we're creating inside GE Vernova, because I do firmly believe how we communicate with our investors also has an impact on how we behave inside the walls of the company. I want us to consistently be ambitious, credible with our financial guidance. At the same time, I never want my teams to feel like I'm putting them in a position where they're chasing a number. I want to create a culture inside Vernova that, as we put financial guidance out there, they feel like they've got an opportunity to outperform and an opportunity to win as we get that winning culture and drumbeat growing. And I framed that up in that way to then say, okay, what's in and what are the opportunities for those teams to win and outperform on this financial guidance.

You can see the numbers on the left-hand side. We see a clear pathway to at least 16% EBITDA margins in both Power and Electrification, and 10% in Wind. But to understand what's in those numbers, we'll go to the top right-hand corner. We do project at least 20GW of orders in Gas throughout this period of time that ramps up to 20GW of shipments in '27 and stays at that level in 2028. On Electrification, we project double-digit revenue growth throughout this period of time while simultaneously continuing to grow the backlog throughout this period of time in very strong markets.

For Wind, we are projecting limited to no growth in Onshore Wind in this period of time. So you think about the fact that we've got about an $8 billion revenue Onshore Wind business today. We do not project growth inside this. This is a case in which our business is 80% North America. Today, the North America market is installing, let's say, 6-9GW annually. It doesn't project growth. If that comes, that's an opportunity for improvement in our financial case. And we're also including, and clearly within Wind in this period of time we're assuming by the end of this period of time we've completely purged the Offshore Wind equipment backlog, and that is gone.

We're also including a ramp up in R&D in the financial framework, including a $200 million increase in R&D next year, and that we stay at that level going forward. And we have some operating investments and costs we must incur in the near term to be ready for the Grid and Gas ramp up in 2026 and 2027, and we'll talk about those both more also. That's what's in. Now what's not in the financial framework. We do not assume in any case incremental price on top of the price that we're taking orders at today. So the most pronounced opportunity within this financial framework when it comes to price, as I see it, is in Gas.

We talked about the 9GW of slot reservation agreements that we've secured in the last month. Those 9GW of contracts are at higher prices than our orders that we're taking right now, but at lower prices than we're bidding now. Because after these 9GW of contracts, we have taken up our pricing again in the beginning of December. As those slot reservation agreements go from slot reservation agreements to orders, that is favorability within our financial framework. The slot reservation agreements are for deliveries in 2027 and 2028, but there are a lot of projects that need air permits that are working through their EPC contracts. And as those firm and they turn into orders, which we do expect to happen in the second half of next year, that will help our financial framework.

On accelerating our capacity additions. This is probably most pronounced in Grid. To the extent we can continue to accelerate our capacity additions and move them to the left and increase our capacity additions even higher by 2028, there's some favorability that can come with that also. And the third and maybe the most important one is we project very little variable cost productivity in this financial framework. So if you think about the fact that we've grown our equipment backlog 50% in the last seven quarters, our sourcing teams have incredible opportunities to go drive sourcing savings with that homogeneous workhorse product and derive variable cost productivity.

Our teams in the field that are executing on very similar projects have an opportunity to drive down the cost curve and drive real productivity that will improve the financial results of the business over time. And this gets a little bit at the heart of the culture that we're trying to drive, where we want to take the backlog that we've got, drive credible continuous improvement, but also being able to go back to the teams and say, "Here are your opportunities to go outperform, get that savings on the sourcing contracts, drive that learning curve, capture every dollar of price with the precious slots available." And that's all more favorability that follows for us from here.

One page on Offshore Wind. And I think before talking about the tactics of Offshore Wind, it's another page to pause and talk about the culture of the company. I tell my teams every day you're learning more about us with how we manage our tougher businesses and our tougher moments than you're ever going to learn about us on the businesses that have everything going for it. Offshore Wind is a case that, in my case, I've had the business since we announced the spin in November of 2021. So it's been 37 months. In those 37 months, we have not taken on one new order. We aren't going to chase bad deals. We're not going to do it because of growth projections. We're not going to do it because of decarbonization commitments. We're not going to follow through on bids with strategic customers and states that matter to us in the US and accept the orders if the economics don't make sense.

We've had to go through a complicated period of time in Offshore Wind over the last few years, walking away from a lot of bidding activity that was out there. Our teams were paying attention to that, and what our teams are learning through that is we do not expect and we will not allow them to go chase bad business regardless of the reason why. And there's no better example of that than how we've been managing this Offshore Wind dynamic for the last three years. Now, this summer we had a material quality escape in one of our factories. Vic and I were at the factory within a few days of the event. By the end of that day, we had completely stopped the line for the entire business. We made the decision that we were going to go and reinspect every single Offshore Wind blade that we had manufactured year to date.

That cost us a lot of time. It cost us multiple months of good weather execution out in the field. It cost us a lot of money. You saw that in our 3Q accrual. But we are going to run this company every day with safety and quality as our true north. Now the tactics of Offshore Wind, we're back to fully installing in both projects. You can see the burndown projections that we have in the business right now on the left. We will be materially complete with Vineyard Wind in 2025. We've got a pathway to be materially complete with Dogger Bank in 2026. But you can see, as we see it today, there could be a stub period that goes into 2027. We're going to continue to look for opportunities to accelerate our completion of this backlog, but we're also not going to do stupid economic things just to buy ourselves two quarters and accelerate stopping talking about Offshore Wind.

And at the moment, the trade space that we've seen in the last three to four months to move faster doesn't really make economic sense for us or our customers, but we'll keep looking at it. But on a really run-off equipment book, we're not going to do unnatural acts to simply be done with this thing sooner. So this is the burn down that we see today. We're also working very hard to synergize our Offshore Wind business with our Onshore Wind business from a cost structure perspective. We've announced our restructuring of that business so that we can position our Wind business to lead this industry going forward. And to lead the industry going forward, we have a clear pathway to being the most profitable wind business in the industry, and that's what we're working to accomplish.

I think it's a good shift from Offshore Wind to talk about lean a little bit more. You know, when I took on leading the Gas business in 2019, we got a lot of Larry's attention that year. And with the benefit of retrospect, I think in many ways we were reasonable students and we learned a lot. But what I also tell you is six years in from when we really started building this lean discipline, we continue to see massive opportunities to accrete margin, run our businesses better and serve our customers. And I just wanted to give you a few examples.

We've talked about our Live Outage tools in many different settings. This is where we're really repositioning our craft labor in the field to do the major outages. And we do about 700 major outages a year in Gas. It's about getting the parts to the craft labor with new packaging that allows them to put the parts right on the platform deck. It's about them not having tools anymore that have cords and having batteries, and just being able to move around the site easier. It's about having common crews that work together through a whole outage season, and the elimination of big, thick manuals and having iPads that they can quickly flip to and do work quicker. We talked about this in our March Capital Markets Day, and at that point, we had demonstrated a 22% improvement in cycle time based on where we were in March. That same number today is 30%. Another eight points of improvement in reducing the amount of time it takes to do outages, which gives us the opportunity to serve our customers faster. It also gives us the opportunity to do more outages during the peak outage season. That's going to drive more services growth and more margin expansion in these businesses. 75% of our outages next year will be on Live Outage. The best is yet to come here.

But it's not just about productivity out in the field. Most of our growth—going from 55 gas turbines this year and next year to 80 by 2027—is in Greenville, South Carolina. The growth does not require us to pour new concrete. We're not adding new cranes. We're not adding a new building. We're using our existing factory. And the reason we're able to do that is because we're continually freeing up more space inside Greenville, South Carolina, as we drive our processes to single piece flow. That makes a huge difference on the productivity and the returns of our CapEx. We're able to grow into these great markets without having to add new buildings. Concrete's expensive, cranes are difficult.

We're also seeing that in our Aeroderivates business. We don't talk about this part of the business as much, but it's north of $1 billion of equipment revenue. Very profitable. Historically, we used to make the packages that go around the engines and the generators in many locations. We now make them all in Hungary. Five years ago, we had over 15 different variants of engine and packaging configurations. It's three today. We've built up a supply chain in Eastern Europe to serve this supply chain. We're more profitable. We're more able to serve this growth market with one scaled location.

From lean, I think it's a good shift into CapEx because you could think as we're going into a growth market, our businesses come and talk to us about supporting new, higher orders with more CapEx and long conversations on orders and business cases, but not with me. When the CEOs come and talk about adding more CapEx, that's where we go and we walk the floor. Let's walk the factory together. Grab your supply chain leader, grab your HR leader, grab your CFO, and let's walk the factory together. And if we can look each other in the eyes at the end of those two to three hours and say we're running at a world class productive operation, the CapEx is yours. But if you can't, let's fix that first. And this is part of the cultural dynamic that we have in front of us right now.

We have so much growth, it'd be very easy to just say yes to a lot of the capacity additions. But to be the great company we're going to become, we're using this growth period to really look in the mirror every day and say, first, how do we get better? How do we be more productive for the long term? And that's why when you look at the pie charts on the page, Power is getting the largest proportion of the CapEx. It's also the farthest along in the lean journey, that we're willing to make that investment in CapEx because the core operations are farthest along. I talked to the 3Q earnings about our Power Transmission business inside Electrification in Philippe's leadership. This is a business that's going to double its capacity for transformers and switchgears over the next four years. 75% of that growth in capacity does not require CapEx. That's a business that still has real opportunity.

Eric Chaussin, the business leader, is doing a great job with his team adding more capacity without using CapEx. Now, after they do that, after they run that play with transformers and switchgears, Philippe will be back to me asking for CapEx. But that's when you spend it, when you've optimized the core operations of your business. Same thing with Wind. I mentioned earlier the ramp up in R&D. We are going to grow our R&D budget $200 million next year from about $1 billion to $1.2B. But to be clear, we are not adding to our R&D budget in 2025 simply because we're making more money and we have more cash. This is not 2035 'pie in the sky' investments, thinking about tomorrow plus a day.

I was very happy with our strategy reviews this fall and how that fed into our budget discussions in November and December. About half of the R&D spend next year is focused on servicing our existing install base and strengthening our existing products we're selling with small, modest performance improvements that our customers are ready to pay for today, with very strong returns. The other half of the R&D spend is longer-term horizon three opportunities, things like small modular reactors, things like carbon capture, Grid OS and Grid Software that are all going to play meaningful roles in GE Vernova in the decade that follows.

When we put all that together and frame up our capital allocation priorities, we started as a public company with $4 billion of cash. We will have generated $4 billion of cash in our first nine months as a public company to end the year with approximately $8 billion. We see a clear pathway in the next four years to generate an incremental $14 billion after the $9 billion of R&D and CapEx we just talked about in the two prior pages. We are very well positioned to play offense and lead this industry going forward.

Now where are the priorities? It starts with continuing to look for opportunities to grow our business organically. We're already embedding a 20% increase in R&D next year and then keeping it directionally flat from there. I don't see it going a lot higher, but we'll keep pressure testing that through our strategy process every year. We may have to take our CapEx up higher if the orders continue to come through. But if we do take our CapEx higher, that'll be funded with customer deposits and progress streams that by no means would challenge that $14 billion we're referencing. Which is why we announced today, within our capital framework, both a $1 annualized dividend and a $6 billion stock buyback program. What those numbers start to tell, even with the projection of the growth in the dividend over time and that buyback, is in the near term, we're likely to return more of our capital to our shareholders than that one third.

But we wanted to get out of the gate giving ourselves both the financial and the strategic flexibility over the medium to long term to lean into M&A. But there isn't anything material or of substance coming in the near term. The reality is we like our core businesses. We continue to see opportunities to simplify our org and invest in those scaled businesses. As we see opportunities to strengthen the durability of our existing businesses—think supply chain integration opportunities, core parts of the value chain that allow us to accrete margin upwards. We will look at those things. We announced a very small acquisition of a factory from Woodward in November, right in the strike zone of what we want to do: vertical integrations in Gas in a part of the value stream. That factory is more important to us in fulfilling on the Gas growth than it was to Woodward. We will look to do more of those types of transactions.

When we bring this all together, the markets are accelerating and very much coming our way. If there's one thing that I don't like about our by 2028 financial framework—and for now it makes complete sense to kind of just stick with it—is the market opportunities that are coming our way, we're barely scratching the surface of what that means for this company and what we're going to become by 2028. We're already into selling the last of our slots for Gas in '28 right now. We're already selling transformers and switchgears into 2028 and 2029 very quickly, with the market opportunity in front of us. This is a story about much more than our by 2028 financials, but it's a good framework to start with.

We've talked a lot about lean. We are still early in the proof points in the opportunities both operationally and financially. But I like the momentum. I like what I'm seeing in Grid. We're making real progress with Onshore. Ken's going to talk about the early stages of progress we're making in Corporate. Nine months out of the gate as a public company. Real opportunity to follow. We will continually lead in this journey from a position of strength, and that's with a focus on cash and returns first and foremost, ensuring we have a strong balance sheet. But it's also internally what we talk about every day with the margin accretion we're expecting in our backlog. That is a drumbeat that is very loud inside GE Vernova every quarter. How are we accreting margin and backlog? We talk about that a lot more than growing the backlog.

At the moment, they're both happening, right, with the market that we're in. But culturally, this is about continually improving the long-term annuity stream and durability of our business model. And there's few better indicators for that than the margin embedded in your backlog. And you can see all of those things. You can triangulate the market on your own. You'll see the operational improvements in our financials. What you can't necessarily see is the culture. And that's why throughout a number of the elements of the discussion, I went back to that cultural dynamic of where we're going as a company. How we're thinking through underwriting our future business with discipline and not chasing deals. How we're using lean culturally as the filter for CapEx and not allowing us to overcapacitize because we're in a moment with very high orders.

Culturally, how we're trying to talk to the teams and ensuring we leave meetings like this. We say, okay, we've got a new bar of success, but you've got a real shot to outperform. Go do it, and we're going to help you in every way we can. And it's the culture of the company that we're creating every day that gives me the most optimism and the most ambition for what GE Vernova can become. And where we are right now and where we are within this financial framework, it's just the beginning. So with that, I'm going to hand it to Ken.

Financials & Outlook

Ken Parks

Chief Financial Officer, GE Vernova

Good afternoon. I want to echo what Scott said and thank you for all being here. These are important meetings, and it's an investment of your time to make sure that you hear what the story is of GE Vernova. The people in the room, the people on the webcast, this is an important and exciting day for us. We have a great story to tell. We are nine months out from our spin and the momentum in this business is accelerating. We're seeing robust and accelerating market demand, and our lean culture is driving improved execution. Combined, this gives us confidence in our ability to deliver an even stronger multiyear financial outlook than what we provided to you at our Investor Day earlier this year.

That strong performance to date with growing free cash flow generation further solidifies our investment grade balance sheet and enables us to frame a capital allocation strategy where we can now commit to returning at least one third of cash generated to shareholders. Our financial strategy remains exactly the same as we outlined it back in March. It begins with disciplined top line growth, which is solid underwriting and pricing on equipment sales, plus continued services growth, which represents about half of our total revenue. This, combined with the effect of a relentless focus on cost out and productivity, is driving continued margin expansion and strong and growing free cash flow generation. This enables us to maintain our investment grade balance sheet while we fund innovation and strategically allocate capital.

The financial strategy that I outlined is firmly in place in Vernova and it guides our decisions every single day. The business is transforming as evidenced by our improving results each year. We're delivering top line growth, continued margin expansion and higher free cash flow generation. We're reaffirming our 2024 revenue and free cash flow guide, and we're narrowing our EBITDA margin guide to 5.5-6%. Now we're also raising our 2025 guidance compared to what we told you back in March. As Scott said, we now expect revenues in 2025 to be between $36 and $37 billion, implying mid-single digit year-over-year top line growth. And that will be with growth in both services and equipment.

We're raising our adjusted EBITDA margin guide to high-single digits as we deliver that growing backlog at better pricing plus continued operational execution improvements. We're also increasing our free cash flow guide to $2-2.5 billion, and that's largely driven by the stronger EBITDA. However, working capital will continue to be a source of cash to us in the near term, more than offsetting the impact of the incremental planned CapEx spend. The key levers of our EBITDA growth and margin expansion are firmly in our control. Positive pricing more than offsets inflation, and at the same time, we'll benefit from volume leverage as we deliver our growing backlog at better margins.

We expect meaningful productivity benefits across Vernova from continuing lean initiatives and activities and further G&A cost reduction activities. We'll also benefit from the absence of the net impact of the 2024 Offshore Wind charges that we took this year in the third quarter. All of this will drive meaningful margin expansion, even as we continue to make very important investments in R&D and incremental capacity to support future profitable growth. Now, all three segments will be contributing to these better 2025 results. Power's growth and margin expansion will be led by Gas Power, with continued strength in services, higher productivity, and growing more profitable equipment revenue.

We do expect Wind to improve, but not yet achieving profitability given the Offshore Wind blade events that we had this year, which effectively delayed the installation timeline, as well as the productivity benefits that would come from that. Onshore revenue should decline slightly given our continued geographic selectivity, but we are still anticipating improving margins in that business within the high-single digit range. We expect lower Offshore revenue, given the one-time settlement in 2024 that we experienced with a contract termination, and that will be partially offset by higher deliveries and installations in 2025. We do expect Offshore EBITDA losses will modestly improve in 2025. We're early in the installation cycle for our Offshore Wind business, and therefore we're taking a bit of a cautious approach as we give you guidance around that business until we work through the installation cycle, as well as the productivity curve that that will drive.

Our Electrification business remains the fastest growing of our segments and will continue to expand margins as they deliver their already more profitable backlog. Our backlog in total has grown to $118 billion at the end of the third quarter of this year. That's up $17 billion from the end of 2022. What's important is it provides us with visibility into future revenue growth, as well as continued margin expansion. 80% of our 2025 revenue is already in today's backlog and at better margins.

If you look on the right-hand side of the chart, you see that services remains a major part of our business, extremely important. It generates reliable and growing cash flow. And very importantly, keeps us close to our customers. That's led by a $56 billion service backlog in our Gas Power business. In addition, rising electricity demand is also driving the need for more equipment. And we're seeing substantial equipment backlog growth as well. That backlog growth is growing, and we're growing it with disciplined underwriting, just like we've been doing all the way along. We're prioritizing profitable growth. How are we doing that? We're pricing based upon customer value and strong demand. We're underwriting at today's cost. That's extremely important. You heard Scott talk about building in some incremental variable cost productivity, but we're not building in things that we don't have a roadmap for. Now, is the organization continuing to drive to get to additional variable cost productivity? Absolutely. But as Scott pointed out about what's in and what's out of these numbers, incremental variable cost productivity beyond what the businesses have shown that they have a roadmap for will be upside. And then finally, we're looking at the cash cycle for every single one of these orders.

Now Electrification equipment backlog has tripled since the end of 2022. It's now at $19 billion, and it's led by the Grid Solutions business within Electrification. It accounts for approximately 90% of total Electrification equipment backlog. The demand for these products is strong in Europe, and it's accelerating in North America as there's a focus on modernizing and expanding the grid. Our Power equipment backlog has grown double digits given the strong Gas orders this year, and we expect this backlog to continue growing as we move forward. The Wind equipment backlog has decreased, and this trend will likely continue into 2025 as we continue to work through the Offshore projects Scott outlined, and as we continue to apply selectivity in our Onshore Wind business. This stronger equipment backlog will deliver multiple years of growth and margin expansion.

Now, in addition to that, Scott mentioned cost reduction. Cost reduction is another important building block in our margin expansion roadmap. We began executing our cost out initiatives in the second quarter of this year right after we spun, and we've made solid progress so far. We expect to achieve approximately $160 million of savings this year. We're increasing our overall G&A cost reduction target by $100 million, taking it from $500 million to $600 million of annual savings by 2028, and we are working hard to achieve it even more quickly than that. How are we doing it? We're using lean tools to simplify our business processes. We're optimizing IT. We're transforming the way all of our functions operate.

We're also actively reducing legal entities. It may sound like a small thing, but when you start out with 1,300 legal entities and you see the road map of how you bring it down, every single legal entity brings cost reduction and complexity reduction. And as we drive that, it drives further simplification across multiple areas of our business. Based upon the work we've done so far, we continue to find many more areas to reduce operating costs and improve operating effectiveness. Let me give you a couple of examples to bring this to light. How we're using lean in the G&A space. We are making progress on separating the company and going through the separating activities. We're using standard work and implementing new, more cost-efficient processes to enable quickly TSA exits.

To date, we've exited approximately 60 TSAs, primarily in the IT and HR space so far, and those faster exits will accelerate the path to $50 million of targeted annual savings. We're also rationalizing the IT infrastructure. After numerous kaizens, we have had a solid roadmap to drive simplification and reduction of data platforms. We're targeting to decrease our total number of applications by approximately one third by 2028. That will drive more than $100 million of annual savings. We're also using lean to optimize our office footprint and to drive synergies there. For example, two significant office moves have been completed in Atlanta and Paris, and they are already generating more than $10 million of annual savings. We expect to cut our overall office space costs by half by 2028. We're applying lean, a culture of continuous improvement throughout the organization, not just on the factory floor.

We're also delivering strong and growing annual free cash flow with better linearity. And that comes from higher EBITDA as well as strong working capital management. Strong orders and the related down payments positively impact cash flow, but significant opportunities remain to drive better working capital velocity, even in a growing business. Let me give you one example. We're accelerating the cash cycle by focusing on past dues. The Power segment has reduced past due balances by more than 10% so far this year. That 10% reduction has accelerated $100 million of cash collections.

We also have the opportunity to continue improving inventory turns, and that remains a significant opportunity because every one day of inventory that we reduce on hand brings in nearly $60 million of free cash flow. Through all of this, we're enhancing cash linearity across the quarters. We're more closely aligning inflows and outflows. We're expecting further improvement as we move into 2025, and I'm happy to say that we expect positive free cash flow in all four quarters for the first time. This is a significant event. Anybody who's followed us and seen our numbers for the last couple of years, you've seen that our cash is really back end loaded. It's been back end loaded in the past.

We typically did not generate net positive cash flow until we got to the fourth quarter. Second quarter, third quarter and fourth quarter this year will be positive free cash flow numbers. Why is that important? Because a better linearity of cash flow provides us with significant flexibility to deploy capital. So we will continue to focus on linearity. Even though we've made progress this year, we look for additional progress as we move into 2025. So with that, we're confident in framing a capital allocation strategy and remain committed to maintaining our investment grade balance sheet. We expect to end this year with approximately $8 billion of cash on hand, and we can run the business with approximately $4 billion of cash. And within that $4 billion of cash, we have some trapped cash that we're working to free up from around the world to deploy, and that will just become more cash that we can deploy to continue to grow the business profitably.

Even after investing organically in the business, we expect at least $14 billion of cumulative free cash flow between 2025 and 2028. We plan to return at least one third of that cash generation to shareholders. As Scott mentioned, we're starting with a $1 per share annualized dividend, and we expect to grow that naturally as our earnings grow. We're also starting with a $6 billion share repurchase authorization, and I can tell you we anticipate executing that opportunistically. Why do I say that? Because we firmly believe that there is incremental value in our stock from where it is today.

All of this will leave us with $10 billion, $10 billion of additional cash to deploy. We will continue to assess additional shareholder return opportunities as well as bolt-on M&A. Importantly, everything on this page has no debt in it. It is our balance sheet as we sit today. We are net cash positive, so there is no incremental debt. We can take on debt. We can take on debt lightly. We take on that debt, it provides us more capital to deploy. But we have a nice, healthy $10 billion roadmap ahead of us.

Now, to close out, let me walk you through, at the highest level, what's changed in our by 2028 outlook from what we told you back in March. First, we're increasing our revenue growth from mid-single digit growth to high-single digit growth on incremental equipment demand and further services strength. While we're doing that, I can assure you we will be maintaining selectivity and we will be maintaining disciplined underwriting. We're also increasing our EBITDA margin outlook to 14%. That's driven by volume leverage, primarily at Power and Electrification and increased pricing and productivity while investing in the business.

The higher EBITDA combined with more efficient working capital management, will ultimately drive the $14 billion of cumulative free cash flow that we're targeting between 2025 and 2028. And importantly, what that equates to, is a very healthy approximately 100% free cash flow conversion. This attractive market, combined with our solid execution through lean, will result in significant profit and free cash flow growth. We're excited to lead this energy transition, and we're also excited to drive significant value for our shareholders. With that, I'll invite Scott and Michael back up for our Q&A session. Thank you all.

Q&A

Scott Strazik: Okay, Michael, you want to kick this off and get us into it?

Michael Lapides: Absolutely. We've got about 30 minutes for Q&A. A handful of what I'll call rules for the road or rules for those in the room. First of all, if you have any questions, please just raise your hand. But also wait for the folks walking around with microphones to come to you so the folks who are on the webcast can hear you. Second, please just introduce yourself, your name, your firm. And third, just in the interest of time, please just limit yourself to one question. With that, let's get started over here. I think that's Mark. Yep.

Mark Strouse (JP Morgan): Thank you, Tim. Thank you very much for having us. Helpful update. Mark Strouse, J.P. Morgan. Can we start with the Electrification segment? Appreciate what you've been saying as far as most of the capacity expansion is coming from just doing things better, doing things more efficient. Can you talk about the conversations you're having with your customers though? I think you mentioned that you're selling out some of your slots into 2029 already. The further out you go, can you kind of talk about market expectations and what announcements have been made from competition as far as, kind of, you're giving these by 2028, but I'm just kind of thinking about sustainably how to think about margins in that segment and risks of overcapacity.

Scott Strazik: Sure. Mark, I appreciate it, and thanks for being here. I mean, at the start, when you look at the, call it, transformers switchgear market at large globally, and think about a directionally $40-50 billion market today. Most market projections have that turning into $60-70 billion by the end of the decade. So there's real market growth that is likely coming here, just based on the aging infrastructure of what we already have planted in the ground, notwithstanding expanding the electrical grid for more renewables energy. There are very healthy discussions right now on how we continue to expand capacity and grow into it, but at the same time, we want to be thoughtful about how we manage that. And that's why we're starting with this, call it primarily lean growth in Electrification, where we still see real opportunities to add capacity with what we have.

And first things first, we're going to start there. And then we'll evaluate more things. But especially in light of the fact that there are a lot of capacity addition announcements in the industry. And there's more open switch capabilities, as I see it, for transformer capacity to get added this decade than gas turbines, as an example. I think we have to be very thoughtful to make sure that we don't add too much capacity, even though we are starting to sell slots into 2029. We're not selling out by any means at that point. It's really just a start. So this is a chess match, and it's a chess match for a business that hasn't seen this amount of organic growth. We're going to continue to be very sequential on how we invest into. Please, Nicole.

Nicole Deblase (Deutsche Bank): Thank you. Nicole Deblase from Deutsche Bank. Just want to focus a little bit on Wind. I guess, first, anything you guys are hearing about Wind from your customers after the election outcome and anything on how the Onshore outlook has shifted after that. And then on margins, I think you guys have already reached low double-digit margins in Onshore, so scope to move above that. I know the target is 10% for 2028. Thank you.

Scott Strazik: You want to start?

Ken Parks: Yeah. So as far as what we're hearing about post-election moves, I think the reality is we kind of step back and say what, as we look in the future, do we think Wind is going to play? And today, it's a relatively small percent, 10-12% of total electricity is wind, we expect that to grow to about a quarter of electricity over time. I lay that out because the first thing is an administration may move the trajectory, but I'm not sure an administration may move the end point. Now, I'm not going to minimize what may happen in the near term, but what we do believe is that there will continue to be the need for Wind, but we may see a softer slope. And that's why one of the reasons that, as Scott mentioned, we haven't called for a significant inflection in Onshore Wind as we move through this 2025 to 2028 time period.

But what's important, and it kind of leads to your second question on margins, is over the last 18 to 24 months, Vic and team have effectively reduced the breakeven point of the Onshore Wind business. We could actually, today, with our capacity, build and sell 4,000 Onshore Wind turbines. We're running at somewhere around 2,000 today, but the breakeven point by all the cost initiatives that they've done—the leveraging the workhorse product strategy—we've reduced the breakeven point to about a thousand turbines a year. So what that means, Nicole, is essentially there's always going to be a little bit of fluctuation in what happens after any event, and we don't minimize that. But what we own is the responsibility to make ourselves ready for as much profitability as we can be and protect ourselves on the downside.

Scott Strazik: There's a pipeline of activity that we see. There's a pipeline of Onshore Wind, HVDC projects on land, HVDC projects that are progressing, but they're not turning into orders right now, and I don't think they're about to. So it's not like projects are going away, but in comparison to every other part of Vernova where the customers are really banging down the door, we're not experiencing that at all. And I think Ken said it perfectly. We have conviction over time the energy mix from Wind is going to be substantially more. And our financial guidance, we're being pretty cautious on when that starts to turn.

Michael Lapides: Got it. Over here, Andrew.

Andrew Obin (Bank of America): Just one clarification then the question. So you said that you had these slots, but they were not orders. So does that mean that slots have firm pricing or they don't? So they do have firm pricing already?

Scott Strazik: Yeah. So they're nine gigawatts of firm fixed price with very healthy deposits and financial backstops associated with them for slots in 2027 and 2028. The distinction we make on an order versus that slot reservation agreement is they're still working through air permitting at the sites, they're still working through EPC contracts. The gas turbine contract has come first. And a little bit of our hesitation, not in booking the order but starting to embed those into our financial framework already, even though the contracts are for slots in 2027 and 2028, is in some cases these customers haven't built power plants before.

There's complexity in making this happen, and we didn't want to put them into our financial framework until things like the air permits and the EPC and the sites were further along. I expect that to happen next year. We've often gotten a question on when do we expect to see the hyperscaler AI demand start to cut into Gas orders? We've said pretty consistently, directionally next summer, that's still the answer. But as a bridge to secure those slots, we've gotten paid money now while they work through the rest of their process. Gotcha.

Andrew Obin (Bank of America): Thank you for clearing. And then the question is, what are your assumptions about the scope of major outages? You sort of highlighted 700 outages. What are you modeling? Is the scope increasing or are we sort of holding it flat where we are in 2024-2025. Thank you.

Scott Strazik: I think, Andrew, generally, we're in the early stages now of customers coming back to us and saying, we'll take every electron you can give us. What technology is on the shelf that hasn't been utilized. Just in our 7F gas turbine fleet in the US alone, we have over 700 7Fs that we can add more output to with upgrades that I would expect over the medium to long term, most of them are going to go through those upgrades. Which is because it just makes so much economic sense for the customers that fairly minimal on a relative basis investment relative to a new plant. And that's many gigawatts of incremental output. We're early in seeing that all play out and to a large extent that we're not counting on that per se in what we framed up today.

Michael Lapides: Got it. How about all the way down at the right? Apologies. Stacy, it's coming to you.

Joe Ritchie (Goldman Sachs): Thanks. Good eyesight. So, Joe Ritchie, Goldman Sachs. A couple quick ones. Just as you're thinking about Gas Power equipment demand, I know some of the limiting factors, your supply chain, I guess, embedded through your 2028 framework. It seems like you're probably implying maybe mid-single digit growth next year and then a real acceleration as we head into - I'm calculating something around $6.5 billion in Gas Power equipment revenues in that ballpark. So am I thinking about it the right way? And then secondly, as you think about the pricing on those reservation slots, is it possible to just help us kind of get some kind of ballpark? How does that pricing look like versus either the orders that you've booked this year or the orders that you booked a year ago?

Scott Strazik: Well, what we would say is the slot reservation agreements are at higher pricing than what we're booking this year. So when we show you our change in margin and backlog at 4Q earnings in January, the pricing on those slot reservation agreements is higher than what will be the embedded margin in the backlog at the end of the year. But after securing the nine gigawatts, the team has taken up price systematically again. So our new bidding activity is even higher with a few precious slots we have left over this period of time. So higher than our existing backlog, but lower than our new bidding activity for 2025.

Ken Parks: And I think that's perfect.

Michael Lapides: Got it. Right here in the middle.

Andrew Percoco (Morgan Stanley): Thanks for taking the question. Andrew Percoco with Morgan Stanley. So just obviously a lot of things going right. Pricing is moving in your favor.

Can you just talk a little bit about how you manage your supply chain tariff risk. How do you manage those contracts. Is there indexing to protect yourselves against tariff exposure? How do you manage that? We're talking about 2028, 2029. A lot can change over that time frame. Thank you.

Ken Parks: So we're managing like we manage everything else with the supply chain on a daily basis, with groups of people who focus on the big suppliers no matter where they are. I can kind of give you at the highest level, based upon some of the statements that have been made, we've gone around and looked at what do we think China, Mexico and Canada direct and indirect imports into the US equate to, to kind of size what the potential risk could be. And I would tell you it's probably about 5% of our total direct spend. So it's not nothing. But in this environment, it's something that we believe that we can manage. It's probably more heavily between China and Mexico than it is in Canada.

But the way that we do it, it's probably not contractually protected as most things are not. You know, sometimes you can have inflation protection. But the discussions with our suppliers, one of the key things I'll tell you is we meet every year with our supply base, including those around the world, and I always talk to the team and focus on the fact that we're trying to build supplier partners, not just vendors, right. So as issues happen on our side or on their side, could be tariffs, could be inflation or whatever. We come together and we work through it. So the size of the problem we're starting to quantify. The discussions are already happening about what do we do as we work through the challenges.

Michael Lapides: Got it. Here, Marc.

Marc Bianchi (TD Cowen): Thanks. Marc Bianchi, TD Cowen. It sounds like you're close to sold out for the slots in the Gas business. Switchgear and transformers similarly sold out or nearing sold out. How much backlog coverage do you have on the 2028? So when we think about the opportunity for pricing upside, how much? What's the difference there?

Ken Parks: I would tell you I think it's always a measure of what do you think revenue is going to be, right. But I think the reality is probably if we say we've got 80% of 2025 in our backlog, I think that that number probably drops down to kind of maybe 60-ish in the 2026 time frame, and then probably drops another 5 or 10 points each year as we move beyond that. Now the dynamic is as we come back and meet with you over the next year, the reality is the environment is probably going to fill up those slots more quickly than the past. So we will continue to keep you updated. But that's kind of the pattern right now.

Michael Lapides: Thank you. Got it. Actually, right next to you. Right here, Andy.

Andrew Kaplowitz (Citigroup): Thank you. Andy Kaplowitz, Citigroup. Just maybe talking a little bit, Scott, about art of the possible, like how much of slide 25 in terms of the lean culture is in your 14% margin forecast for 2028? And then obviously Power margin, you're already at 13-14% in 2025. We know your service margin is much higher than 16%. I know you've been asked this question before, but we all think your service margins are much higher. So it's very dependent on OE. So what is in your assumptions as you think about incremental margins to get to 2028? And is there a blue sky scenario that you could talk about?

Scott Strazik: Well, a little bit of the vein of what Ken said when he was framing up, to a large extent, what we're including in our financials today is the margin in backlog today. So that then by default is not in any material way including the lean momentum that we're going to run our businesses to over the course of the next four years. So it's really the margin we see based on today's operational performance. And that's where I was talking about the fact that—and we'll maybe evolve this over time—but culturally, I kind of like this saying to the teams every year, listen, we've got the price that's embedded in backlog embedded in our external financial guide. Where your real opportunity is, as we continue to accelerate lean, I'm not going to force that target upon you externally. We will internally with our budgets, but not externally until you go and run that play.

And to a large extent, that's where there is going to be more margin expansion opportunity for us here across all of our businesses. The one that very clearly surprised us to the upside, and this is an authentic improvement, not just relative to our external guide but also their budget, was Electrification this year. I mean, our Grid business made substantially more progress on accelerating their lean than we had projected at the beginning of the year. If they keep on that roadmap, there's a lot more to go. No different in Gas. I mean, there's real opportunity. There's opportunity in Onshore Wind. So those are all the elements of the art of the possible that give me a lot of confidence and excitement that we're providing a new floor. And then we go back to the teams tomorrow morning and say, okay, let's get to work and really deliver that blue sky outcome.

Ken Parks: And I'll add just something to it, because I think you started by referencing page 25. So that's actually the one on the G&A cost reduction initiatives. Everything Scott said is completely accurate. What I would tell you on the G&A cost initiatives, that entire $600 million is built into our gross margin, our margin roadmap. I will also tell you, not surprisingly, we're working towards a number that's even higher than that. Right? So not to scare you that all $600M is in there, and that's a risk. The reality is we have built a roadmap beyond that. But some of those actions we need to settle out a little bit further, so we have opportunity beyond it.

So the blue sky is big. When I tell you, taking 12 businesses that were never integrated, either from a production and lean management process or a functional back-office process. Every time we look at something, we find an opportunity to do more than we've already mapped out today. That's the magic—I think the term that Dan used—of lean, which is the more you do it, the more you find. And I think we're finding it both in the factories and we're finding it substantially in the support functions.

Michael Lapides: Over here, Nigel.

Nigel Coe (Wolfe Research): Yeah. Nigel Coe from Wolfe Research. So, Ken, your capital allocation slide implies that at some point in the next four years the Vernova balance sheet doesn't carry net cash. Is that fair?

Ken Parks: Carry any debt?

Nigel Coe (Wolfe Research): Carry debt, but still net cash?

Ken Parks: Yes, net cash.

Nigel Coe (Wolfe Research): Net cash. Okay. And then, Scott, I don't expect you to tell me what you're going to buy, but maybe you could rule out what's not on the M&A agenda, and when do you think that the team would be ready to contemplate a chunky deal?

Scott Strazik: I mean, I think on the latter, the team is going to decide that. And I say this facetiously but seriously, in the sense that we're not going to do material M&A until the CEOs are showing up on my driveway on Sunday morning as I'm grabbing my newspaper saying, I need this deal to take the next step in our margin expansion. And then when I go in the office on Monday, our Supply Chain Leader Dan says, I've walked the factory floor and I see massive opportunity for us to drive efficiency. Then at lunch, Steven our HR leader and Ken say they've gone through the cost structure of the acquisition and see real cost out savings. And that's the bar.

Here's the challenge right now. That business leader that I need to show up on Sunday morning has massive organic growth at the moment that he or she is trying to get their arms around. Our functional leaders have a lot of G&A savings that they must drive on the $600 million that Ken framed up. So we'll get there, but we're not going to do M&A from a top down, I read some industry periodical and say I want to get into some new white space. We're going to do M&A when our business teams, in combination with our functional teams, come together and push me into it because we see the opportunity to drive another level of really sturdiness or durability in the quality of our business model.

Now, I like the concept of doing more things in that vein that's focused on strengthening our supply chain in total to manage the growth that's in front of us. And if I felt like there were smart ways that we could buy more capacity and apply our lean principles to it and our culture, and get returns into this growth market, we'll look at it very seriously. I don't feel a need, when you think about our general growth projection, that we need to get into new and different spaces to drive growth. I mean, the markets are coming towards us. So this really comes back to this dynamic that we're at 14% EBITDA margins within this financial guide but very clearly outlining we can do better.

Where we're going to spend inorganic money are things that allow Ken and I to get on stage and tell you this very clearly enables us to go that much higher on the margin, because the durability of this business model comes back to every point on $45 billion of revenues, a lot of money every year. And that's really what we're talking about is how does 14% grow to 20% over x years? And where we see ways to do that, we're going to look hard at it. But it's very hard for me to torture my teams right now, on why the heck aren't you bringing me that play, when we're nine months into being a public company and they've got a lot to juggle. And that's why when you look at the $6 billion buyback, you look at admittedly a modest dividend to start but the buyback is real.

We're going to spend a disproportionate amount of our cash in the near term giving it back to the shareholders while we run this company better. And I'm highly confident in that time we're going to get our mojo in this regard. And there's going to be a moment I'm going to stand up on stage with conviction, telling you we found some M&A muscle that's more material, that strengthens the durability of the business model and gets on that walkway towards margins that are exciting. Today is better, but it's not exciting. We'll get to exciting, but it's going to take us a few years to get there, as I see it right now, based on what our teams can really take on.

Ken Parks: Can I add one little piece to this? So, Nigel, you and I have known each other for a long time, and I think one of the things that's important that Scott and I talk about all the time when we look at things that may be opportunities is it's less of a financial capacity decision. And as Scott mentioned, it's a capacity of team decision. Now that team is executing well in the things they have. But one of the things that we very honestly need to do in GE Vernova, and it's because the Vernova businesses have not been significant acquirers on a consistent basis over the last X number of years, is we have to and we are focused—and it is a priority beginning right now—to build the kinds of teams that know how to do integrations to achieve the synergies that you guys are going to be expecting us to tell you that we can get. We can find the best properties in the world, and we can tell you what those synergies are, but the hardest thing to do is to drive them to completion. So we talk all the time about kind of measuring, making sure we find the right things because we can never, as you know, determine the right timeline for opportunities to come up. Our immediate urgency is building the kind of teams that know how to evaluate and integrate as well.

Michael Lapides: Thanks, Ken. Got it. Over here on the left, please.

Colin Rusch (Oppenheimer): Thanks. Colin Rusch from Oppenheimer. Thanks so much for taking the question, guys. I just want to get a better sense of how you're thinking about evolving the technology portfolio. You look at a deal like we saw today with Intersect, Google and TPG making a major announcement around a renewables based microgrid. You've made the investment in Form. You just want to think about how you're evolving, or just at least getting a perspective on where technology is going for some of these larger projects.

Scott Strazik: I think within Electrification, there's a lot of opportunity for further integration with what we may call microgrids, but they're not so micro to be honest with a lot of our electrical equipment in combination with what we can do in PowerGen. And that's a healthy contributor towards the R&D growth going up $200 million next year, because we see opportunities to really lead in the system of systems, specifically with Electrification. But it's going to be more organic than not. You're right. We're trying to get smarter on things like long duration storage, which isn't part of a portfolio, and we're happy to have our investment in position and Form Energy now to both support them and their growth, but also to learn in an example of a technology that we do think plays a role in that system of systems with microclimates that are going to become more captive.

Clearly, as we've been having more and more conversations on Gas build, the compliment to that is more captive behind the meter solutions that quickly parlays itself into what we can do to support them through Electrification. That's actually the part of the business that does the most direct business with the hyperscalers. As an example today, I mean, we'll do north of $500 million of revenue with the hyperscalers this year, with a very healthy pipeline to follow. And what we haven't really talked about, because admittedly the financials today are small, is Grid Software. And as we continue to invest into that business, we think that's a key contributor that can distinguish us relative to a lot of other offerings. So there's a lot at play. We may talk about that a little bit less because we've got big scale businesses that are moving the financial needle more today. But that's going to be a bigger and bigger part of the equation as we turn the turn the corner from this decade into the next one.

Michael Lapides: Got it. Right here in the front row, actually. Come on up. Come on up to the front row.

Joseph Osha (Guggenheim Partners): Thanks. Joe Osha, Guggenheim Partners. It interested me to see that one of the things that you left out of the forecast was additional capacity expansion in Gas. How should we think about the decision process you might undergo to move past 80 units?

Scott Strazik: Team asked me the same question, asked Ken and I the same question. We need time. I really want to maximize every slot that we have. Going from 55 to 80 is a lift in front of us right now, in which we've got one more year at 55, and we're going to do the best we can to get as much of that ramp into 2026 as possible. We'll certainly be there by 2027. As the slots get full, and if the pricing keeps going our way, we'll have those adult conversations then. But at this exact moment when the team’s asked me that exact same question, I asked them if they've taken up price again and to use the slots they've got. Because what I'm very cautious of is we don't want to, as the leader in the gas industry, I mean, half the installed base in the world is our equipment. Legacy share 40-50%, certainly in the US 50-60%. I don't want to be the catalyst for a two to three year spike up, and then a really not fun spike down.

And as the leader in the industry, I think we will dictate that more. So do I think I could build an orders book for 2025 that has me coming back to you and saying 80 turbines turns into 90 for 2028? Highly confident we could do that next year. But to me, the magic here is how do we drive a steady, most profitable business we can over 6 to 10 years instead of get to the fun part for 2 to 3 and then have to start talking to you about it going in reverse and going in reverse having spent more CapEx to get there.

So I'm not saying there won't be a day that we talk about more. But right now, inside the walls of GE Vernova and with our customers, we're being very clear. What we have is what we've committed to. And that dialogue, candidly, is what accelerated the nine gigawatts of slot reservation agreements, because we have many friends, but we need deposits for these slots and deposits that are high proportion of the gas turbine price, because there's only so many. So that's really where we are today.

Joseph Osha (Guggenheim Partners): Thank you.

Michael Lapides: We have time for one last question. I know Ameet over there, please.

Ameet Thakkar (BMO Capital): Scott, Ameet Thakkar from BMO. You had mentioned that a lot of the customers that you're dealing with on the Gas Power side haven't kind of done gas generation before. Can you give us a little bit of flavor about kind of where they're located and kind of what sorts of what they have done with you before? Thanks.

Scott Strazik: The gas activity that's in some of the locations that has some of the very well-known ramp up and peak power pricing right now, think PJM, think ERCOT. There's more peakers getting built, and those are with traditional customers that have done stuff with us in the past. And I give those two examples with ERCOT and PJM, but peakers are going to be built in many parts of the country to manage the complexity of the system with many customers we have done business with for a long time. Some of the transactions that are trending towards closure that are more captive power, more related in the neighborhood of the hyperscalers and

AI, are more directed—at least the Gas portion of those investments—in places like Louisiana and places like Texas. Places that we can have adult conversations with them today saying, you're going to take investments into unabated gas late in the decade, but we'll show you the economic path to add carbon capture to those gas plants five years later and protect for your sustainability commitments.

So you need the build out to happen in places that they can be comfortable, that there's enough real estate to add green hydrogen over time to decarbonize those plants with wind and solar, or that there's carbon cavities that allow us to use carbon capture to get there. And those locations are some of the locations that are getting a higher ramp up of new build, combined-cycle HA gas turbines that are going to support some of these very large data center parks. But you need to not just be able to be in a place where you can build the gas. You need it to be in a place that you have confidence and conviction, and they do, that they'll be able to decarbonize the gas over the medium to long term.

We made an announcement today, the UK government did on a project in the UK called BP Teesside. In that case, it's a project with our 9HA gas turbine with carbon capture that will be built this decade in the UK. That's one of the, I'd say, largest projects with gas and carbon capture combined. In the US, this is going to happen more in chapters. Build now, this decade unabated. Think through adding the carbon capture in the next decade when it makes sense.

Michael Lapides: Scott, Ken, we're basically at time. Scott, I want to turn it over to you. Closing comments.

Scott Strazik: I want to kind of close where I started, which is thank you for the time that you've committed with my team, with myself and GE Vernova in the last nine months. We appreciate it. We are going into a market where the world needs energy, and the winners and losers of the economic development, to a large extent, could be determined by who has access to that next incremental capacity of electrons. No company in the world is better suited to serve that growing market than GE Vernova. We've talked a lot about culture today. One of my real objectives with Vernova and our whole leadership team's objectives is how do we take the best of parts of General Electric that we've experienced, while also creating a unique GE Vernova culture that can distinguish us and allow us to lead in the industry.

At the same time, I'm a student of the history of General Electric. I'm proud of the fact that I spent 25 years with the company, and I can make an argument to you that one of the most impactful periods of time of GE's history is after World War II when we played a massive role driving the electric power system growth for economies and for stability in the world. And the honest reality is the load growth needs we see in the world from here is most analogous to the period of time after World War II with how many new gigawatts need to be added to the grid to enable the economic development and the stability in the world.

So when I look at the opportunities for this company, combined with the operating momentum, the culture we're building, but the market that we're going into, we're just getting started. And I say that with humility, but also with a combination of ambition and optimism, that we've got a lot of future meetings together, talking about the incredible impact we can have on the world, the value we can provide for the planet, but also the value we're going to provide for our customers and our shareholders. So thanks for giving us the time. We really appreciate it, and we look forward to more interactions from here.

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