

Vic R. Abate *GE Vernova - CEO of Wind*

Good morning. Good morning, everybody. It's absolutely terrific to be here. And I just want to give you an update on our Wind segment where we see significant margin expansion in sight.

And just last year, for those of you that were in the room, I talked about our onshore wind turnaround focus. This year, as we prepared for the GE Vernova spin we've taken our Onshore Wind business, our Offshore Wind business, and our LM blades operation and really integrated them into one team. And we did that to be able to drive and leverage product technology, commercial selectivity and discipline, as well as our lean operations across both Onshore and Offshore, to really be in the best position to drive margin expansion for the foreseeable future.

So if we go to this first slide, as Scott said this morning in his opening, the world needs wind. No matter what model you look at, we see wind entering a multigenerational build-out cycle that represents \$5 trillion of investment, that's needed over the next 2 decades. And if you look at the chart on the left, you'll see wind going from 7% of the electricity to the grid today to where 25% of the power generation globally will come from wind and just pause for a second and digest that point.

Think of an energy system where 1 out of 4 electrons comes from wind because this is a different world. And this is why we believe there's a premium to be gained from reliability, quality and uptime because this is high-tech infrastructure that's being deployed at an unprecedented scale. And you heard from my colleague Mavi talk about nuclear fleets, our gas fleets. I mean GE Vernova knows how to scale high-tech infrastructure. So for our Wind segment, how do we make this happen?

One, we believe in workhorse products. These are products that are deployed in fleets of thousands, not project bespoke technologies. Two, you have to lead with quality, in design and in manufacturing, and the life cycle of services. And three, you have to be focused and have lean operations to drive continuous improvement day in and day out.

So with that last year, I had introduced to you the concept and our strategy around workhorse products, which was core to our success so far in turning around the Onshore business. But as I just showed you, we believe it's not just core to us. It's core to the industry's success for wind to become reliable at scale. So what have we done since we talked about the strategy? One, we've reduced our number of product variants. We focused our learnings on our fleet of 55,000 wind turbines, leveraging the 4 billion operating hours of insight and information. And three, we've picked products that win in markets that we care about.

And for example, in the U.S., we believe we provide our customers differentiated value in 80% of the U.S. zip codes. So let's just take a look at the right-hand side, what are the segments? For megawatt-constrained applications, our 3.6 megawatt 154-meter rotor Workhorse is the capacity factor leader, meaning it's the most efficient turbine for megawatt-constrained applications. And this was the turbine of choice by Pattern Energy's SunZia project in New Mexico, which is the largest project in U.S. history.

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Now for land-constrained applications, our 6.1-megawatt 158-meter Workhorse is the largest wind turbine manufactured in the U.S. It is the energy output leader. And this year, we will ship over 700 megawatts from our flagship Power facility, Gas Power facility, leaning into my colleague again in Gas Power in Schenectady.

And just a note on that, that lean video at the beginning was the team coming together, really driving the capability to deploy this technology at scale in the U.S., and we made this decision to build this product in Schenectady last May.

So by October, the first unit left the factory. So in 5 months from declaring it to the team to having the capability deployed, is something that only you can do in GE Vernova, leaning into the capabilities we have around the world. And this year, we'll ship over 700 megawatts from that facility.

So listen, our Haliade-X 250-meter rotor workhorse is our next-generation Offshore turbine. This will be deployed and is the industry-leading 250-meter rotor. There's no other turbine out there with a rotor this size, and that really defines for Wind, entitlement, the products capability. It will drive and deliver industry-leading efficiency and output and is built on the proven Haliade-X technology. And by 2026, we will have a fleet of Offshore machines that will have more than 4.5 million operating hours, more operating experience for these large 14-megawatt machines than any of our competitors. So this is our product lineup, and we believe it positions us well to win.

So now let's talk about quality. To deliver the energy transition, these products need to run day in and day out, which is, as a result, leading with quality is a top priority, and we are seeing real progress as is evident on the left side of this chart. And just availability, which is what we're measuring here is the percentage of time our turbines are available for our customers to dispatch to drive revenue for them. So a very important customer metric.

So the example on the left is our 2.8-megawatt, 127-meter rotor turbine. And for projects that completed their first year of operation in 2021, their first year availability was at 96%. And you can see from projects that completed their first year of operation in 2023, this metric is up 2 points to 98. So by closing the loop, from customer outcomes, upstream into our engineering and manufacturing processes and into our supply chain, we're ensuring our turbines are getting better with every serial number that we ship, the first principle of a workhorse strategy.

Now the right hand of the side of the chart illustrates how we're raising the bar on product launches. Because each one of our core workhorse products, we have a multi-generational product plan to continue to systematically in a disciplined way, introduce leading capabilities over time. And for example, on the right, if you look to do this design, validation, manufacturing, projects, all areas that we're raising the bar on to ensure product launches have the highest quality.

And one example I wanted to highlight here was in our 3.6-megawatt turbine that we have with Pattern

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in SunZia. We've developed at our research center up in Niskayuna, an AI-based advanced inspection technology to certify the quality of every blade we produce. And how does it work? So just think about a doctor that analyzes scans to find concerns. We're doing the same thing. We're using autonomous robots that scan the interior surface of a wind turbine blade and they use AI to detect anomalies. In this way, we're certifying the quality of every blade before it leaves a factory and it provides customers a certification document and data that underwrites that the blade has been manufactured to our strict engineering specifications. So with that, I thought I'd cut to a quick video here, which is that our facility in North Dakota to illustrate how this works.

(presentation)

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I'm a tech guy by nature, but I just -- how cool is that? I mean, when you actually look at the wind industry and you look at where we have to go. I just see tremendous potential, not only in the products, but how they're made, right, and how they're operated. And so the innovation is limitless as far as I'm concerned. So for the industry to fulfill, it's going to be not only the product positioning, but clearly the manufacturing, and we're all over making that the best.

So with that, let's jump to the next slide here. And last year, we talked a lot about lean, and how we were going to drive structural productivity and transform the Onshore business using lean and just here are some of the results. First, we've reduced layers, effectively bringing our teams closer to our customers. We've simplified and focused our R&D spend with the 3 Workhorse products that we talked about. We're consolidating our footprint to create stronger, more capable communities of practice. And finally, we've repositioned our manufacturing resources closer to strategic markets.

As a result, we've seen, if you look to the right, our fixed cost as a percentage of our revenue have dropped 6 points. And this has reduced our breakeven point of our business to less than 1,000 units a year. So with lean driving improved standard work and moving lines we could flex up our capacity as we see the IRA impact and the queues going up by a factor of 4. As that volume goes up, we can flex our capacity up with minimal investment. With our breakeven point being at 1,000 units a year, we can maintain the commercial selectivity, and we don't have to chase volume to be profitable and drive our margins.

So bringing it all together, this is what our strategy has really done for us so far. One, our demand visibility is improving. Entering 2022, we had half of that year's backlog, with very little for the next year in hand. You fast forward to this year, we're essentially fully committed, sold out for this year to deliver the margin committed in our plans. And we have a line of sight to more than half of next year's volume, and this visibility is very strategic because it allows us to really position with our supply chain partners to go long and to go short ahead of cycles and not be caught off guard.

Point 2 on the right, our backlog is growing and it's getting more valuable. You can see from \$6.5 billion to \$9.3 billion in equipment backlog but as important, it's 10 points higher margin embedded within that

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backlog. So we say margin expansion in sight, that's what we're talking about.

So in summary, our Onshore turnaround is succeeding. We have more than -- we're more than halfway through our \$2 billion EBITDA swing from 2022 to 2024.

So now let's talk about Offshore. I mean, Scott talked about this. The market is going through a tremendous reset and honestly, from where I sit, I believe better days are ahead. And our focus is to really take this challenged backlog of \$4 billion, which was really priced and committed pre-2021, pre-inflation period, and get better every year from here. We expect this backlog to be largely completed over the next 2 years while we continue to deliver better EBITDA each year by aggressively managing our costs. And after we install the machines, the Haliade-X, we see us gaining tremendous experience in having a moat because we'll have more than 4 million operating hours by the end of 2026, which is more than all other OEMs with units over 12 megawatts and 200-plus meter rotors.

So similar to what we've done in Onshore. We're deploying lean to drive down cycle time and cost while improving quality. We've seen the cycle time of our Offshore nacelle production decreased by 40% over the last year. And we've been able to do this while reducing rework. So to reduce the overall structural costs, we're refocusing the team with fewer layers. We're leaning into the Onshore capabilities and we've institutionalized operational rigor to drive intense spend discipline.

And finally, relative to our next book of business, we're applying significant price and project selectivity on our products with future bids, which will position us to build a much better profitable book of business going forward.

So in summary here you can see the playbook with lead with quality, workhorse products, and focus and lean. We're executing that in Onshore, seeing tremendous value and real results. Offshore is up next. This has enabled us to deliver a \$2 billion margin swing on about 80% of our backlog and with Offshore, we can see the same things happening in time. So we're encouraged by the market. When you look at the tailwinds in offshore, I would say there's a reset underway.

You've seen some projects be canceled. You've seen PPA prices being awarded that are about 30% to 50% higher from the levels that they were when our backlog was committed to. And as a result, we are repricing our turbines, focusing with the workhorse strategy to really position us to have a very profitable business -- for a business that we take going forward.

So let's just wrap up and close here on the financials. Onshore revenues will be flat, but as we talked about, a favorable mix. We're seeing the U.S. is going to grow meaningfully year-over-year and at higher margins. And while our international revenues will be lower, they're more profitable, driven by the selectivity and the pricing rigor. This margin expansion will drive us to high single-digit Onshore profits in 2024 on top of last year's \$1 billion improvement.

So in Offshore, as we said, we continue to execute the existing backlog. Margins will improve slightly in

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'24, while the benefits of the plan we just outlined will become more visible in '25 and beyond.

So listen, in closing, our turnaround is working. We have a clear line of sight to profitability across the entire Wind segment in 2025.

And with that, I'd love to bring up my colleagues to entertain the question-and-answer session. Thank you very much.
