

Maví Zingoni GE Vernova - CEO of Power

Scott, thank you. Good morning, everyone. I'm really very excited to be here today. I'm starting my second year leading this Power segment. A segment that consistently drives strong and growing free cash flow.

When you think about the power technologies, think about all those technologies that keeps the lights on today. Those technologies that are reliable, secure and dispatchable and together account approximately for 85% of today's electricity generation. We have a great installed base that we have been building for our customers in the last 100 years, more than 1,700 gigawatts of installed capacity. Only in the Gas business, we have more than 800 gigawatts of installed base there. That's more than double of our closest competitor. But for us, that's not about the past. That's not even about the present. That's about the future, the future that we are building. So let's go there.

When you think about this Power installed base, that's an installed base that generates today, most of Vernova's free cash flow. But we are really convinced that this free cash flow could keep on growing. Mainly driven by 2 main factors. On the one hand, that's is strong backlog, \$73 billion backlog, whereas 80% of that are services which gives us a very good visibility of the cash flow to come.

On the other is what our way of working, what we call our power playbook. That includes our commercial strategy being really selective. The underwriting, the discipline that we have in the underwriting, the productivity that we are applying to everything, price to more than offset inflation. And for sure, we are in this continuous improvement journey with lean, the foundation of everything that we do to drive better results in terms of safety, quality, delivery, and cost.

We have demonstrated in the past our ability to grow this cash flow. And we are really convinced that we can continue to do so this year and the years to come.

Think about our largest business in the Power segment. That's the Gas Power business, accounts for 75% of the total revenues of the sector -- of the segment -- excuse me. It has a very strong contractual services backlog, more than \$43 billion, where 70% of those contracts, 70% of those contracts have a remaining life larger than 10 years. Not only that, the renewal rate is significantly high. So again, giving us a very good visibility of the free cash flow.

But when you think about this fleet, have been a very resilient fleet. Despite the impacts of COVID or the geopolitical tensions that we are going through and also the gas price volatility, the utilization of these fleets in the last year has been going up low single-digits on average every year. Customers need this gas power. And that's the reason why they keep on investing on it. They invest in upgrades, upgrades to increase output, to improve efficiency, to have better flexibility, to have faster ramp-ups or more efficient turndowns in case that there is a peak in demand and the grid needs to be stabilized.

Also, in these upgrades, they can lower emissions, part of the decarbonization journey. And these

continuous investments drive services. Think about all these upgrades as opportunities to continue electrifying and decarbonizing the world. Our customers need this gas power as the demand growth is really accelerating, but also due to the penetration of renewables as the backup power to stabilize the grid. So far, the gas has proved to be the best technology when it comes to give an answer to the energy transition trilemma. And that's the reason why our customers are investing not only in upgrades in the current installed base, but they are also investing in new units.

If you take a look at the market, 5 years ago, the market for heavy-duty new units was 32 gigawatts. Last year, it was 42 gigawatts. The next year, we think that's going to be above 40 gigawatts -- in the 40 gigawatts area. Again, it's a strong demand, and we are seeing that. We are seeing that demand for our largest and most efficient unit, the H class. When we started to commission the first one 7 years ago up to now, we have more than 100 units running and operating more than 2.3 million hours of experience of operations in here, growing installed base.

But on top of that, this is installed base, this is a unit that is being built to run at very high capacity factors. So you have a growing installed base and high capacity utilization, it drives services. So you could expect the billings for these units, service billings for this unit to reach \$1 billion starting next year. And that's, again, something that is giving us excitement on how we are thinking about the future.

Moreover, if you analyze where we are with this H class in comparison to other units in the fleet, like the F class, for instance, we are at a very early stage when it comes to the life cycle. And we know from experience that with the largest installed base, with more experience there, we can drive better results, better outages, shorter outage cycle times for our customers, good value proposition for them, and also productivity for us and also better cost to serve. So altogether, growing markets, high utilization rates, driving more services, but also margin expansion opportunities. Bright future of the H class for us.

I said at the beginning that lean is at the foundation of everything that we do to drive better results in safety, quality, delivery, and cost. Great example of that is that what we call live outage. Think about the live outage like a technology innovation with one goal. The goal is let's reduce the cycle time of the outage for our customers. In those outages with live outage, our customers can reduce the cycle time by 22%. It means they can generate more power and they can sell more power.

With a live outage, our field engineers, crew down there do not use paper work anymore. Everything that they do has a digital support. What makes the work more standard, lean concept behind, makes the work much easier to design and to execute, to implement. And for sure, considering taking into account the safest procedures, our #1 commitment. We'll keep on deploying live outages in different fleets.

We are not only working with lean for our customers, but also internally in our manufacturing capacity. This is a journey you heard from Scott that the Gas Power team started 5 years ago. The results obtained are amazing. Injuries reduced by 6 times. Yes, by 6, but also was reduction in quality escapes in lead times and very good cost savings. You watched the video with Rodolfo Torres, our Gas Power lean leaders. We are not done. We will keep on working on this continuous improvement journey.

I had the privilege to join the teams in Bucharest. I have been the Steam team, and I've been in Budapest with the Gas Power teams and I left the week really excited. When we have the right problem definition, you put the right teams with the right capabilities, the opportunity to be focused there, working as a team, no hierarchies, you could obtain really, really amazing results. I left that week totally convinced with the reinforcement of my belief that lean is how we want to work, and we will continue to work to drive better results.

If we move now from this really strong operational discipline and focus we have to what we are doing in decarbonization and in innovation. We are decarbonizing in different ways, starting with the coal to gas switching. The coal to gas switching, if our customers use our most efficient gas turbine today, the H-class, they can be reducing the emissions by 60%. Already 350 gigawatts of coal were retired in the last decade.

If you take into account only the units that we see last year, our 25 million tons of CO₂ that will not go to the atmosphere, only with the units we shipped last year. And this is a technology that is available today and is needed in this energy transition journey.

On top of that, hydrogen, another technology that exists today, not new for us, more than 8.5 million hours of experience and increasing as we speak. And we are committed to have 100% of our portfolio -- 100% hydrogen ready by the end of the decade. More technology is available today.

Carbon Capture. We are very excited with this -- but we are working together with Technip partner in front-end engineering, sign phase for the BP net zero Teesside project, is going to have a Gas Power plant with a carbon capture plant attached to it.

Thanks to our technology, the exhaust gas recirculation you can increase -- we can increase the CO₂ concentration on the exhaust gas and in consequence the carbon capture could be more efficient. Very excited about the technology and the role that it can play in decarbonizing gas-powered technologies.

Beyond that, direct air capture with longer term. Yes, our researchers are really excited by the results that they are obtaining the different solvents they are testing, the process, and the material important here. More to be done. We are working right now in the 10 tons with a goal to have the 1 million-ton ready early next decade.

And finally, our Nuclear small modular reactor, where we're investing together with our partner -- 3 customers, 3 different countries, almost \$500 million there. Since this is such an opportunity for the world and for us, let me spend a minute here.

Being in COP28 last year, know this -- there's a pledge signed by more than 20 countries and supported by more than 140 countries to triple the current nuclear capacity in the world. The consensus is going to be hard for the world to be net zero by 2050 without nuclear. So it's a huge opportunity. It's going to be

a combination, a combination of both large nuclear and small nuclear. We are right now focused on the design of the small modular reactor.

A couple of highlights I want to share with you on this. First, it utilizes an existing design. Second, it works on an already licensed field. So we don't need to go to another process here. So it means, but it's going to be smaller. It's going to be simpler. And in consequence, what we are doing here is trying to lower the risk. It's going to be operated by a reduced staff and the outages are going to be shorter. So think about something that you can replicate, that you can have in modules, so the construction time and the construction cost could be much lower with a lower risk.

There's a lot of interest right now, but we are going to remain focused in a few markets. We are very excited. We have the first commercial contract, Ontario Power Generation - could be making the decision, the final investment decision at the end of this year and have the first unit in operation at the end of the decade with the idea to have 3 more units in the same site, that's the Darlington site in Canada. All in all, a lot of excitement, a lot of work. I know there's a lot of work to be done to translate all this into more orders and more commercial contracts, but this is a huge opportunity for us and we are really, really excited here.

With this, let me go now into the guidance. Guidance for the Power segment as a whole. In revenues, revenues this year are going to grow mid-single-digit driven mainly in Gas Power business, both equipment and services. The EBITDA margin is going to continue its expansion. I was trying to explain through the presentation, what are the drivers for that. Think about an additional 100 basis points here based on productivity, services volumes, and pricing to offset - to more than offset inflation while we make the investments in innovation and decarbonization.

When you think about the margin expansion, I think that this is a journey that will continue beyond 2024, there are opportunities to do more, as we said before.

I'm going to end here in the same way that I started. The Power segment, a very resilient business, high-margin businesses with a strong and growing free cash flow generation to fund the innovation and be a major driver for Vernova.

With this, I want to introduce my colleague, Vic Abate, who is the leader of the Wind segment. Thank you.