

GE Vernova
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- Dave Arcaro: I think we'll get started. Thanks everybody for being here. I'm Dave Arcaro. For those that don't know me, I cover GE Vernova for Morgan Stanley. I also cover the power and utility space and clean energy industries. And I'm very happy to be joined today by Scott Strazik. He's the CEO and president of GE Vernova. Scott, thank you so much for being with us.
- Scott Strazik: Dave, thanks for having us. Morgan Stanley, thanks for hosting this event. It's always an event that we look forward to attending each year.
- David Arcaro: Put my compliance hat on here. For important disclosures, please see the Morgan Stanley Research Disclosure website at morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley sales representative. With that, I will hand it over to you for any opening comments.
- Scott Strazik: Very good, Dave. Thanks. At start, I'd just say 2025 is a year in which we're having a lot of fun inside GE Vernova. But the exciting dynamic is that we're just getting started. If you look at our 2025 dynamic and financials, we'll do \$50 billion of orders this year. That's relative to \$37 billion of revenue at very attractive margins as we strengthen and improve the profitability of this business from here.
- If I just talk a little bit about the big businesses and start with Gas Power, we talked in our July earnings call about the fact that we've got 55 gigawatts of new capacity equipment on contract. That includes both orders and slot reservation agreements. Through the third quarter, we should approach 60 gigawatts. I would expect our contractual commitments in the third quarter to look very similar to the second quarter in which we signed 9 gigawatts of new incremental contracts. And we're seeing demand really with the hyperscalers on both ends of our product spectrum.
- Aero derivatives, think about the Crusoe announcements that have been public, which is the first gigawatt of the Stargate project power, to the other end of the spectrum with 7HA gas turbines with Homer City, a project in Pennsylvania that was announced in July that's 4.5 gigawatts of power with our 7HA.02 gas turbines.
- But I think the interesting dynamic is that our interactions with the hyperscalers right now is much more than power generation. If I shift to our Electrification business segment, year to date we've done \$600 million of orders direct with the hyperscalers with Electrification equipment. We'll do at least a billion dollars of orders this year direct to

them.

But what's most exciting isn't a billion dollars of orders this year, it's the co-creation that we're doing with them focused on solutions from power to the rack that we are going to be investing into from here as a real growth opportunity for GE Vernova going forward.

Now, in Electrification, this isn't just about hyperscaler demand. If you look at our year, we're going to have a great year in Saudi Arabia, in Algeria, in Korea. These are 3 big countries for GE Vernova with legacy power generation relationships that we're demonstrating the ability to pull forward the Electrification scope and serve that market in different ways.

Now if I spend a minute on Wind, this remains our most challenging business segment of the 3, but if I start with the good, we continue to make real progress to improve the profitability of our Onshore Wind business from a services perspective, on how we're executing in the field with the install base. We also had a very productive summer in Offshore Wind executing on our existing backlog. But we do continue to see softness in our end markets in Onshore specifically.

This is a dynamic where if you look at the last 90 days, the tax bill that was signed on July 4th works for the industry and for us. You look at the IRS guidance that was issued in August, and that is really right in the middle of the highway, supporting incremental wind growth. But the continued ambiguity, both with permit availability and tariffs, is continuing to demonstrate or drive softness in our end wind markets. To the point sitting here today looking at our third quarter orders, we'd expect them to be somewhere in between our first and our second quarter performance, but likely down sequentially 3Q relative to 2Q.

Now, as we continue to see order softness in Onshore Wind, this is a business we've talked about as generally flat from here. But today, we could see our revenue in 2026 in Onshore Wind down 10% to 15% relative to 2025 if this order softness continues. And this is a business that's been high single-digit EBITDA margins, Onshore Wind specifically, that we were hoping would drive towards double-digit EBITDA margins with some revenue growth. But as we project down 10% to 15% lower revenue next year, that EBITDA margin could gravitate more towards mid-single digits from the high single digits of this year.

So we take all that together and then still feel very good about our 2025 financial framework that we rose our financial guidance in July. But this isn't really about our 2025 financials. We look forward to getting to the end of the year and providing updated higher by '28 financial guidance for the company. But this isn't really about 2028 either. This is about the sequential, disciplined, strategic steps we're taking every day and every week in this company to create a company that is a high-tech industrial infrastructure company, very well positioned to provide the electrification solutions that both companies and countries require to both thrive and simultaneously decarbonize. Dave, I appreciate the ability to start with that. I'm happy to take it where you'd like.

David Arcaro:

Definitely. Yeah, thank you for setting the stage that way. Very dynamic market environment we're talking about here. And I wonder if we could start at a bit of a high level. We think in terms of cycles. This is a unique, interesting cycle where it I want to ask you, how do you look at this cycle? Is this a period of sustained growth that may get out of the traditional kind of cyclical framework? Or how does it compare to previous periods in history in the industry that you might be able to reflect back on as you look over the next 5 to 10 years?

Scott Strazik: Yeah, I mean I think -- if you take a step back and ask yourself whether the world needs more energy in the end for companies, communities to thrive, I think the given answer is the demand for energy is going to grow exponentially from here. But in the current energy system, the world's only getting 20% of its energy from electricity. But all projections going forward is, not only is the world going to need more energy, but the proportion of that energy that's going to be coming from electrical power is going to grow. Because when you take a step back, still the majority of the energy in the world today comes from liquid molecules. It comes from coal with industrial applications. And those energy sources aren't necessarily the best suited energy applications for things like hyperscalers and the load dynamics and operating parameters with things like AI factories.

So we take a step back and say, although I'm not ready to call the next 30 years, we don't see a similar analogous time to where we are right now until 1945 with the demand cycle we see. And that was a 30-year cycle of substantial growth in both the growth of energy, but also the electric power. And what I think is even more compoundingly important in this cycle is not only is the energy going to grow, but the proportion of that energy that is electrical power is very clearly going to increase.

Maybe not a 30-year view today sitting here in September of '25, but internally, we talk about a decade of action in which we're focused on investing and positioning the company to provide the solutions from an electrification perspective to allow companies and countries to both thrive and simultaneously decarbonize.

David Arcaro: Excellent. Yeah. That's helpful and really paints the picture of it doesn't look like there's an end in sight in terms of the growth outlook here. And it's also pretty rapidly changing. Quarter to quarter, there's just so much more activity that's coming. And maybe looking at your 2028 guidance framework, you've mentioned that we're going to reassess the 2028 financial targets. It wasn't that long ago that you had set them. What's happening in the market that's causing you to now relook and to increase the targets that you're looking at?

Scott Strazik: You know, in the context of the by 2028 financial guide, this has less to do with the market and more to do with the fact that we're executing better. Period, end of sentence, exclamation point. And associated with that, the margin profile of our large, big businesses in Power and Electrification are already trending towards the by '28 financial guide that we outlined at the time as a floor. And we outlined at the time that within that financial guide, there were things that could make it better, including variable cost productivity that we were not embedding in that guide. And when you look at our performance through the first 8 months of the year, and we're not that far from our third quarter earnings, our management teams and our business teams are performing better. That's going to drive the margin uplift that we'll outline in our next Analyst Day, analogous to what we did last December.

Now, it doesn't mean that the market isn't better. The market opportunity continues to become greater for us, but a lot of that goes beyond 2028, candidly, because we're very quickly getting in a dynamic where we're growing our backlog this year at \$13 billion at least. We see a clear trajectory to continue to grow our backlog at very healthy levels. And that backlog growth goes long beyond '28.

Part of what we want to accomplish in our next Analyst Day is really 3 things. Articulate very clearly how we're performing better that's driving the margin uplift. That's important and that's the more material of the by '28 guide is margin. We're not going to surprise that

differently on top line revenue. But simultaneously, we need to outline the investments we're making in partnership with our customers in '26 that gives us so much conviction that 2028 is just a milestone that we happened to set in our Capital Markets Day in 2024. The best days for this company are long after 2028. And I want to provide the goalposts for our owners and investors to look at the company into 2026 and understand why the growth acceleration continues long after that. And those are some of the objectives that we have for the next Analyst Day we'll set up before the end of the year is both that by '28 guide, another level of detail on the market and how we plan to capture it, but also, to reinforce very clearly that that's just a step in a journey towards a company that we're really excited about building here far into the future decades.

David Arcaro: Excellent. And looking post-2028, and you had suggested before a 10-year kind of outlook for activity, could you talk about how you see your businesses evolving? Like if we go out 10 years, what do they look like? How does it change versus the dynamics that we're seeing today?

Scott Strazik: Sure, and let's start with our biggest business in Power, in which Gas Power is our largest business there. I mean today, the services business is the biggest piece of that equation. We have about 720 gigawatts of installed capacity in Gas Power in simple cycle terms. Of that 720 gigawatts today, only about 30% of it runs base load. A lot of the other installed base is seasonal peaking. It runs all the time in the summer. It runs all the time in the winter in the Northeast. But during the fall and the spring, the utilization is much lower because the electricity demand is lower because of energy patterns.

And I frame that up to just say, over the next 10 years, if you want a 10-year guide, we're going to add at least 200 gigawatts of incremental installed base to that 720. But the difference is those 200 gigawatts we're adding in the next 10 years is primarily running base load. And the impact that has on our financials when you project ahead that far is massive. Because if today, only directionally 200 gigawatts of our existing fleet runs base load, and over the next decade we're going to double that, there is a lot to be excited about in the install base and the financial foundation that is our business, which is the install base of our Gas Power business for the future. Now that's Power.

I mean, we're going to add substantial capacity. And I start with that because I think we index too much sometimes on the equipment economics that are going to be very attractive for the next many years. But I'm just as excited about the services economics for the future decades that follow.

Now, the same time in Electrification, we continue to have opportunities to get better. And something I share with folks often is I feel like I'm reaching my third gear of optimism in relation to Electrification. The first gear was when we announced the spin in late '21 into '22 and '23 -- and there were very clear opportunities to run that business better. Costs out, organizational design, underwriting discipline. And we're bearing that fruit today. And you see it in our financials. I would say over the course of '24 and '25, that second gear of optimism very much focused on commercial arbitrage, pulling Electrification forward where we had strong strategic relationships in the rest of the world. And you're seeing that. You're seeing it in our North America orders growth with utilities. You're seeing it with the hyperscaler demand. You're seeing it in legacy countries that we've sold a lot of power generation equipment like Saudi, Algeria, Korea.

But the third gear that's really just starting is we have a number of incredible organic investment opportunities of technology that we had historically invested in, in our Electrification business, but because it was somewhat orphaned inside a larger GE company, we didn't give them the capital they needed to get the products to completion

and to commercialize them. And in today's world with substantial demand for Electrification, we've got a customer base, including hyperscalers, pulling us forward with those products that gives me great confidence that there is another chapter of growth coming for Electrification that organically we're incredibly excited about. That's Electrification 10 years in the future.

And when it comes to Wind, we've got to continue to make that business better. The reality is, the wind industry, including my business, has historically been too manually run. It's not as automated, and that leads to some of the economic challenges that the industry has experienced. Our volume is softer than I want it to be today. I can cry in my beer over that, or I can use that time to position this company, in this business, in this industry, frankly, to be more economically competitive by investing in how we make things, how we serve the install base. And that's very much what we're focused on inside Wind today. We're not playing victims. We're focused on leading a more competitive industry going forward. Those are a few thoughts across the businesses.

David Arcaro: Excellent. And you mentioned -- maybe to dive into the services trajectory over time here too, you mentioned in the Power business the base load dynamic. I feel like the installed fleet that's not running base load actually also seems to have an opportunity to run more in the future given the demand that we're seeing. That seems to point to this big services opportunity that can really emerge in the next decade. Could you talk about that and the financial impact that it could bring to your overall portfolio?

Scott Strazik: You bet. I mean, we've talked in the past about the fact that we project the upgrades into our existing Gas installed base to double by the end of the decade. That's for exactly the reason Dave's inferring. The existing install base that has not been running baseload, you have many owners that are now saying, I haven't invested in my fleet in a number of years, but I see an opportunity to run these assets differently and more, and I'm ready to make those technology investments. Sitting here today, that marker of doubling our upgrades by the end of the decade is probably -- won't take that long. It'll probably be larger than that. There is a lot of pent-up demand for our install base in Gas.

But this isn't just about Gas. We're seeing very healthy orders growth in our Steam business. We see up to 5 gigawatts of incremental nuclear electrons we will add in the U.S. with our existing install base by upgrading existing running nuclear plants that we're working through right now. We've talked a lot about the fact that we're driving and have made substantial investments in our Wind business with things like modern technology, different forms of cranes we're using today to enable us to service that install base differently. We will have a more profitable and improved profitability in our Onshore Wind services business going forward. But we're also driving real improvements in our Electrification business. I would say it's hard to not start with Gas Power when we talk services because that is our most economically attractive and largest install base, but there's work and opportunity for us across the portfolio.

David Arcaro: Excellent. You know, the competitive landscape has gotten quite a bit of attention lately. I'm wondering if you could touch on how you see maybe market share in your different businesses going forward. How are you competitively positioned now? And maybe in there, if you could address gas turbine supply demand outlook and the capacity situation there.

Scott Strazik: Yeah, I think -- I mean our legacy share in Gas, if you look over a period of time, trends between 40% and 50%. That fluctuation is driven by global demand in certain markets in any one year. For instance, we have a very limited presence in China. In years in which China has a large proportion of the market, that leads to our global share being lower as

an illustration. But I see no reason to expect us to have anything other than our historical share on a go-forward basis.

If you double-click on that, we tend to be especially strong in 60 hertz markets, so think U.S., Saudi, Korea, Taiwan. Mexico. Those are really good markets to have a very competitive product today, and we're benefiting from that. But I don't really run that business trying to gain share. It's not really what we're focused on. It's how do we build an amount of supply that we think makes economic sense. That's the 20 gigawatts a year of simple cycle supply, and then maximize the profitability with that available capacity.

But when it comes to markets and share, the one I would really go to that I would argue is a bigger main event for our investors, is Electrification. Because if you take a step back in Electrification, we believe our addressable market today with the products we have is somewhere between \$125 billion and \$150 billion. Yet our revenue averaged '25, '26-- directionally, we've got a \$10 billion business today, yet our addressable market is between \$125 billion and \$150 billion. That's the more pointed question you should ask me. Which is, why isn't that exponentially larger? And the answer is, it's going to be.

In Electrification, there's a lot more open field running because there are many more competitors and competitive dynamics. But it's also the part of GE Vernova that was underinvested in for too long, especially in a time that we were part of a bigger company, that we weren't organized enough on the frontend with end customers. I do expect us to gain share in Electrification over the medium term.

And in Power, this is--not that in any one year, it won't fluctuate, how I frame it--but this is more about maximizing our profitability than chasing share per se. And then in Wind we've historically been 50% of the U.S. market. We continue to expect over time we will be. The market's just smaller than I want it to be right now. And then situationally, we're focused on other markets where our products make sense.

David Arcaro: Excellent. Maybe to drill into a couple of your businesses a little bit deeper, you've highlighted Electrification in a big way here. I think we've seen varying growth trends, maybe regionally. Could you dig into where the most exciting areas of growth may be regionally or product set also?

Scott Strazik: Yeah, I mean, Europe has remained our largest market in totality, but as I framed in our prepared remarks, I mean let's take Saudi. I think that's an important case study for the art of the possible for GE Vernova. We hosted a future energy event in Saudi in February. And I've been going to the Kingdom for a dozen years and have good relationships with the end customers. In that Future of Energy event that admittedly was very focused on power generation, we had an authentic adult conversation on the need to pull forward incremental Electrification scope and not just gas turbines. And that was in February.

By March, we had a \$2.5 billion commitment from them to take on incremental Electrification equipment--in this case, primarily synchronous condensers--to stabilize their grid in different ways with the 50% of their system that they're driving to build solar and storage into, in which they need more rotating equipment with synchronous condensers. \$1.5 billion of that \$2.5 billion dollar commitment will be an order in the third quarter of 2025. I give that illustration to just frame that we think the art of the possible with Electrification is great. We think we have very strong interconnected relationships that we historically haven't been leveraging enough with a business that thankfully is running itself better and better every day. Philippe Piron, the business CEO, is doing an excellent job, as is his management team. And with that, that gives our company the conviction to really advocate for Electrification as we're interacting in the

market. And we're seeing the benefits of that.

There was a period of time after the spin that I visited a number of my most intimate customers and asked for their advice on both Wind and Grid. And generally speaking, the advice I got for Wind was consistent with our plans. The advice we received on Grid in those lunches and dinners was often, "I'm not sure what to tell you because I'm not sure what you have." And the moment I heard that was painful, but then on the flight back, you say to yourself, "Wow, this is an incredible opportunity." Because it just was not effectively front of mind with our end customers and how we were playing it. And we continue to demonstrate an ability to fix that with customers that are quite willing to lean towards us in this regard.

I give those anecdotal, that anecdotal perspective, because this isn't about a market or a product. This is about building a business segment with the Electrification solutions in totality that allow us to serve our strategic markets and strategic customers globally.

David Arcaro: No, that's interesting, and may segue a little bit into a topic I did want to ask you about. Are there opportunities that you would highlight that might be smaller now that excite you over time? It feels like that might be -- that there might be opportunities within Electrification for example. Are there investments that you could make, maybe it's new products, that'll take investment in the near term, but then in the 2030s, looks like it could be a bigger and bigger opportunity?

Scott Strazik: Yeah, let's talk about Software for a second. And as an example, we announced today that with our Manufacturing Software business, Proficy is the name of the product, we're selling that business to TPG for \$600 million. We have an opportunity for an incremental earnout at a later date associated with the deal. Now, that represents of our Electrification Software business about 20% of the revenue for a business that's between \$900 million and \$1 billion in totality, all of Electrification Software.

Why did we do that? We did that because when I would go on a customer visit, it was to go meet Procter & Gamble that leverages that solution in all their factories. And Procter & Gamble is a great customer, but that's not our core business. And we want to focus on our core businesses. The beauty is that \$600 million, conceptually, not directly, but indirectly, we can reinvest into our Grid Software business, which is the lion's share of our Electrification Software business.

We're very excited about our Grid Software business. We see this as a critical part of our future. We announced over the course of the summer an acquisition of a company called Alteia, which is a visual intelligence, artificial intelligence company that allows us to -- really, it's an acquisition of a company, but practically it was an accelerated R&D program. It was really more acquiring a small technology that we wanted to cut into our solution. But we believe Grid Software is going to play an incredibly important role in the future.

Now, it'll be tough for it to be big enough for you to model it this decade. We're nurturing this business, we're focusing it. But with the complexity that our customers are managing with the grid every day, bidirectional flow of electrons, distributed energy resources, think solar panels on houses, think increased renewables penetration rate with intermittent planning dynamics, wildfires. Our customers are craving a more holistic solution for grid software because today, to a large extent, they have homegrown solutions that don't talk to each other very well.

We're really excited about Grid Software and what we're going to do with that business,

and we're continuing to focus our Electrification Software to lead there. That's an example.

Hard to not spend a minute on Nuclear in that vein. We're in construction on our first 300-megawatt small modular reactor today in Ontario, Canada. We also have an application into the NRC, the Nuclear Regulatory Commission, to begin construction on our first project in the U.S. We've committed to the administration that if we receive that approval to construct by the end of next year, we will be in construction in 2027. New nuclear is going to matter more in the next decade. Is it going to fit in in any material way to your financial modeling or mine for this decade? No. But are those 2 examples of businesses that strategically we're investing in, that we expect to create substantial value in the subsequent decade? You bet we do.

David Arcaro: Really adds to the longevity of the business profile into the 2030s for some of those opportunities.

Scott Strazik: You bet.

David Arcaro: Maybe going to something that excites us right now is in the Gas equipment side of things. Can you just give us an update on what you're seeing in terms of demand? Are there regions that pop out as the most exciting demand opportunities on the Gas equipment side of things?

Scott Strazik: Last year, Saudi was our largest individual market. This year, it will be in the U.S. It's almost certain to be the U.S. again next year. But this isn't just about the U.S. I mean, we have been observing the market in Mexico recently. Not participating. I could see us re-entering Mexico and serving that market in a material way in the near term. We have 10 gigawatts of plants that are in construction right now in Taiwan, primarily supporting the TSMC build-out. There's another 10 gigawatts that needs to be built, if not more, so Taiwan is very important for us.

When I think about the time that I spent this year in Southeast Asia, I do think there will be a number of hyperscaler data center investments and build-outs in Southeast Asia, often close to Singapore, leveraging Singapore law. But with the power generation plants in Malaysia or Indonesia. We're positioning ourselves very well to serve that market. We're making investments in Vietnam, as an example, as a location, as a platform, that will allow us to serve that market. We're really, if you take a step back, going into an environment that most people would say that the gigawatts of new capacity additions certainly could be north of 60 gigawatts this year, and I don't think that's a one-year anomaly. The U.S. matters, but a lot of these other markets create very compelling opportunities. And as the undisputed global leader in this industry, we expect to work very hard to serve all of the markets where the economics make sense.

David Arcaro: Excellent. One kind of overarching piece of the business that is a little bit underappreciated I feel like from investors, is the free cash flow outlook. And I was wondering if you could touch on capital allocation. You've got an improving and very strong free cash flow outlook over the next several years. You've already got a strong net cash balance as well. How do you prioritize allocating that capital?

Scott Strazik: Yeah, and I mean even before that, I would -- just going back to the small announcement we made today with Manufacturing Software, \$600 million sale, to be clear, since we've spun, we will have generated about \$2.5 billion of capital through the simplification of our organization. That isn't because we need the capital. It's because we're driving a culture as a company in which we want to focus on our core businesses that we can scale

and drive incremental value for our customers and our owners every day. And that is something culturally we are focused on every day.

Now that said, we are very encouraged with our free cash flow projections for the out years, and it does give us a lot of flexibility for where we are. It starts with organic investments. We see very compelling opportunities to grow into our business. Our CapEx as an example, just based on things that has been previously announced on our growth trajectory, will likely peak in 2026 for both Gas and Grid. But with previously announced capacity additions, next year is peak CapEx for those businesses. We'll talk about that more when we get to our Analyst Day at the end of the year.

But we see compelling R&D opportunities. I do expect our R&D to be up double digits again in '26 relative to '25, with Electrification being the segment that benefits from that growth more than others. We are very focused on continuing to return substantial capital to our shareholders. We will continue to be very opportunistic with our stock buyback program from here, and we have been year to date and will continue to be.

And then situationally, we're going to invest in our core from an M&A perspective. But it's going to be in our core. Right now, we look at our businesses and the number of balls that our businesses are juggling every day, and the question I ask myself is, how do I make those management teams' jobs easier? And where we have opportunities to do vertical integration within the core that allows them to control their destiny to a larger extent, we're going to do that. We were very happy with the Woodward acquisition we did supporting our Gas business early in the year. We'd like to do other transactions like that. But we'd also like to continue to invest M&A dollars into our core Grid business. And where we can get deals done that make economic sense, we'll do that.

But we're going to be thoughtful and patient also. I often frame up that in the near term, we may be a little bit inefficient with our balance sheet, but that's a very strong balance sheet that we have, that positions us with the luxury of playing offense when it makes sense.

David Arcaro: Excellent. Yeah, it's really a good problem to have. Gives you a lot of flexibility going forward.

Scott Strazik: It's a great opportunity.

David Arcaro: Great. I think we're about up on time, so I think Scott, thank you very much for being with us. Thank you very much, appreciate everybody's time.

Scott Strazik: Thank you.

David Arcaro: Thank you, Scott.