QUESTIONS AND ANSWERS

Michael Lapides ***GE Vernova - VP of IR***
Welcoming everybody back to the stage -- the team so far this morning. I want us to kick off our first Q&A session. So a little bit of a lay of the land for how we're going to do this today. Please raise your hand if you have to -- if you want to ask a question. But please wait for one of the mic runners, so that people who are listening both online can hear you. Then we just ask that you just introduce yourself and which firm you are from. And please limit it to just one question. Keep in mind, we'll have a second Q&A session later in the morning.

With that, let's get it started. Why don't we start with Joe Ritchie there in the middle. So if one of the mic runners will bring Joe a mic.

Joseph Alfred Ritchie ***Goldman Sachs Group, Inc., Research Division - VP & Lead Multi-Industry Analyst***
Thank you. Thanks for all the details, everybody. Michael, you're killing me with just one question here. There's 1 million. Let's -- I guess, maybe we'll just start with Vic since you just concluded your comments on Offshore Wind. So I'm curious, as you kind of think about that $4 billion backlog that exists today. Two-part question. The first piece is the Ocean Wind back, order, is that still part of that backlog today or is that completely out of backlog? And then secondly, as you think about the profitability improvement in that business going forward, talk to us about the kind of line of sight that you have on Offshore because I think you lost about $1.1 billion in that business last year?

Vic R. Abate ***GE Vernova - CEO of Wind***
Right, right. Do you want to just comment on the...

Ken Parks ***GE Vernova - CFO***
Yes. The large order we referred to at the end of the year was the order you mentioned, and that is out of the backlog now. So we do have a slightly smaller base of backlog that Vic and team are driving off.

Vic R. Abate ***GE Vernova - CEO of Wind***
And relative to the profitability, I mean, when you step back and we talked about it. The backlog was really pre-COVID, pre-inflation and that's a book of business. And the industry was also in a chapter, similar to Onshore Wind where it was chasing. It was saying, listen, if the cost is -- here's the price I have to give to the market and therefore, everybody had to line up.

What's changing now is for governments to get offshore at scale with quality, they realize that the PPAs had to go up. And you're seeing that happen and I do believe the developers in the projects are leveraging that point and they're putting together plans that are more robust, but that did require us as turbine suppliers to also become simpler, with more of a workhorse strategy. Here's the scope I'm going to have. Here's the scope you're going to have and really make the project clearer with less ambiguity so that now we know what it takes to deliver.

And I'll be honest, that's one of the benefits, I think, Scott talks about tuition payment, we have learned a ton executing through this backlog and a ton more to learn as well. And so the next book of business, we will be much smarter as will our customers and the developers and honestly, the regions that want to deploy offshore because they see tremendous decades of industrial growth as well, and they're looking for local supply, local investment as well as the carbon-free energy at scale to come from offshore projects.

Scott L. Strazik ***GE Vernova - CEO***
I mean Joe, the only thing I'd add is, if the room or yourself had the benefit of visiting us in Saint-Nazaire. We make the nacelle for Offshore Wind. I'm there every 3 months, and you see every quarter a drastic improvement on us coming down the learning curve on how we're building these. So with our existing backlog over the next few years, the economics are going to get better off of that life cycle or that learning curve on cost, but it's still a tough backlog for 2 years. So you're really going to see better results on us taking out cost. We're already starting to pull out a lot of contractors from our operation because we're eliminating waste and getting smoother with it. But all that said, that $4 billion backlog is difficult, but we'll get better. And then what we add to it with substantially different price terms as we can get there leads to a very different economic answer for Offshore Wind.

Michael Lapides ***GE Vernova - VP of IR***
All right. Next question. Let's go to Julian up here in the front.

Julian C.H. Mitchell ***Barclays Bank PLC, Research Division - Research Analyst***
Julian Mitchell at Barclays. Maybe my question just around free cash flow. So you're looking at sort of a mid-single-digit free cash flow margin through cycle overall. Maybe help us understand what volatility around that you expect because of prepayments and working capital swings. And is there any one of the 3 segments where the free cash flow margin is likely to lead or lag the other?

Michael Lapides ***GE Vernova - VP of IR***
You can start.

Ken Parks ***GE Vernova - CFO***
Sure. Thank you for the question. I would tell you that -- as you think about what Maví spoke about in the Gas Power business, Power business overall, that service portfolio drives a lot of stability of cash flow. I would say in Electrification we're going to see probably a little bit more of the down payment activity. You saw the orders that we booked last year being a big pull-in of cash. But while that can be lumpy, as we think about the future, and I won't steal any of Philippe's thunder as he gets to get up after this presentation -- after this Q&A session, there is a lot of demand to be driven and therefore, down payments to be pulled in as the time comes.

When you ask about the question of what really moves it around, I would say, in the next couple of years, the biggest thing that I think about moving our cash flow around a little bit, is what's happening in Vic's business as we're delivering probably more of the Offshore Wind side of the business than the Onshore side of the wind business. The Offshore side, the installation part has a lot more variables in it, including weather.

But I'll affirm to you that as we've given you guidance for 2024, 2025, and then a lookout to 2028 and a specific point around that is by 2028. We're able to capture that within the ranges. So we feel really good about the portfolio overall, how it generates cash, and we'll manage through the Offshore Wind backlog, and I think we'll continue to see really good steps up in cash flow.

Scott L. Strazik ***GE Vernova - CEO***
Just Julian briefly on that, to give context on the history here. Relative to how we're running this company today, nothing are we expecting with new orders that is, as an example, out-of-market down payments early, okay? And there's been times over many years in this business. We may have been more dependent to have high down payments early, that is not our true north. Our true north, going back to my earlier discussion, is the economics of the backlog in totality. So with that, in a compare contrast of yesterday in tomorrow, those working capital swings in a 1 year are going to be less because the true north is accreting margin on that equipment backlog every day, to be clear.

And then with that, I mean, we gave some of the examples. We do still see real working capital improvement. I mean Maví framed up in Gas Power, some of the lean improvements in the supply chain, still even today, 40% of our Gas Power supply chain, that's farthest along, are on lean lines.

Ken Parks ***GE Vernova - CFO***
Yes.

Scott L. Strazik ***GE Vernova - CEO***
She has a lot of working capital improvements. And I would say that is humbly assumed in this framework with an expectation that we'll run the businesses to better results than that.

Michael Lapides ***GE Vernova - VP of IR***
Before we go to the next question. Just one quick thing. Let's limit the questions in this session to the presenters who've already gone up because we're going to have several others. We're going to have Philippe come up. We'll have Ken. We'll have an innovation panel.

With that, let's go to our third question. Mark Strouse over there in the middle.

Mark Wesley Strouse ***JPMorgan Chase & Co, Research Division - Alternative Energy and Applied & Emerging Technologies Analyst***
Great. Mark Strouse, JPMorgan. Can you talk about your Offshore Wind backlog outside of the pre-COVID contracts, the $4 billion that you've mentioned. Understand that margins are going to look a lot better. But can you talk about the shape of the revenue curve? I mean if we get to -- if you're burning off

the low-margin backlog over the next 2 years, is there kind of a hole to fill in 2026? Or do you already have that visibility? If you get an order tomorrow, can you talk about kind of the delivery timeline of when that might be?

Vic R. Abate ***GE Vernova - CEO of Wind***
Yes. No, and jump in, guys, but a couple of things on the profile. You'll see the revenue basically flat to down a little bit and then go down. Relative to new business, we're not taking any new business unless it makes economic sense. We are out talking with customers, it's long cycle, as you know. And we have taken our turbine pricing, and we've reset. Roughly from the backlog you're seeing about 50% higher. So if deals go forward, that's the only way we're going forward.

Now to that point, the business was scaling its structure and its cost to fulfill. We are putting that in a box. And by pulling Onshore and Offshore together, we actually believe we can go down quite a bit in cost and structure. And we talked about last year in Onshore, we took $0.5 billion out of that structure. There is a pathway to see similar kinds of numbers in Offshore as well and when you put it together as a segment, there's a real chapter here of cost. And if the market resets and the pricing we need to be successful clears, which you look at the PPAs going up, we think it can. This becomes a very nice chapter that's very accretive down the road.

Scott L. Strazik ***GE Vernova - CEO***
Because, Mark, to your point, there could be a period of time with limited Offshore Wind revenue. We're just not going to run the company with that concept of having like a tank to fill with any 1 year. That's not our true north. So just to reinforce Vic's point. If the market doesn't get to a point that we like the economics, exactly as you framed up, could very well happen. But that's exactly why Vic has combined the product lines into one business. We're taking out costs, and we've managed through that period of time. But we'd rather do that and then wait for a business we like than to try to fill a '26 volume profile per se.

Michael Lapides ***GE Vernova - VP of IR***
All right. Let's go to the next question here in the front row.

Clifford F. Ransom ***Ransom Research, Inc. - Founder & President***
Cliff Ransom, Ransom Research. For the operating heads, one of the keys to me in a lean journey is the sustainability of the culture. You've given us lots of examples of places where you try to apply lean thinking and they did very well. Tell us about your learnings, Vic, I love your phrase, we paid a lot of tuition to learn things. Tell us some of the things that you attempted that didn't work and then what did you do about it? That you thought were major objectives in any lean journey, there's a certain amount of pulsing, if you will. Can you talk about some of the things that didn't work well and what you then did about it?

Scott L. Strazik ***GE Vernova - CEO***
Mavi, you want to start?

Maví Zingoni ***GE Vernova - CEO of Power***
Thank you for the question. We think about the lean journey in this company. First of all, it's mindset, it is the continuous improvement. And again, if you analyze the whole Gas Power, I mean, we only have 40% of our hours on the lean line. So it means that we have a lot of opportunities to improve there. Think that probably we're -- a great good deal, this is a culture. This is a culture of continuous improvement to apply to everything that we do, regardless what the activity is and we are in that journey and everything that we make a step, we have to continue moving there.

I think that is important and where we are making better and better is to have the right KPIs to really measure what is important in the business. And then when it is not working to have the right problem solving there and to really work on the root cost analysis. So that's really important.

And if you ask me, probably we need to do better every day there. But that's in focus on today on the present on the next months. And then it's what you do in the longer term? How do we think about all those breakthroughs to help us to build the capabilities to be there in future. And that is depending where you are in the life cycle of the business where we need to keep on improving.

Clifford F. Ransom ***Ransom Research, Inc. - Founder & President***
(inaudible)

Michael Lapides ***GE Vernova - VP of IR***
Maybe if I repeat that because I want to make sure people who are online can hear that question. He was looking for an example of something that didn't work.] (added by company after the call)

Scott L. Strazik ***GE Vernova - CEO***
Yes. And Clifford, I go back to, if I parachute you into our operating reviews and something we're continuing to work on every day is embracing the red when things don't work. Part of what we're working on as a company and what I'm so excited about is our teams are becoming a lot more ambitious with their targets on things for the long term. So if you were in our operating review in January, you would have heard me say, guys, if we don't have on the long-term lean breakthroughs, half of it in the red, we're getting something wrong. We want to fail half the time with our big swings, and we'll hug you as that happens, not on the stuff that's critical to the customers tomorrow. That's a 4 alarm fire.

But on the breakthroughs, culturally, we're still gaining our ambition, and that's part of Cliff why I have so much confidence in what this company is going to become because the teams are just getting their feet under them right now to really have that confidence and the ambition to swing bigger. Gas is further along. They have their feet under them do a larger extent there. But I would tell you a lot of Vernova is just now starting to raise the bar of expectations to where we want it, embrace the red and then through that process really transform the company.

Michael Lapides ***GE Vernova - VP of IR***

We go to the next question here, Andrew.

Andrew Obin ***BofA Securities, Research Division - MD***
Just a question on gas turbines. Is there -- a lot of talk about your market share on the installed base, but not a lot of talk about market share on you. How do you think about the market share for each frame going forward? Do you feel like GE has sort of its natural market share in the market? Historically, you've been the leader or you just sort of managing the business now for margin, and you just -- yes, I'll just leave it.

Maví Zingoni ***GE Vernova - CEO of Power***
Yes. Not so focused on market share. I mean for us, it's growth, but it's profitable growth. We seized the gas power business for somewhere between 25 and 30 gigawatts a year. And we are very pleased to see the market above it. So it means that we can be more selective on what are the deals that we want, thinking about equipment and thinking also about their long-term services. So what's the value of that unit in totality. But even if you analyze the market share, we are very pleased with the market share of the H-class. But again, main focus for us is not going to be the market share, it's going to be a profitable growth.

Scott L. Strazik ***GE Vernova - CEO***
What we problem solve every day is how we are competitively positioned on performance with H, but don't overthink the losses that are associated with terms and conditions and price we don't like, okay? We're not going to chase the business. But where we think we're not as positioned as we should be on performance. We've got an incredible product management engineering team that continues to problem solve and make us better. Now the good news in that regard is we're winning the proportion of business that we believe we should be in that regard. But there's going to be terms and conditions we're not going to go after with our Gas business. And we see that every day.

Michael Lapides ***GE Vernova - VP of IR***
Got it. Next question here in the middle.

Andrew Percoco ***Morgan Stanley, Research Division - Research Analyst***
Andrew Percoco with Morgan Stanley. Maybe just coming back to the Onshore and Offshore wind business. You talked about being disciplined on pricing for Offshore wind. What else are you doing to protect yourself on the longer duration project development life cycle that we're seeing across the wind market outside of just getting more favorable pricing upfront, the inflation, indexing other contracting changes that you're making across that business?

Vic R. Abate ***GE Vernova - CEO of Wind***
Yes, I'll jump in and then feel free Ken. Totally pricing, step one. But the terms and conditions and the details matter. And so a couple of points. I'll just give you one example in Offshore. When we deliver, we deliver to a marshalling harbor, that marshalling harbor is full. Now we can't deliver. And so the cash terms of all of that now get stuck between some of those logistics. Things come out of the marshaling

harbor with somebody else's scope. They own that and weather issues, vessel issues, but my cash is tied up because of that situation. So when I said we're getting smarter, those are the details that matter here.

In Onshore -- the other side is costs and the transparency and the ability to have indices to manage those costs. So we have all those in a way that we feel comfortable to manage and navigate the project cycle. In Onshore, we just play a much shorter cycle game. I'm not bidding beyond what I know my known, known costs are. So I've got an engineering team and a product management team that are working with suppliers in the supply chain, driving my product costs down for a standard bill of material. Meanwhile, the market prices are known and I've got no knowns on both.

To go beyond that, we aren't doing that right now. And we don't feel the need to. Now we will talk to our customers. We'll give them indicative details, but I won't be long like you saw the backlog happen in Offshore -- in Offshore or Onshore without those kind of controls.

Michael Lapides ***GE Vernova - VP of IR***
Next question in the back in the middle -- right here.

Moses Nathaniel Sutton ***BNP Paribas Exane, Research Division - Research Analyst & Head of Clean Energy Research***
Moses Sutton, BNP Paribas. How do you think about long-term upside to gas turbines due to overall load growth versus generation supply challenges? So not only what we know about how load is growing, but when we think about, for instance, seasonal factors affecting renewable capacity factors dropped 50%, 75% from summer to winter. There's a deep call on gas. And I'm just wondering how you think of this. Is this more a tailwind for the Gas Power equipment side, rising gas baseload, need longer term, more on maybe the 800 gigawatts that you have installed and retrofitting those capacity factors. How do you see Gas playing that role?

Maví Zingoni ***GE Vernova - CEO of Power***
Well, the foreseeable future, I see only upside in the Gas Power business. Many reasons for that. I mean, first of all, our installed base, and I said before, I mean, the utilization of that installed base keeps on going up. Then we have the new units. I mean that the gas is going to play a role in the energy transition. And its -- that's something that we need to understand that this is just a transition and the gas power is an enabler for the penetration of renewables.

So -- and it depends on where -- in which region we are in, you have a faster growing demand, you need more baseload power right now, affordable, secure, dispatchable. But we also need the flexibility for the penetration of renewables to stabilize the grid. So the Gas could play a role there. They have different equipment. The aeroderivatives also play a role with the penetration of renewables.

So all in all, the gas is -- I mean the demand is strong right now, and we foresee it to remain strong for the role that it can play. But it doesn't end here. We're also investing in decarbonization opportunities.

Not only the coal to gas switching is going to accelerate the demand as well. But then what we are doing with hydrogen, giving the flexibility to our customers to also work on carbon emissions reduction and then the carbon capture. So I think it's not only the gas today, but what we are doing in decarbonizing all of our portfolio to give opportunities to our customers.

Scott L. Strazik ***GE Vernova - CEO***
If I give just a -- example of a bull and bear case that I've gotten wrong with Gas over time. Going back to when I was running the services business in '17, '18, we invested in upgrades at that time to allow our gas turbines get to much lower turndown ratios while staying on and ramp up a lot faster. Pure, ramping down, ramping up capability with the upgrades. In '17, '18, those weren't selling. Customers would tell us we like it, but we can't get it justified in our rate base if it was a regulated utility. There wasn't a way to kind of quantify that value of shifting a turndown ratio from 40% to 50% of the gas turbine to 20% and to pay us for the ability to ramp up faster. Those are selling today.

As the grid has become more complex, customers' ability to pay for that operational flexibility has changed. '17, '18, they weren't moving. '23, '24, '25 real demand as one example that I was probably more bullish 5 years ago, and it took a little while.

On the flip side, with the teams, I was probably more bearish on customer upgrades for hydrogen capabilities because I just felt like it was going to take a while for the hydrogen to show up. Economically it makes sense. Customers are making real investments today on ramping up that hydrogen penetration or mix faster than I think they're truly going to blend hydrogen into the gas turbines. But that's happening faster than we probably anticipated. So there's a lot of different elements here where customers are investing in this fleet with more conviction than I would say in my 10 years here, on things different than just pure output enhancements.

Michael Lapides ***GE Vernova - VP of IR***
We have time for one more question in the individual in the middle right here.

Nigel Edward Coe ***Wolfe Research, LLC - MD & Senior Research Analyst***
It's Nigel Coe from Wolfe. So Scott, I think you mentioned 10% of the load in the U.S. will be data centers by '23 in that zone. Obviously, there's a lot of interest in direct generation for data centers, be it SMR or other things. Do you see that as a potential growth vector for Vernova over the next 5, 10 years?

Scott L. Strazik ***GE Vernova - CEO***
The data center load growth, for sure. I mean, when we sit with our customers today, the complexity of what's happening is customers have made decarbonization commitments within any of their individual systems. And now subsequent to having those commitments, they're getting massive new demand put upon them on what's needed, that's above and beyond what they anticipated. So the challenge our customers have right now is they're looking at their existing fleet and number one saying, I probably need what I have already longer just to support the system and the load growth is going to be higher.

And it's going to be higher with power gen sources that need to be resilient. And that's where gas is getting even more strengthening today but will be complemented with the zero carbon solutions because you need the firming power for the data centers, but they've made commitments. They have no intentions in missing on decarbonization which is where the SMR and the Wind bulk discussions are really accelerating.

And we really haven't experienced this in the U.S. really the last 20 years. It's been a pretty flat demand cycle. I mean we've done a lot of coal to gas switching. It's decarbonized the system, but it hasn't really been driving increased electrical load. That's changing. It's going to have to change if the tech companies are going to get what they think they need this decade.

Michael Lapides ***GE Vernova - VP of IR***
All right. We will now adjourn for a 15-minute break, just a few logistical items.

Our technology showcases, the experts will be out there. If you'd like to see, like the video that Vic showed earlier today or some of the other technologies, please go visit those. Otherwise, we'll be back here in 15 minutes. Look forward to our next session.