GE Vernova

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Chad Dillard: Hi, good morning, everyone. My name is Chad Dillard. I'm the lead analyst here for the machinery sector and the electrical infrastructure sector. So joining me today is Scott Strazik, the CEO of GE Vernova. I'm very excited to have him on the stage today to have a broad and wide ranging conversation. So, welcome.

Scott Strazik: Chad, thanks for having me. Appreciate it.

Chad Dillard: So how about we start off with just maybe like a brief overview, and then we can dive into Q&A. But before we actually do that, I'd just like to let all of you know that somewhere floating around, I think there's a QR code that allows you to ask your questions, and I can read them off on your behalf. So, Scott, over to you.

Scott Strazik: Chad, thanks again for having me, for everybody joining both in the room and virtually. Really happy to be here, second year. We're almost 15 months into being a purpose-built public company after the spin from General Electric, and it's a really interesting time. With humility but also with conviction, I would say that GE Vernova is very uniquely positioned to lead during what is a very unique time.

If I just spend a minute on the market in that unique time framing, we often get asked, how do you compare this cycle to another similar one? And I would say at least in North America, you really have to go back to 1945 and the end of World War II. In that period of time from 1945 to 1975, the U.S. doubled its electrical grid every 10 years. And really from '75 onwards, we experienced very marginal growth over the last 50 years because of a lot of things, whether it be an oil crisis in the 70s, whether it be globalization that moved manufacturing jobs outside the U.S. in the 80s and 90s, whether it be the productivity with software and the internet that happened in the last 20 years.

What's so interesting is a lot of the things that were driving down demand the previous 50 years are driving an inflection point of growth now. The molecule to electron shift with things like EVs and home heating, the reindustrialization of Western supply chain, the fact that the software and AI is now electron hungry for the next step change in productivity, that all drives real opportunity for us in a very different way than we've experienced in a long time and that I've experienced in this industry in the last 12 years. Because historically, this is an industry where I would say there were always winners and losers. Gas was replacing coal. Wind and solar were trying to replace gas. And now the world, certainly the country, needs every electron it can find.

GE Vernova is well positioned to serve that market. The reality is we've got the largest

dispatchable power business in the world. Half of the gas installed base in the world is GE Vernova installed base. We're incredibly encouraged with our Nuclear business and small modular reactor that we should talk through today. We also have a big wind business with 57,000 wind turbines. I'm really pleased with the operational progress we're making in Wind, although the end market's softer than our other markets. Our fastest growing market and business is really all things electrification. That's the modernization of the grid, the expansion of the grid, but also grid software.

We're able to take this portfolio of businesses that really no one else in the world has and couple it with a very strong, clean balance sheet, over $8 billion of cash, no debt, and feel very well positioned to lead through this unique period of time. So we're about 15 months in. We're just starting both in the year and as a public company, but I really like our chances. And Chad and the room, look forward to talking about the art of the possible.

Chad Dillard: Excellent. Okay. So Scott, I guess beginning where you began about how you saw just such massive growth at the – between 1950 up to 1975. But let's kind of think through what's next. So how do we think about the long-term growth prospects for electrical load growth? And how will that benefit GE Vernova's business?

Scott Strazik: Well, I think we've been in a period with very marginal growth. And it's very clear that even if you go from limited growth to 2% to 3% load growth, that's going to require a lot of capacity additions into the system. And it's a lot of capacity that needs to be at a very high reliability rate. That's why you're seeing a lot of new gas build right now, because the system is requiring a level of reliability that few technologies can provide other than gas.

You're also seeing systems in the world that have gotten a very high renewables penetration rates. Think Portugal and Spain in the three days of brownouts they experienced last month, that need more inertia in their grid, that need more spinning reserve to function with the complexity of more technology that requires rotating equipment, whether that be gas turbines, but it also can be other things like synchronous condensers that are load balancing machines that we sell in our Grid business that, as an example, was a big part of the deal that we announced in Saudi a few weeks ago.

So it's just – we're going into a period of time where the economic unlock is dependent on incremental electrons, which is a huge shift. It's also a huge shift for our team because we're now value pricing, trying to understand the economics of the business that we're enabling versus competing against the next best power gen technology. And that creates a very different economic model for us, and frankly, a lot more fun to go after.

Chad Dillard: So with that as a backdrop, how do you think about the generation mix as we look towards the next 5, next 10 years?

Scott Strazik: We say in a lot of settings that we see Gas higher for longer. We're at a point now where we're selling into 2029 and having commercial discussions for our Gas backlog in 2030 and 2031. As an example, even since we had earnings in April, two material announcements. Duke came out and said that they're looking for another 11 heavy duty gas turbines. Saudi, we announced a $14 billion transaction with about a third of that being new gas build. All of that is out into 2029 and beyond as illustration of the strength of this market for a longer period of time.

That said, you hear a lot more on nuclear right now, and we're really encouraged with Nuclear. Our first small modular reactor is in construction in Ontario. We have our first customer in TVA in the U.S. that's put in their license to construct with our technology.

We were very encouraged with the presidential EO last week with the 18-month objective of getting the applications through the license to construct application process. So nuclear is going to play a more and more meaningful role into the next decade, but it's going to take until the next decade for that to come. And there's clearly a role to play for wind and solar. But that's a role to play with a mature enough grid in totality that can manage the variability that comes with those power generation sources.

Chad Dillard: Got it. Just going back to the $14 billion opportunity that you signed with Saudi Arabia. Maybe just expanding that back in terms of how the trade deals and how GE Vernova can actually help bring that in to solve that.

Scott Strazik: It's a big opportunity for us. At the end of the day, when you think about some of the things that the U.S. is going to export to solve those trade imbalances, think about how often LNG is discussed. Well, the LNG needs to be consumed with something, and a lot of times it's going to be consumed with power generation equipment that we can ship out of Greenville, South Carolina.

Saudi was the first deal. Logically, it was the president's first international trip. And on that trip, we announced that transaction. But there's more to follow. They're going to come in different flavors and different structures and different sizes, and they'll include different technologies. But we do have a lot of confidence that the trade imbalance dynamic with our infrastructure equipment can play a meaningful role addressing the geopolitics that are in play right now. But we've got to earn it every day, and we have to earn it in every country that those discussions are going on. And right now, there's a lot of open field running in that regard.

Chad Dillard: Specifically to your manufacturing footprint around the globe, how do you think about your competitive positioning in each of your segments?

Scott Strazik: We feel very good in Gas. We've got a very competitive, if not the best, 60-hertz baseload product. You're going to see that in share and margin and momentum in our heavy duty gas business.

We've historically been the number three player in grid, but we're making real progress there. Frankly, I like our chances. Our Grid business was a little bit more of an orphaned part of GE and is today a central, critical part of GE Vernova in which we don't have customer interactions without pulling forward our electrification scope. It's also a part of the business that we see real opportunities to drive lean capacity growth within the existing footprint by adding shifts, by eliminating waste, and we're seeing real progress in that regard. So we're getting more and more competitive every day in grid, both with cycle time and product performance.

And we're making real progress in Wind. Now, Wind of all of our business segments has the softest market today. So we're very focused on what we can control, and a lot of that today is services with our 57,000 wind turbine fleet, and we're making real progress there. But we also need another level of market momentum for us to kind of approach our next chapter in wind, but I like the progress that the team's making every day.

Chad Dillard: So with GEV carved out as a standalone infrastructure company, talk about how you can collaborate between Power and your Electrification business. And how are you setting up just processes internally to optimize that?

Scott Strazik: Power of the assist for us with our businesses, that's what we talk about as we help each other close deals, is really just getting started. The reality is when we were part of a much

bigger GE, certainly the last half a dozen years, there had been a very big push towards decentralization, for good reason, because we needed these businesses to stand up on their own two feet.

Today, as GE Vernova, as the businesses are performing better, we are seeing much more synergistic cross sell opportunities with our end customers than we had ever seen previously. Now, part of that's GE Vernova. Part of that's the simple reality that our customers are requiring more complex solutions and more integration. It's also a cultural dynamic that when we were part of a company with a big aerospace, healthcare and energy business, we just by default stayed in our lane to a larger extent. But now as GE Vernova, the overlap with our customers is very real. And I'm just starting to see the momentum come together where our teams are really seeing what the art of the possible can be, pulling in scope across our business segments.

The business that's benefiting from that the most is definitely our Electrification segment because that's the segment that may have historically had the least strong C-suite relationships, especially in the North America market. But we're really seeing more and more of that everywhere. And you're starting to see a real kick in the step from our teams on the one GE Vernova approach that, candidly, won't be feathered into our financials for a couple more years as the orders start to get booked, but give me a lot of optimism on what's ahead.

Chad Dillard: So how does that translate into a change in win rate or a change in terms of overall scope of a project that you're competing for?

Scott Strazik: Certainly the share dynamic or the win rate that we're seeing the most uptick in is with Electrification, and that does play into leveraging the Vernova relationships, to a large extent. We've historically in North America, as an example, had very good share in Gas and Onshore Wind. We will continue to have very good share in both of those businesses. But that probably would have been happening with or without Vernova, to be most transparent with you, just based on product fit and customer relationship.

With Electrification, there's a real surge, and that's why that's our fastest growing business. It'll eclipse Wind in size of revenue almost certainly in the next year and not stop there. So that is probably the one that logically, when you think about maybe us historically being a little bit more of a power gen business with gas, nuclear, steam, wind, and now we're really becoming a holistic solutions provider that is going to grow the fastest and gel in bringing together all things Vernova. There's a lot of mojo that we have inside our businesses right now with that part of the portfolio.

Chad Dillard: In your prepared remarks, you discussed the strength of demand for gas equipment. But maybe you can take this conversation a little bit more globally and just walk through region by region, country by country, what you're seeing on that front.

Scott Strazik: Certainly new capacity additions in Asia are critical. When you think about markets like Taiwan and the incremental electrons they need for TSMC, the amount of load growth that's needed in Southeast Asia, Indonesia, Malaysia where there's a data center buildout happening adjacent to Singapore, there's real opportunities for us. I mentioned Saudi earlier, but Saudi is not the only country in the Middle East that's going to need capacity additions, although it's probably going to be the biggest market, as real encouraging spots.

But then beyond that, there's not just incremental demand right now for new unit build. We're also seeing a lot of services growth. We've talked in different settings about the

fact that we expect our upgrades business to grow directionally 50% by the end of the decade. You can see where that type of demand is coming through, even with the number of M&A activities that are happening in the U.S., whether it be Constellation with Calpine, whether it be NRG with LS Power, whether it be Vistra with Lotus. Those are M&A activities that then those customers are going to upgrade those fleets that create real services growth for us. That is something that we probably need to talk about even more because that's going to feather into the financials even sooner.

Chad Dillard: Let's talk about it. For every turbine that you sell, what is the lifetime services opportunity? How do you think about increasing that over, let's say, the next 3 to 5 years?

Scott Strazik: Over 30 years, it's 2 to 3 times what the equipment opportunity is. So it's substantial, but you got to be patient. That is the razor blade model. Now, we're also taking price up in our services contracts today on new bid activity in a similar way that we are on equipment that will feather in over time and tranches as that business comes to be.

But what's also happening is just as the operating profile of the fleet grows and accelerates, the amount of outages move left. Because the things that drive our outages, which drives a large part of our services revenue, is how many times they start and stop, ramping up and ramping down, and their factored fired hours or how many hours they're running. The investments into the fleet are positioning the installed base to run more, sometimes starting and stopping more to support wind and solar, other times to be baseload with scenarios like data centers that are going to accelerate the frequency of the outage cycle. As those outages happen more frequently, the calories that we consume with our services business grow that much more.

So I think investors understand the ramp that we have coming with equipment through the second half of the decade. I think what we have to do a better job continuing to partner with you on is how much higher the services revenue is going to go from 2030 and beyond because of these factors that is going to be a really attractive annuity stream for our owners for a very long time.

Chad Dillard: So as you think about that ramp, what do you need to do internally from a capacity standpoint or anything else to actually realize and capture all that value?

Scott Strazik: We've had to secure a much larger forging and casting supply than what's in our revenue run rate today. That has included us having to fund furnaces with those suppliers to guarantee the supply that we needed both for new units and for services.

We're to a large extent using our existing factory footprint. So the capital investments is more new machines. What we really have been doing leveraging excellent lean playbooks is eliminating waste in our existing factories, and that's freed up a lot of space. It hasn't required us to pour new concrete, add new cranes, expand walls, but what it has required us to do is move a lot of stuff around. So we're adding, as an example, in our gas business over 500 new machines to machine the forgings and castings and to bring the product together. We're also having to move 300 machines. And that's a lift. All of that is going to happen between now and the 4th of July of 2026 when in the 3rd quarter of 2026, we'll have our step change up in gas turbine shipments to start to come into play.

Chad Dillard: Got it. And so as we kind of think about that post-2026 time frame, how do all those changes impact your margin and your return algorithm for the services business and more broadly?

Scott Strazik: I think there's a lot more to come in that regard with our margin profile. You look at our

business today, and we've talked about having a Power business that's at 13% to 14% EBITDA margins this year. We think we can do that or better. We've talked about a floor by 2028 of 16%. But that 16% excluded the new price we're starting to see on bidding activity that started to move late last year and the fact that services keep going our way.

So there's a lot more improvement to come in the power margins quickly. And I think our investors are going to see that. And we look forward to playing through this year and continuing to elevate that floor for what the Power business can deliver. But I tell you, my teams right now get more and more confident that the art of the possible is higher and higher with that business.

Chad Dillard: Got it. So let's actually, let's go back to the new equipment business. Can you talk about just where your capacity is today? And then just philosophically, how you think about ramping that up given the demand that you see ahead?

Scott Strazik: Annualized today, we're at about a 15 gigawatt simple cycle output. What that means is not attaching a steam turbine and a combined cycle, which gets you normally about 50% more output. I make that point to just say our customers often talk about announcements in combined cycle gigawatts. We normally talk in McCoy reporting simple cycle. But we're at 15 gigawatts a year right now. We've made a commitment to get to an annualized run rate of 20 gigawatts by 3Q '26, and a full calendar year, 20 gigawatts by '27. We're on track to do that. We've also talked about getting our upgrades business to grow 50% by the end of the decade. We're funding that growth incrementally that will help the profitability of the business substantially because our upgrades business is very profitable.

And at this point, we like that capacity level. At the end of the day, we made that move in capacity from 15 to 20 gigawatts in the fall of '24. We're sitting here today in the spring of '25, and we're selling slots in '29 while we still have some slots left in '28. And we're having commercial discussions for '30 and '31. The reason is because customers are coming to the realization that we're not the only variable at play for them to be ready to receive that gas turbine. They need the EPC buildout. They need the air permits.

What's really very clearly happening in this market is a higher gas market for longer, but I don't necessarily see it going a lot higher in '27 and '28. I think that's healthy because it protects for our capital and leaves us more dry powder to return that capital to our shareholders. But it also creates a more healthy ramp over a longer period of time and avoiding getting into a peak and trough, which we're working really hard to avoid right now.

Chad Dillard: Okay. So maybe moving to a couple of near-term topics. You mentioned $300 million to $400 million impact to GE Vernova from tariffs as of at least this last quarter's earnings. Can you talk a little bit more about the mitigating actions that you're taking to alleviate this? And then now that we've seen a shift in terms of tariffs in China, how should we think about that new number?

Scott Strazik: You bet. We talked about $300 million to $400 million net in our April earnings call. The gross number is higher than that, and we walked down because we have contractual provisions in many cases to pass it on to customers. Because in some cases, we're able to leverage free trade zones where we import stuff from outside the U.S. for a gas turbine, but then it gets exported to another country, and we utilize the free trade zone and don't have to pay tariffs through that vehicle, as two examples.

To Chad, your point, at the time we put the $300 million to $400 million number out

there in April, the China tariffs were north of 100%. That has come down, which lowers the $300 million to $400 million impact for 2026, assuming in July we don't have a number of other tariffs going the opposite direction. So we're not updating that number right now, other than to say that in isolation, the fact that the China number has come down is helpful. At the same time, though, relative to where we were at the April earnings, it's becoming more and more clear that 10% is the floor, which means we do have cost pressure that we need to contract for on new bidding activity and manage on a go-forward basis.

But what I'm happy about is since this really started on April 2nd, and internally we started talking about counter measuring this cost pressure, I'm very pleased with my team's response. We're making real progress, moving a lot of our G&A cost reductions to the left to address the near-term cost pressures we have and are more and more confident in 2026 between at least the stated tariff impact today and the G&A cost acceleration actions we're taking, we're going to do a pretty good job to mitigate this through those two things. While also simultaneously trying to solve some of the tension that is creating the tariffs with what we talked about earlier by selling our equipment into addressing some of these trade imbalances. So we've got to earn that with every country that the U.S. is negotiating with right now. But it's a real opportunity for us to not run away from the tariff cost pressure that's real, but also make sure we're part of the solution at the same time.

Chad Dillard: Got it. So just in terms of how you're dealing with that, to what extent are you approaching it from surcharges versus just a pure price increase? And then maybe you can talk about just within your, maybe more so on the Electrification side, just the competitive dynamics, just given that you do see some decent level of imports from some of your competitors.

Scott Strazik: In some contracts, we've got clear pass-through provisions. In all of our long-term service contracts, we have very healthy escalation protections where there's times in which we're a little bit more naked is on equipment contracts that were shorter term, where you take an order, you place the PO to the supplier, you match the price and the cost the day that you take the order, and then the tariffs come in on those transactions, which is driving the $300 million to $400 million in the near term in our existing backlog that we need to counter measure.

On a go-forward basis, we're putting in much more stringent conditions on who's going to pay for the tariff on a go-forward basis. That's an adult conversation with customers that matter. So it's not a one-size-fits-all case in every transaction. But we also are not trying to negotiate with hypotheticals. We all know that some of these things are going to change. So instead of trying to fine tune every last dollar, we're just contractually addressing the tariff risk, not knowing what it may be, but trying to put as much protection in place for us as we can. There may be some cases we have to agree to share to win the deal and to move forward in that regard.

But we continue to be, in most of our businesses, a healthy demand versus supply dynamic that is leading to, I would say, productive partnership-oriented discussions with our customers on the go-forward orders, although they can be tougher conversations on the stuff that's already on backlog that we didn't have explicit price protection on, and we're trying to solve for that. We're working through that as best we can while playing the long game here.

Chad Dillard: And then just on the second part of the question on your electric grid business. Just given that some of your competitors are more international, can you talk about just how pricing

discussions, what sort of umbrella you have in terms of being able to push price there?

Scott Strazik: In North America, we're still getting healthy price in our Grid business. In Europe, as an example, which is still our largest nominal business in Grid from a regional perspective, I would say price is decelerating at this point. It's not going down, but the pace of acceleration has definitely slowed. Our European transmission system operators that have spent a lot of capital after the Ukraine crisis to drive the Europe grid off of Russian gas are having to face into real affordability challenges, and the industry is going to have to do everything we can to support them.

So Europe specifically, we're probably entering a new chapter of margin expansion that's going to have to come more from variable cost productivity and less from incremental price. We aren't yet in that chapter with, call it, the modernization of the grid in North America. We still see healthy price increases with transformers and switchgears here. We see an emerging market in Asia, but it's a smaller part of our total book. So it is a tale of multiple markets with North America still having the most encouraging signs and Europe normalizing a little bit today.

Chad Dillard: Got it. Okay. So just to change the conversation up, moving over to the tax bill. So we saw the House version out. Chances are we might see some changes as it moves through the Senate. But let's just assume we're status quo. What are your thoughts on the impact to the Offshore or Onshore Wind business as well as combined cycle gas activity?

Scott Strazik: If the bill stays as it is, there likely will be an acceleration of orders activity to try to get as much wind into construction by the end of '28 as possible to protect for the incentives. But I don't think the market's accepting the bill as it is right now. So we're not seeing that orders activity today.

I think there's still a fair amount of pensive evaluations right now on when to start to accelerate that orders activity in wind in the U.S. We do expect there will be iteration on the existing policy. But what I would emphasize is we feel very well positioned to serve this market and serve this administration wherever the policy goes in the end. But depending on the incentive structure, it may lead to renegotiations that our end customers have to do with their end customers if the planned incentives aren't there for them anymore. And that in the medium term could lead to even more market softness beyond the near-term push to try to get things done by '28. That's hard to call.

So of our three business segments, without question, I would say there's the most variability in Wind. It's the most dependent on policy. And we're going to wait and see. Our first quarter of orders were very soft in Wind. We are hopeful the second quarter will be better than the first, but it's still not going to be great. I think this is going to take through at least into the third quarter before we start to see the market move. But we do see a role for Wind. And we are pleased with the operational improvement that we're making to match ultimately market clarity with operational improvement, but we're not yet at that point of market clarity.

On gas and combined cycle, we really have seen such a material shift up in that market. I don't know if wind or solar policy dramatically changes the gas demand. It is only net positive, admittedly. But I wouldn't tell you today that we're already seeing activity change in that direction. But it's hard to distinguish because we've been in the best gas market we've been in in a very long time already. So I wouldn't necessarily put another positive on top with gas because of this policy. I would wait and see on what that means.

Chad Dillard: Got it. Okay. Maybe just sticking with Wind. How do you think about that business and

its role or position as a part of the portfolio GE Vernova long term?

Scott Strazik: Well, I think just broadly, we talk about the portfolio with all of our businesses and our leaders that we need to earn our way in. We're setting our financial targets up for very healthy top line growth and real margin accretion that is a financial floor that we put in place in December '24 that I expect that we'll raise in 2025 at some point for our by 2028 financial expectations. We very openly talk to all of our businesses about the fact that we're running the company with an expectation every day to drive accretive financial performance. Today, whether it be in the financial performance of the Wind business in 2025 or our by 2028 financial expectations, Wind is dilutive relative to the other two business segments.

Now, that's with a U.S. market that's reasonably small. Think 6 to 9 gigawatts a year for the industry in North America. Many people think that number needs to be 15-plus gigawatts. You get to 15 gigawatts of the industry in North America and our investors are going to really, really like our Wind business. But at 5 to 10 gigawatts for the North America business, it's probably dilutive relative to the rest of our portfolio, and we need to then face into what that means over time.

The one thing I would say, though, is what's nice about our Onshore Wind business is to a large extent, we've put the capital into it. Let's just remember that in 2021, we shipped in onshore wind 4,000 wind turbines, and we didn't make any money. This year in Onshore Wind, we're shipping closer to 2,000, and we're delivering high-single digit EBITDA margins because we're running the business much better and we're applying the Power playbook to wind and the management team is doing an excellent job.

So we've made a lot of progress, but the point is we have the capacity to get back up to 4,000, and we already spent that money. So yeah, we'd have to hire people again to work shifts to grow into that volume ramp, but let's see where the market goes. Today, it's not a day to be really bombastic on Onshore Wind orders, admittedly. But if the market comes, we've got a very capital efficient growth trajectory with a business that has a lot of volume leverage. We're just not ready to embed that into our financial forecasts yet because there's a lot of uncertainty with wind today.

Chad Dillard: Moving to the next generation source, let's talk nuclear. That's clearly been an opportunity that's been, I think, 10 years out for a little while. How are you seeing that opportunity pull forward? And then can you talk about your SMR technology and how that plays a role?

Scott Strazik: You bet. The rest of this decade, you're going to see a few things take place that are all exciting. We've got about 65 gigawatts of equipment supporting nuclear today. Many of those plants are going to get upgraded. And as they get upgraded, that will be services revenue growth for us 2026 – or more orders – and revenue in '28, '29 and beyond. That's clearly in front of us.

On the SMR book, we are in construction on our first plant in Canada. We've got one customer that's already put in an application with our technology, Tennessee Valley Authority. We expect more customers to put in applications to construct new SMRs with our technology before the year is over.

Then the question comes down to how quickly does the NRC move? The presidential EO last week stated very clearly the expectation that we get to an 18-month cycle from application to approval. If we get there and we're getting approvals to start construction on new nuclear in 2027, we've got a very credible shot at adding incremental zero carbon

electrons through SMR in the U.S. late 2030 into 2031 that is just the beginning of what could very much become a very meaningful part of our business in the 2030s.

We're very encouraged by this. The customer sentiment and interest is very high. There's a willingness to pay a premium for zero carbon baseload power relative to other alternatives. There's a real opportunity here, but there's a lot of work to do. This is an industry that's been sleepy for the better part of the last decade that we're bringing back to life. But I like our chances.

Chad Dillard: I've got some audience questions. Are GE Vernova and/or competitors requiring reservation fees for gas turbine orders? If so, how meaningful are the fees?

Scott Strazik: We're certainly not protecting for any slots with anyone without substantial cash down. The capital requirements vary a little bit by the intimacy of the customer relationship and the interconnections that we have. But generally speaking, when we talk about slot reservation agreements in Gas, we have on average 20% of the gas turbine contract price in deposit before we're calling it a slot reservation agreement.

Chad Dillard: Got you. And then what are GE Vernova's key opportunities and innovations in carbon capture and low carbon hydrogen to support the energy transition and meet your net zero goals?

Scott Strazik: It's a great question. I'll be on my way later today to our Advanced Research Center in Niskayuna, New York, and one of the things I'll see with one of our customers that's visiting with us is our direct air capture facility. We believe carbon capture is going to play an important part of the equation here. We're building a north of 1 gigawatt new build gas plant in the UK right now with carbon capture that will be carbon capture enabled on day one. It's a project called BP Teesside.

I mentioned the direct air capture where we're investing in our own sorbent technology to decarbonize ultimately gas. Right now we're using it for direct air capture. A number of the projects that are going to get built with hyperscalers in the next 5 years have commitments, in some cases for point source carbon capture on day one. Some have the commitment to go to carbon capture 5 years later. So this is starting to definitely materialize, and there's more to come here.

So we do see carbon capture as an important part of the equation. We often talk about a dollar invested in gas is not a dollar invested in carbon indefinitely, and we say that because of carbon capture. We often say that because of hydrogen, too. But a lot of our modeling says where there's carbon pipelines and carbon cavities, carbon capture will make a lot more economic sense than green hydrogen. But that's for sure going to be a part of the equation going forward.

Chad Dillard: Could you speak to your competitive positioning in HVDC within the grid? There's a massive $35 billion Permian transmission plant in Texas. Could you frame the opportunity for GE Vernova there?

Scott Strazik: Very attractive. We've made a lot of progress in Grid over the last 3 years. Our equipment backlog in Grid has grown from $6 billion to north of $20 billion in the last two years. We've talked about publicly that we'll grow the equipment backlog as much in nominal dollars in '25 as we did on average in '23 and '24. So that's saying our equipment backlog will grow to directionally at least $27 billion this year. That includes multi-billion dollars of HVDC projects.

Many of those projects to date have been projects in Europe, but there's a growing pipeline in North America with customers that I would say represent our home field. We're fully committed to investing into that market, including a very large engineering investment we're making in North America to serve that customer archetype.

So it's progressing. There are a number of North America HVDC projects that are moving in the right direction, but I don't know if we're ready to call an orders date yet. But if you take a medium to long-term view, it's going to be an important part of our growth from here.

Chad Dillard: Has any of the geopolitical activity had any effect on the competitive dynamics within your business segments, particularly overseas?

Scott Strazik: I think our customers make a distinction, to a large extent, between the company and the country policies. But like I've said earlier in the conversation, we do think we can be part of the solution versus part of the problem with the trade deficits. We're very forward-leaning on that with both the U.S. government and many foreign governments and foreign customers that we have longstanding relationships with. We say that with complete humility, knowing that we need to earn that every day.

But we are a local company that works very hard to have local teams to serve our global markets, and I think that's paying dividends for us right now. But I also think the geopolitics is one that we go into those conversations ready to adapt our business to where policy goes. We don't write policy. We need to thrive regardless of it. We also go into those discussions with open palms, trying to figure out how we serve and solve the problems at the heart of where those geopolitics are complicated. Fortunately, with heavy-duty infrastructure equipment, we can play a meaningful role here.

Chad Dillard: Okay. Keep going. Following the new deals – a lot of questions. Following the new deals in GCC out of Middle East, including KSA, do you see the region becoming more important in your geographical exposure?

Scott Strazik: I do think you're seeing a dynamic where that region strategically is going to continue to be even more important for data centers, for chips. That buildout requires more electrons, and we're very well-suited to serve that market.

We're very excited about where we are positioned in the Kingdom of Saudi Arabia. We did a Future of Energy event with the Royal Family in February and a couple hundred customers and between 400 and 500 suppliers in the Kingdom. Highly motivating week in February. There is a lot of business that we can do there in a country that's just changing drastically, both economically with their grid socially, and we're very motivated to serve.

But it's not restricted to just Saudi. We do a lot of business in Iraq today, both in Gas and in Grid. There are a lot of very strategic power arrangements that are being set up in the region that can lead to long-duration transmission lines being built across borders that we're very motivated to play a role in. Many countries in that region require fuel flexibility to be able to combust many different types of fuel. That's one of our greatest strengths with much of our gas turbine fleet.

So Gas will continue to remain strong, but not different than other parts of the world. I think where we're going to surprise to the upside is how much new Grid scope we're going to take on in the years that follow, because that has not been our legacy relationship with many of these markets. But now that they're understanding our

commitment to the Grid business, the stark change is you're going to see a lot more Grid growth in the Middle East, and it's something I'm really excited about. You saw that in Saudi. A healthy amount of that $14 billion is synchronous condensers, grid stabilizing equipment that sits in our electrification segment. There's more of that to follow.

Chad Dillard: Last year, you talked about taking orders out as far as '27 and double digit pricing increase on the back of 3-plus years of visibility. Could you provide an update on that? And have orders accelerated?

Scott Strazik: We see a pretty steady backlog growth in Gas through this year into next year. What I mean by that is we talked about in our April earnings that we have 50 gigawatts on contract. That's 29 gigawatts in backlog and 21 gigawatts with slot reservation agreements. Just to reground on the earlier conversation, those 21 gigawatts of slot reservation agreements have on average 20% down payments for the gas equipment.

We also said in April that that 50 gigawatts will be at least 60 gigawatts by the end of the year, if not higher. It's not going to come in any one quarter. Probably not there in July. It's a 2Q earnings call, but certainly by the end of the year. But we also have a pipeline that extends certainly through a healthy part of 2026, where we expect that contracted gigawatts to continue to grow.

Both from an orders perspective, what I would say we're in is a mature, steady ramp that'll keep growing the contracted backlog at growing expanded margins that is going to give our owners that much more confidence for that many more years on the strength of our power business.

Chad Dillard: Could we clarify that your capacity – say in gas turbines – is 15 gigawatt run rate? I believe that's an acceleration versus plan. What drove the acceleration?

Scott Strazik: 15 is consistent with our guide for this year in revenue in this year. And I'm rounding when I say 15. Whether it ends up being 14 or 16, let's not be precisionist here. With a projection to get to a run rate of 20 by the third quarter next year. So think to yourself, 15-ish this year, mid to high teens next year as we ramp up in 3Q '26, 20 gigawatts full calendar year 2027. That has been our plan really since we announced the capacity expansion in September of '24. It remains our plan.

Chad Dillard: So a question for you on your Electrification business. How are you sizing capacity to meet demand, but not overbuild? And how far out are lead times today?

Scott Strazik: We're selling into '28 and '29 with our longest lead equipment today, some of the larger transformers. I would say with transformers, switchgears, circuit breakers, there's more competition. There's more players that can more easily add capacity. So we need to be even more thoughtful on adding capacity there than in Gas, where you can very clearly see the, we call them box charts, that are available for our customer base. So we like where we are with Grid, but we also need to be thoughtful and disciplined to not over-capacitize, and we scrutinize that every day.

Chad Dillard: Got you. Just maybe one last question. If you had $100 million of extra capital, where would you deploy it organically?

Scott Strazik: Organically? Well, I think that the reality is we're sitting on over $8 billion of capital that we need to put to work here efficiently, but we also are maturing as a company and a team on our investment return discipline, and I think we'll emerge continuing to play even more offense there across the portfolio, but probably with the largest growth in

investment coming in the Electrification segment. Now, that's a business that's seeing the largest organic growth, so that's logical. But to be clear, we're also putting a lot more money into R&D. We're growing our R&D budget almost 25%, '25 to '24.

So we're investing in the future of this company in many ways. And I look forward to us going through a strategy cycle again in the summer and fall in which all good ideas are welcome. I think our team is getting our feet under us now 15 months in as a public company that there's even more good ideas coming. And the good news is we've got the financial capital to put it to work, but we're also going to be disciplined and be very responsible as we do that, regardless of how clean and strong our balance sheet is, and I look forward to sharing more of that with all of you as we go.

Chad Dillard: All right. We'll leave it there. Thank you, Scott.

Scott Strazik: Chad, thanks for giving me the time.