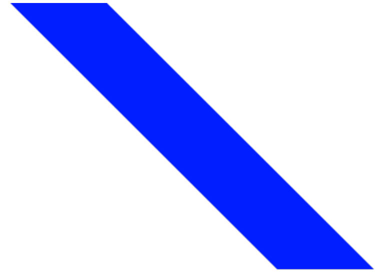

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# EDITED TRANSCRIPT

## Q3 2024 GE VERNOVA INC EARNINGS CALL

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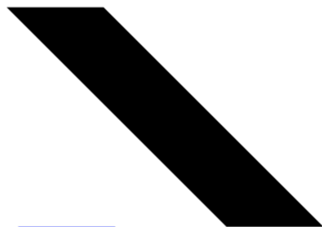

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# CORPORATE PARTICIPANTS

- **Michael Lapides** *GE Vernova Inc. - Vice President of IR*
- **Scott Strazik** *GE Vernova Inc. - CEO*
- **Ken Parks** *GE Vernova Inc. - CFO*

# CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Julian Mitchell** *Barclays Capital, Inc. - Analyst*
- **Nicole DeBlase** *Deutsche Bank - Analyst*
- **Andrew Percoco** *Morgan Stanley - Analyst*
- **Joe Ritchie** *Goldman Sachs Group, Inc. - Analyst*
- **Julien Dumoulin-Smith** *Jefferies - Analyst*
- **Andrew Obin** *Bank of America - Analyst*
- **Andy Kaplowitz** *Citibank Inc. - Analyst*
- **Mark Strouse** *JPMorgan Chase & Co - Analyst*
- **Chris Dendrinos** *RBC Capital Markets - Analyst*

# PRESENTATION

### Operator

Good day, ladies and gentlemen, and welcome to GE Vernova's third quarter 2024 earnings conference call. (Operator Instructions) My name is Liz, and I'll be your conference coordinator today.

(Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the program over to your host for today's conference, Michael Lapides, Vice President of Investor Relations. Please proceed.

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### Michael Lapides *GE Vernova Inc. - Vice President of IR*

Thank you. Welcome to GE Vernova's third quarter 2024 earnings call. I'm joined today by our CEO, Scott Strazik and CFO, Ken Parks.

Our conference call remarks will include both GAAP and non-GAAP financial results. Reconciliations between GAAP and non-GAAP measures can be found in today's Form 10-Q, press release, and in the presentation slides, all of which are available on our website.



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Please note that year-over-year commentary or variances on orders, revenue, adjusted EBITDA, and margin discussed during our prepared remarks are on an organic basis. We will make forward-looking statements about our performance. These statements are based on how we see things today. While we may elect to update these forward-looking statements at some point in the future, we do not undertake any obligation to do so. As described in our SEC filings, actual results may differ materially due to risks and uncertainties.

With that, I'll hand the call over to Scott.

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## Scott Strazik *GE Vernova Inc. - CEO*

Thanks, Michael. Good morning, everyone, and welcome to our third quarter earnings call. We continue to gain confidence and conviction in the growth trajectory ahead for GE Vernova. We are in the early innings of an investment super cycle in the expansion and decarbonization of the electric power system, driven by increasing demand for power, increased focus on energy security, and rising grid investments.

The GE Vernova purpose has never been more clear, and we are excited to have published our first sustainability report last month. Our objective with this report is to provide metrics on our progress in electrifying and decarbonizing the world, while ensuring the communities we operate in thrive, and simultaneously get better each year in conserving resources with our own operations.

A quick discussion on a few of the sustainability metrics we’ll measure and update each year. In 2023, we added 29 gigawatts of new capacity to the grid globally, with 42% in developing markets. The carbon intensity of this capacity is approximately 25% below the global average carbon intensity of the existing global power sector and has the potential to avoid 20 million metric tons of CO2 per year.

I share these examples to reinforce our true north in both adding capacity of the grid each year while driving towards a more sustainable electricity system. These sustainability metrics align our broader purpose with our multi-year financial ambitions to deliver attractive returns for our shareholders.

Turning to slide 4, I'll spend a few minutes on each of our segments. Our Power segment, led by Gas Power, delivered strong double-digit orders and revenue growth with over 200 basis points of margin expansion. Power orders increased 34% this quarter, driven by substantial equipment demand, both for HA and aeroderivative units, as well as services.

Year to date, we have booked approximately 14 gigawatts of orders for new gas turbines, nearly double last year's level. We expect the fourth quarter to be our largest equipment orders quarter of 2024. As discussed in September, we have now secured capacity to deliver between 70 to 80 heavy-duty gas turbines per year starting in 2026, up from 55 in recent years. As we look at the anticipated orders profile for 2026 and 2027, even with this capacity expansion, manufacturing slots are scarce.

In addition to equipment demand growth, we are seeing services demand in our installed base grow meaningfully. As customers aim to get more capacity and better performance out of their plants, we expect greater demand for upgrades, driving Gas services growth. Today, we deliver about $2 billion of upgrades annually in our Gas business, and we anticipate this could grow by 50% by the end of the decade. There is a lot to be excited about in our Power segment.

Electrification is our fastest growing segment, delivering a 24% revenue increase in the quarter, driven by stronger volume and price. Demand for our products remains strong as customers modernize and invest in critical grid products, such as HVDC systems, transformers, and switchgears, which are essential to ensuring a reliable electricity system and connecting new generation sources.

Over the last two years, we have seen our equipment backlog grow meaningfully and profitably, and we are on track to more than triple this backlog by year-end ’24 from year-end '22 levels of just over $6 billion.

This quarter, Electrification achieved double-digit EBITDA margin for the first time, with expansion of nearly 700 basis points. Demand trends and improving execution are driving an acceleration in margin expansion, increasing our confidence in our trajectory going forward. And we expect this business to consistently deliver double-digit EBITDA margins from here.

Turning to Wind. In Onshore, we continue to improve on our profitability, expanding margins, and delivering our most profitable quarter in a number of years. We remain cautious on the timing of the inflection for orders, but have positioned this business to deliver high single-digit EBITDA margins on approximately flat revenue this year. We continue to have confidence that as we drive Onshore revenue growth, as early as 2026, we can continue to accrete margins in this business.



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In Offshore, we've had a difficult four months and are disappointed given the impact on our customers and on our financial results, with a significant loss we took this quarter. We have finalized root cause analysis and confirm the blade at issue at Vineyard Wind was caused by a manufacturing deviation from our factory in Canada.

We have been very intentional, thorough, not rushed in reevaluating our blade quality across Offshore Wind in totality. As we re-accelerate progress on our projects, we are proactively strengthening some of the blades, either back at the factory or in the field, to improve quality and readiness for their intended useful life. We continue installing turbines at Dogger Bank, while at Vineyard Wind, we are installing towers and nacelles and are very close to resuming blade installation.

Looking ahead, we're focused on improving execution and delivering on the approximately $3 billion backlog in the safest, highest-quality delivery model that makes economic sense for our customers and ourselves. We do not foresee adding to this backlog without substantially different industry economics than what we see in the marketplace today. I'm proud of our team as they execute in this difficult environment and appreciate the engagement with our customers. I remain confident that we will return the Wind segment to profitability in the fourth quarter.

Now over to the right side of the page. We're focused on further embedding lean across the organization, driving continuous improvement in safety, quality, delivery, and cost. Safety is our number one priority, and unfortunately, we experienced a fatality this quarter at an Onshore Wind site in Sweden. We are working to accelerate the company-wide adoption of our life-saving rules deployed earlier this summer.

Turning to quality. An example of how we are implementing lean in our Onshore Wind business is our workhorse turbine strategy. Today, we have over 2,000 of our workhorse 2.8 megawatt wind turbines that we've commissioned in the last two years. These units are performing at approximately 98% availability due to our focus on reduced variants and repeatable operations to drive better quality.

On delivery, we are leveraging lean to increase output of our existing manufacturing footprint with limited capital spend needed. As an example, in our Power Transmission business within Grid, we will double the capacity of the manufacturing output of this business, with 75% of the expansion coming from core lean improvements driven by better asset and labor utilization. The remaining 25% of the capacity increase will come from site expansions.

On cost, we announced a planned reduction in our Offshore Wind headcount as part of our efforts to streamline our Wind business to make it more efficient and to improve results. We are operating the Wind segment as one global business with three main product lines, two in Onshore Wind and one in Offshore Wind, with increased visibility, improved learnings across the teams, and a better cost structure.

We are also driving meaningful productivity with our suppliers in the large Electrification projects that we have secured in backlog in the last 21 months. This progress continues to strengthen our confidence in our ability to deliver this growing backlog in Electrification for our customers while substantially accreting margins in this business going forward.

Turning to the next slide for a look into our third quarter financial performance. We delivered a solid quarter with double-digital orders, with services up almost 30%, and double-digit revenue growth, as well as significant margin expansion at Power, Electrification, and Onshore Wind. That said, our current quarter could have been even stronger if not for the quality and execution challenges in Offshore Wind, which we are addressing and learning from to make us a stronger company going forward.

We generated substantial free cash flow and increased our cash balance from $5.8 billion in 2Q to $7.4 billion in 3Q. During the quarter, we sold a 16% ownership stake in GE Vernova T&D India, part of the Electrification segment, at an attractive valuation that generated approximately $700 million of pre-tax proceeds. This transaction demonstrates how we intend to run GE Vernova. We will monetize assets across our portfolio when we see attractive opportunities to do so, enabling us to invest more in our core businesses to simplify the company and return capital to our shareholders.

We are reaffirming our full year 2024 guidance. We look forward to discussing our multi-year financial outlook, as well as our capital allocation strategy, at our investor update in New York on December 10th. I'm more confident today in the future of our business than ever.

And I will now turn the call over to Ken for more details on our third quarter performance.

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



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Thanks, Scott. Turning to slide 6, in the third quarter we delivered solid results with double-digit orders and revenue growth led by Power and Electrification. Margins expanded year-over-year across Power, Electrification, and Onshore Wind, but were offset primarily due to additional contract losses at Offshore Wind. Importantly, we generated substantial free cash flow in the quarter, driven by strong working capital management, including improved linearity.

Orders grew 17% driven by services, which increased 28%, with double-digit growth across all three segments. Equipment orders grew approximately 8%. Power and Electrification equipment orders grew substantially, partially offset by lower equipment orders at Wind.

Our backlog of $118 billion grew both year-over-year and sequentially, and equipment margin and backlog remains healthy, reflecting our disciplined, profitable growth priority. Revenue increased 10% in both equipment and services. Service revenue grew in all three segments, while continued momentum in Electrification and Power drove higher equipment revenue. In addition, price remained positive across all three segments.

Adjusted EBITDA continued to reflect higher, more profitable volume, price, and productivity in the quarter. On an organic basis, Electrification realized nearly 700 basis points of margin expansion, and Power margins expanded more than 200 basis points. This margin strength was offset by Wind, primarily due to higher contract losses at Offshore.

We delivered nearly $1 billion of positive free cash flow, improving $900 million year over year, primarily driven by stronger working capital management. Working capital was an approximately $600 million benefit in the quarter, improving over $500 million year over year, mainly due to improved linearity, which includes more closely aligning the timing of disbursements and collections.

Our cash balance also reflects the monetization of a 16% ownership stake in our Electrification joint venture in India, which generated approximately $700 million of pre-tax proceeds classified as financing cash flows with no impact to adjusted EBITDA.

We executed this transaction as a part of our ongoing process to simplify entity shareholding structures as well as to capitalize on strong equity valuations in India, while remaining the majority shareholder in this business serving an attractive market. Combined with our third quarter free cash flow, these proceeds increased our already solid cash balance to $7.4 billion.

We're encouraged by our year-to-date financial performance with solid revenue growth led by services, which increased 9% year over year, adjusted EBITDA margin expansion of over 200 basis points, and more than $1.1 billion of positive free cash flow generation, a year-over-year improvement of over $2 billion. Our backlog growth in both services and equipment provides an excellent foundation for continued strong financial performance.

Turning to Power on slide 7. The segment delivered another strong quarter with continued double-digit orders growth, increasing revenue, and further EBITDA margin expansion. Orders grew 34%, led by higher equipment and services at Gas Power. Gas Power equipment orders increased 40%, as we booked 9 HA units in the quarter, which exceeded the total number of HAs booked in all of 2023.

We also booked 15 aeroderivative units in the quarter, almost doubling units ordered in the third quarter of last year. Power services orders were up 29% due to higher demand from outages and upgrades. The robust demand for Gas equipment and services is driving further growth in our backlog. Based upon the backlog, we're funding capacity expansion from customer orders and related downpayments to enable delivery of 70 to 80 heavy duty gas turbines annually starting in 2026.

Revenue grew 13%, driven by Gas Power. Services increased mainly from higher outage volume as well as price. Equipment revenue reflected growth in HA gas turbine deliveries. EBITDA increased 45%, resulting in 240 basis points of margin expansion, as higher volume, productivity, and price more than offset the impact of inflation.

We're using lean to drive better operational execution and productivity, which is improving equipment profitability. For example, the heavy duty gas turbine team enhanced standard work from underwriting to execution through a series of kaizens. This work has resulted in a 20% improvement in quality controls so far this year, generating productivity and margin expansion. We continue to leverage lean to drive better financial results and better outcomes for our customers.

Looking at the fourth quarter, we expect Gas equipment orders to accelerate. We anticipate higher HA deliveries and services revenue to be offset by lower aeroderivative deliveries, resulting in relatively flat revenue, EBITDA and margin, compared to a strong 4Q'23. We also expect continued productivity to offset inflation.

At Wind, Onshore delivered its most profitable results in 12 quarters. While we incurred additional Offshore contract losses related to the impacts of recent blade events and expected project execution delays. Wind orders declined 19% due to lower Onshore equipment orders outside of North America as we remain selective about the markets we serve. In Offshore, we remain focused on



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executing our existing challenged backlog. Revenue decreased slightly in the quarter.

In Offshore, the impact of execution delays resulted in lower revenue, partially offset by a settlement of approximately $500 million for a previously canceled Offshore project. In Onshore, revenue grew due to higher North American equipment and services despite lower volume outside of North America.

EBITDA margins contracted 410 basis points versus the prior year. In Offshore, the impact of the approximately $700 million charge for additional contract losses was partially offset by the $300 million gain from the Offshore project cancellation settlement. In Onshore, margins expanded from positive price and favorable equipment mix. Onshore delivered better results despite higher services costs, as we're deploying more crews and cranes to continue improving fleet availability.

Overall, we're focused on driving better quality, cost, and execution productivity across Wind. As discussed, we remain cautious on the timing of an Onshore order inflection in North America as customers navigate growing interconnection queues. We do expect the Wind segment to grow revenue and EBITDA substantially in the fourth quarter as we deliver more higher-margin Onshore equipment volume out of existing backlog. As a result, Wind should be modestly profitable in the quarter given stronger Onshore results.

Turning to Electrification on slide 9. We had another quarter of robust demand, significant revenue growth, and EBITDA margin expansion. Orders grew 17%, driven by the increasing need for grid equipment. Within Grid Solutions, orders remained strong in the US, particularly for switchgears. In addition, Electrification services orders grew 23%.

Revenue increased 24%, driven by Grid Solutions, with meaningful growth in switchgears and transformers, and by Power Conversion. EBITDA margin expanded nearly 700 basis points on strong volume with continued price and productivity.

The segment achieved its first quarter of double-digit EBITDA margins, with all Electrification businesses expanding margins in the quarter. We continue to see strong demand and price resulting in Electrification revenue growth and substantial EBITDA margin expansion. Equipment orders are outpacing revenue, further expanding the equipment backlog to approximately $19 billion, up almost $6 billion compared to the third quarter of 2023.

In the fourth quarter, we anticipate further equipment backlog growth driven by continued order strength at healthy margins. Revenue should increase year over year, but at a more modest rate relative to year-to-date performance given the comparably strong revenue in 4Q'23. We expect continued margin expansion from higher volume, favorable pricing, and productivity.

Turning to slide 10 to discuss guidance. While I touched on the fourth quarter for the segments, for GE Vernova overall, we expect solid year-over-year revenue growth and adjusted EBITDA margin expansion from higher, more profitable volume, pricing and productivity, despite losses at Offshore. We expect fourth quarter free cash flow to be lower year over year as quarterly cash linearity improves. Given we booked our largest Onshore order in 4Q last year, the SunZia wind project, we also expect lower down payments.

In addition, we anticipate higher taxes as a result of our EBITDA growth, along with higher capex primarily to support future capacity expansion in Gas Power and Electrification. For the full year, we're reaffirming our 2024 GE Vernova guidance, as stronger performance in Power and Electrification is offsetting additional losses at Wind.

We continue to expect revenue towards the high end of $34 billion to $35 billion, adjusted EBITDA margin to be in the range of 5% to 7%, and free cash flow to be between $1.3 billion and $1.7 billion, but trending towards the higher end of the range. By segment, in Power, we continue to expect mid-single digit organic revenue growth with EBITDA margin expansion at the higher end of 150 to 200 basis points from services strength and productivity.

At Wind, we still anticipate revenue to be essentially flat year over year. Positive price, productivity, and cost savings in Onshore are expected to partially mitigate losses in Offshore. As a result, we expect segment EBITDA to move closer to profitability, improving nearly 50% compared to the $1 billion loss in 2023. In Electrification, we now expect high-teens revenue growth, giving us increased confidence in achieving the upper end of high-single digit EBITDA margins for the year.

We're very encouraged by the growing strength we're seeing at Power and Electrification, and we're taking steps necessary to deliver better financial results at Wind. We remain committed to maintaining our investment-grade balance sheet, and we're growing our cash balance. We look forward to providing you with details on our multi-year financial outlook and capital allocation strategy at our December 10th meeting.

With that, I'll turn it back to Scott.



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### Scott Strazik *GE Vernova Inc. - CEO*

Thanks, Ken. We are pleased with our performance so far this year and excited about our future as we help our customers electrify and decarbonize the world. Market dynamics continue to drive strong demand that will lead to multi-decade growth for GE Vernova and continue creating value for our stakeholders.

Specifically, our Power segment generates approximately 70% of its revenue from services, and we expect this segment to deliver continued margin expansion with growing free cash flow for a number of years. We expect to continue expanding margins and Onshore Wind, and we are vigorously addressing the challenges and Offshore Wind.

In Electrification, we are seeing customers significantly increase grid related investments to improve reliability and connect more zero-carbon power sources. We expect this segment to also deliver higher margins in the years to come.

As we execute on our strategy, our lean operating system, commitment to sustainability and innovation remain at the core of our company. We are running our businesses better and are well positioned as electricity markets evolve. We expect to deliver growing adjusted EBITDA and free cash flow over the coming years.

And when we put all this together, we see a clear opportunity to deliver substantial value for our stakeholders going forward. With that, I'll hand it back to Michael for the Q&A portion of our call.

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### Michael Lapides *GE Vernova Inc. - Vice President of IR*

Before we open the line, I'd ask everyone in the queue to consider your fellow analysts and ask one question so we can get to as many people as possible. Please return to the queue if you have follow ups. Operator, please open the line.

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# QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Julian Mitchell, Barclays.

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### Julian Mitchell *Barclays Capital, Inc. - Analyst*

Maybe just the first question, I'm circling back on Offshore as there was clearly a lot of news there in September. And maybe just remind us as you look today, how you're thinking about the pace of that $3 billion of Offshore backlog being worked down. And then there was a good update on the turbine blade issues in North America, and maybe just anything on what's going on with the UK project, please?

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### Scott Strazik *GE Vernova Inc. - CEO*

You bet, Julian, I mean, to start, clearly the last four months for Offshore Wind have been difficult for us. I mean, the delayed project execution has cost us time on when we had previously talked about completing the backlog we have to go, which previously we'd said we'd be largely complete by the end of 2025.

In light of what we've been managing to the last four months, that's moving to the right. But we're also at a period of time where we’re evaluating alternatives, things like incremental vessels, things like that, that can increase the pace. And we're committed to giving you transparency to the burn down of the approximate $3 billion backlog we have left to go when we get together on December 10th, as we outline our both '25 financial objectives and our long-range financial targets associated with that.

On the blade piece of the equation, just going right there, we've been very intentional and focused on this since the event in July. We can tell you, I'd say, that the root cause was what we framed up in July. There was a manufacturing deviation at one of our factories in Canada. We have been very systematically reviewing all of our blades in Offshore Wind, and we can say today that a very small proportion, low single digit proportion of our manufactured blades in totality also had a manufacturing deviation similar to



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the blade that we experienced the failure at Vineyard Wind.

In those cases, we're taking action on those blades, and we're doing that right now and really now getting to a point of shifting back to execution out at sea. To your question on Dogger Bank, we're fully in installation and commissioning in Dogger Bank today. In the case of Vineyard, we have been installing both towers and nacelles and just got guidance to start to begin reinstalling blades at Vineyard yesterday. So I think this blade chapter, we've learned a lot from the last three or four months and now this is back to project execution, and we'll give you more on the burn down of the $3 billion to go on December 10th.

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## Ken Parks *GE Vernova Inc. - CFO*

And Julian, I would just add where we are, it's important to understand that as we've taken that $700 million charge, we've taken into account all of the things that Scott has outlined. So in other words, we know that there's cost for blade remediation. There's also this extension of the delivery timeline, which we have some current estimates at. But we'll continue to work through it, both on how it may impact the Vineyard Wind project as well as the Dogger Bank project.

So the important thing to consider is, we've done a lot of work. The teams have done some outstanding work to make sure that we're staying ahead of this with the customers and making sure we're delivering on our commitments there. But we have attempted our best effort in those charges to encapsulate all the costs that's going to come along with that. So the numbers that we gave you our are as clean as they can be as far as what it takes to deliver.

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## Operator

Nicole DeBlase, Deutsche Bank.

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## Nicole DeBlase *Deutsche Bank - Analyst*

Maybe I can ask a question on Power. I think you guys said that you expect Power equipment orders to accelerate in the fourth quarter. I guess, can you talk a little bit about what you're hearing from customers to provide confidence in that outcome?

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## Scott Strazik *GE Vernova Inc. - CEO*

You bet, Nicole. I mean, I'll hit on it. And although the Power orders in the third quarter are up 34%, and as we said in our prepared remarks for Gas, as an example, we've taken 14 gigawatts of new orders in 3Q year to date, which is twice those equivalent levels in the first three quarters of last year. When we look at the pipeline coming from here, we do expect our fourth quarter to be our strongest quarter of 2024. And although it's early, and we'll firm this up before December 10th, we see the 2025 orders looking very similar to 2024, if not modestly stronger, but probably with a larger tilt towards North America.

The reality is the orders that we booked this year have been, had a heavy proportion of Middle East orders. We announced a large order in Japan in the third quarter. US was part of the equation, but as we've been saying for quite some time, we see North America and we see the hyperscaler dynamic being more of a '25 dynamic than '24. And that's exactly how we think this is going to still play out sitting here today.

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## Operator

Andrew Percoco, Morgan Stanley.

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## Andrew Percoco *Morgan Stanley - Analyst*

Thanks for taking the question. I want to stick with Power for a second, a little bit of a higher-level question. But clearly, you're seeing a lot of demand, particularly in Gas. As I look back to the early 2000s and 2010s, I mean, your Power business was a high-teens, low-20s EBITDA margin business.



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I'm just curious now that we're entering this next wave of growth in Gas, is the current pricing environment supportive of getting back to that margin structure, or is there anything structurally different this time around that might impede your ability to get back there? Thank you.

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## Scott Strazik *GE Vernova Inc. - CEO*

Thanks, Andrew. I mean, at the start, candidly, we have a much larger services business today than what we would have had at that comparison point because we've been growing the fleet all of these years since then. So at the start, we've got an incredible services annuity stream that's going to sustain itself for a long time.

The composition of what's going to play out the second half of this decade relative to early in the 2000s is different in the sense that it's still going to be less gas turbines, but the megawatts per gas turbine are going to be substantially larger, right, now that were we're shifting towards the HA profile. We are seeing a substantially better pricing environment today in what we are getting in orders today, relative to what we're shipping in revenue today.

And that will start to benefit us really in, to a large extent, the second half of '26 and the full year of '27 in revenue on what I'd call today's new pricing environment. And when you combine those two things together with the much larger services business, a customer sentiment that's investing in that gas fleet substantially more today than certainly have the prior 10 years, and that equipment profile that you're citing with better pricing, we have a lot of confidence that throughout the better part of this decade, we're going to keep expanding margins and look forward to giving you really a new definition of what should look like by 2028 at our December 10th analyst day.

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## Operator

Joe Ritchie, Goldman Sachs.

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## Joe Ritchie *Goldman Sachs Group, Inc. - Analyst*

Hey, Scott. So when we met a few months ago, we were talking about a Gas Power equipment market of, call it roughly about 35 gigawatts by 2028. And it seems like that market is basically effectively doubled overnight. And so the real question I have longer term as you think about the next few years, is this the new run rate for that business from an order perspective? And then specifically as it relates to capacity, we know you're increasing your own capacity. Any update that you can give us from the supply chain on their ability to meet faster growth in the next few years.

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## Scott Strazik *GE Vernova Inc. - CEO*

Thanks, Joe. I'd say the orders level that we're seeing for 2024, which again, as I said before, 14 gigawatts 3Q year to date, twice where we were last year in the fourth quarter, should be our strongest quarter. When we package that for '24 then look at 2025, at minimum, based on the visibility we have there, we see 2025 being equivalent or modestly better orders levels than 2024. And that we can clearly see in front of us and are very comfortable articulating.

There is a healthy backlog -- pipeline -- excuse me, beyond that, that will work. But we can say that with quite a bit of definition for '24 and '25, that very quickly by the time you get into the first quarter of next year, we're really going to be focused on filling slots primarily in 2028.

And that is at that level of 70 to 80 gas turbines per year, probably on the lower end in '26, the higher end beyond that, because the capacity starts to come in in the middle of '26. We don't necessarily see, today, going materially higher than that 80 number that we've talked about most recently. But we're looking at tactical ways to go modestly above that if and when it makes sense, but it's not likely to be another material shift to the extent today's run rate of 55 gas turbines a year, we've now secured capacity down to 80. That took us six months working with the supply chain to secure.

And we're really just continuing to firm that up and make tactical adjustments, no major headlines beyond the updates we've made recently on that.



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## Ken Parks *GE Vernova Inc. - CFO*

Yeah. I think one of the other things to consider as you're thinking about how does that impact us from an investment perspective as we're thinking about building out for this capacity. One of the nice things about the cycle that we're operating in, as you know, is that as we take orders and orders are coming in nicely, those come along with down payments. And we've been pretty clear and Scott said along the way, and I think we even said it in the last quarter call, that as we're thinking about making investments, and we're making these investments for this -- growing from 55 units a year to call it 70 to 80 -- we're really funding that with customer orders, right?

So customers are coming in, they're making down payments. And so the draw on capital really comes directly from the orders that we're taking, and I think that's a really important thing to kind of build into your thinking around how we, as a management team, are making very disciplined decisions around those investment levels.

## Operator

Julien Dumoulin-Smith, Jefferies.

## Julien Dumoulin-Smith *Jefferies - Analyst*

And just pivoting slightly differently within Power. As you think about the BWX opportunity here and GEH, how would you frame SMRs as a proportion of the overall growth trajectory? How would you frame any initial expectations on awards here? Would love to hear the new framing.

## Scott Strazik *GE Vernova Inc. - CEO*

You bet. I mean, I think when we get to nuclear, we really have to start with the existing installed base we have. I mean, in the US as an example, we have 65 plants today with our equipment. And as an illustration, we see at least 3 gigawatts of incremental nuclear capacity we can add with uprates of the existing installed base that we have, and another couple of gigawatts that could get added from restarting plants that aren't running today.

So I give that context to just say, in the case of nuclear and with the surge in demand cycle of nuclear, that's likely to trickle through to our financials sooner than small modular reactor. We can see orders playing out middle of the decade in that regard, that cut into revenue late in the decade. Small modular reactor sentiment in commercial activity is continuing to accelerate here.

The tone of the conversation is also shifting a little bit, even in the context of the summer really, where more discussions are taking place right now with existing nuclear plants that have the security infrastructure within it to add small modular reactors to the security apparatus that already exists with existing plants. That has been a more dynamic conversation the last 90 days than when we were together at the July earnings call, and I think there will be activity there that's going to continue to move forward, and the new builds that follows.

For us, ultimately, this comes back to the first 300 megawatt block of power getting commissioned in Canada in 2029. We don't see that moving to the left. 2029 really is the start. And then from a revenue perspective and really a US new capacity growth perspective, we're really excited about what SMR can mean for us, but it's not going to financially become a meaningful part of our income statement with revenue and growth until early into the next decade, and those activities and those discussions are very healthy right now. But I think it's important to contextualize when it's really going to translate to the financials, and it is going to take until then before it becomes a material part of our future growth.

## Operator

Andrew Obin, Bank of America.



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### Andrew Obin *Bank of America - Analyst*

Yeah. Just to follow up on JDS's question, you know it seems that the customer profile, particularly on the nuclear side, is changing. We see a lot of headlines about hyperscalers trying to get their own expertise in running these aspects. Can you just talk about how the channel is evolving? And are you disadvantaged in any way, shape, or form? Because I can see how in gas turbines, your traditional customers coming back is a big positive, but these customers do not necessarily have experience with you. You don't necessarily have a reputation with them. How do you get your fair share from this new class of customers across gas and nuclear? Thank you.

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### Scott Strazik *GE Vernova Inc. - CEO*

Yeah. I would say on nuclear, Andrew, going back to that. I mean, when I think about COP28 last year in Dubai and think about 22 heads of state talking about tripling the nuclear capacity in the world by 2050, it's going to be an all-of-the-above above dynamic with new nuclear add. There's going to be large conventional blocks of power added. There's going to be multiple small modular reactor technologies that are going to be part of the equation.

We're really excited about the sentiment shift back towards nuclear and have an incredible amount of confidence in our ability to serve that growing market. To be clear, a lot of the market sentiment with, call it, new archetype of customers that are interested in nuclear power, are going to ultimately, in most cases, still have a traditional nuclear operator running those plants.

And those traditional nuclear operators are the bread-and-butter customers that we have thrived with for decades. The commercial arrangements of exactly how that works between us to those operators of the assets, and their commercial arrangement with the end customers, that's a lot of what's materializing and firming up, and will take some more time to unfold. And that's an applicable statement for both gas and nuclear.

But in both cases, I really like our chances to play a meaningful role in serving that growing market. And especially with nuclear, what I would keep emphasizing is, this is about established technology and time to market, and our BWRX is using established fuel, established combustion chamber technology. That gives us a high degree of confidence that we're going to cut in our first 300 megawatt block of power in 2029. And as we're into construction on that first project in Canada next year, we have a lot of customer sentiment that's following that progress, and more commercial activity will follow.

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### Operator

Andy Kaplowitz, Citigroup.

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### Andy Kaplowitz *Citibank Inc. - Analyst*

Maybe just on Onshore Wind, I think you said that you can maintain a high-single digit margin on flat revenue, but you’re still a little conservative of when a new orders inflection might be. At this point, with the understanding that you'll update us again in December, could you sustain that performance you had in Onshore? When do you need an inflection in Onshore Wind bookings to support the business?

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### Scott Strazik *GE Vernova Inc. - CEO*

Well, Andy, we see, much like we've had flat revenue in '24 relative to '23. When we sit here today, we see flat revenue also in 2025, but with improved profitability in Onshore Wind on generally a similar looking revenue profile. And that's just the ability to continue to --we’ve been remixing the profitability of the backlog, and you started to see that in the third quarter with the most profitable quarter we've had in three years, and you'll see that even more so in the fourth quarter into next year.

We don't need quote-unquote orders inflection to sustain that performance. I don't have a lot of apprehension that the top line level that we're at today is at risk of going lower, as an example. So, by default, I would think of this very much as a floor. The escape -- the second half performance of 2024 into 2025, on what Onshore Wind is for us in a business that is very North America dependent, and let’s contextualize where we are in North America. We're going to ultimately COD in the industry this year mid-to-high single



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digit gigawatts of new Onshore Wind. There's a lot of people that believe that number needs to be 15 to 20 gigawatts a year for us to reach our objectives.

Where I'm cautious and have been consistently cautious is, when we see the orders come that start to get us back to the US commissioning double-digit, mid-teens gigawatts of orders, that when we do that volume leverage that we're going to yield in Onshore Wind is going to lead to a much more profitable business that we're all going like a lot more. I'm just not ready to call a date on when that comes because we just don't quite see that now.

Although all indications say the US does need that later in the decade. But I don't want you to take my comments to be one that we're concerned that it's going to go backwards. We feel like we're at a solid foundational level with Onshore Wind performance that will get better with top-line growth. We're just not ready to call that top-line growth yet.

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### Ken Parks *GE Vernova Inc. - CFO*

Yeah. I think that, to repeat something that we've said in the last couple of calls, the Wind team and specifically the Onshore Wind team, Vic and team, have been working really hard to take cost out of that business to make sure it is as efficient as can be. And in doing so, running to what Scott said to put some numbers around it, they've resized the business to be profitable at about 1,000 turbines a year. We're obviously running at a higher rate than that. So, I just say that because to respond to your question around when do we need the wind orders to turn in order to see an inflection in this business, we're already starting to see that inflection and profitability based upon cost management. Plus I'll remind you that as we came into the year, we talked about an Onshore Wind backlog that had about 10 incremental points of margin in that backlog.

That's really what's giving us confidence in the second half of this year to see the profitability improvement that we're seeing now, which does set us up for the carry-on point. I wouldn't necessarily say a jumping-off point for incremental growth because pricing is stabilized at these better levels, but to be able to carry us through. And then when that inflection comes, we are, because of the hard work of everybody in the business, in a really good place to benefit from it.

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### Operator

Mark Strouse, JPMorgan.

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### Mark Strouse *JPMorgan Chase & Co - Analyst*

I want to go back to the comment about the Power equipment orders in 2025 and shifting more towards the US with the hyperscalers. As you are progressing with these conversations with the hyperscalers, are you seeing any commonality in the mix of product type that they are interested in as far as aero versus H-class? And then can you remind us, is there any meaningful difference between the two as far as lead times or financial profile, anything like that?

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### Scott Strazik *GE Vernova Inc. - CEO*

You bet, Mark, thanks for the question. And I do think this goes back, if I start, I would just say the trend is definitely shifting more towards HA gas turbine discussions with consistency than aeroderivative. That's because the hyperscalers are evolving from single data centers dependent on 60 to 100 megawatts to, starting to look at, multiple-gigawatt size data center parks that support a number of data centers in one location.

So there is a very healthy shift towards what, maybe a few years ago, we would have been talking to these customers about aeroderivative applications in Ireland that were backup power for the grid, to now this being baseload power with HA gas turbines at the exact time that our HA product line is set to thrive.

And just to emphasize a few points there. I mean, we have almost 60 gigawatts of HA gas turbines commissioned today. We have over 100 running. We're approaching 3 million operating hours with our HA gas turbines. And for us, this is what is so exciting to us about this part of the orders book because when you start to look into that orders profile for 2025-- that we do project to be more US centric, similar in size to '24, maybe modestly better than 2024 for our orders level--you're seeing very good equipment economics. But then you're also adding more baseload machines that are going to run a substantial amount of the year. So the services calories



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for us on this equipment opportunity in the life cycle economics are just especially good, because you've got the capacity adds and the services calories over the long term that we're really excited about.

And that's all part of why with confidence we could make the announcement we did in September that we are adding more capacity for Gas, from the 55 to the 70 to 80 a year, because the lifecycle economics are so compelling. And frankly, the payback was so attractive because you've got the equipment margin to keep the payback quite tight. But these are going to run at a baseload level for very long time.

Operator, we have time for one last question, please.

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### Operator

Chris Dendrinos, RBC Capital Markets.

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### Chris Dendrinos *RBC Capital Markets - Analyst*

Yes, I appreciate you squeezing me in here. I guess I wanted to hit on Electrification here. I guess, specifically, order demand continues to build. We've heard that the HVDC market could have a backlog out into 2030. So the question is, do you have the capacity to support the demand in Electrification? And then on top of that, are you continuing to push prices higher quarter on quarter? Is that leveled off here?

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### Scott Strazik *GE Vernova Inc. - CEO*

I appreciate the question. I mean, there's a lot, just to reframe this for a moment. I mean, there's just a lot to be excited about with electrification today. I mean, you cited what we've been talking about, which is the backlog will be more than triple what it was the beginning of '23 by the end of the year.

We are continuing to see price in today's environment, so we don't feel like we've topped out there in a way that Ken mentioned earlier, where in Onshore Wind, as an example, that's really leveled off. We're not there today in Electrification.

Part of why in our prepared remarks, we are intentional to talk about things like Electrification-- the transmission business, the Power Transmission business-- is we've worked hard over the first nine months of the year to get to a point that we have a high degree of confidence that we're going to double the capacity of that business, and 75% of the capacity is just coming with managing the assets better, managing labor better, adding shifts that doesn't really require capex. There's about 25% of the growth to double that does require capex, that's site expansion.

So we use that illustration to say it would be a lot harder for us to meet this growing demand if we were doing it with greenfield operations. That's not what's happening here.

The reality is, I've been around these businesses for a while and, broadly what they call energy businesses for a while, and for a big part of that period of time, we had overcapacity in an industrial footprint that was a financial drag. That same industrial footprint, most explicitly in Electrification, is now a catalyst that allows us to drive towards growth more capital-efficiently and time-efficiently than others, because we're using existing footprint that has the factory, that has the connection to the railroads, that has the electricity source already. And that's frankly where we're seeing the Electrification business continuing to fulfill faster than we thought. I mean, you saw 24% revenue growth in the third quarter. It's because they're continuing to make real progress here executing on their backlog a bit faster than we anticipated when the year started.

And now we need to work our way through a budget process in November and share that with you on what it looks like for 2025, but we're excited about that trend. So that's a long-winded context or explanation to say, yeah the backlog is up substantially, but we have a lot of industrial assets that were demonstrating an ability to manage very efficiently. That's going to allow us to grow into this at a very attractive way.

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### Ken Parks *GE Vernova Inc. - CFO*



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And I think that, to put a little bit of color on it from a regional perspective of what we're excited about, is the fact that while the European business has historically and continues to be in our Electrification business the biggest individual piece of it, what we're seeing is that those growth rates that we saw step up last year were some of the large HVDC orders.

While the compares get tougher year over year, the order comparisons are good. We're still standing at a good level, not just on HVDC, but the other products in the portfolio. But what's really important is, not only is it a dynamic that's driving our business for Europe, but the fastest growing part of our electrification business based upon comps is really in North America. And we're excited about both of those things, both Europe and North America, because they will provide multi-year tailwinds for us to continue to see this business grow and expand as Scott outlined.

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### Michael Lapides *GE Vernova Inc. - Vice President of IR*

Operator, before we wrap up, let me turn it back to Scott for closing comments.

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### Scott Strazik *GE Vernova Inc. - CEO*

Michael, thank you. Everyone, we're excited about the trajectory of our company. We look forward to talking with many of you in the coming months. At the wrap, as I often do, I do want to thank our employees, our partners for their dedication and their hard work, and our customers for their continued trust in us. Thank you for your continued investment interest in GE Vernova. We're looking forward to the months to come. We're in the early innings of a really exciting journey together and really looking forward to having everyone together on December 10th for our analyst meeting. So thanks everyone.

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### Operator

Thank you, ladies and gentlemen, this concludes today's conference. Thank you for participating. You may now disconnect.

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