

**In Conversation with Rahul Ghai and Steven Winoker**  
**Steven Winoker, Rahul Ghai**  
**September 2023**

*Transcript*

**Steven Winoker:** Hi, everyone. We are at the Morgan Stanley Laguna Investor Conference right now. And Rahul Ghai and I wanted to take a few minutes after our meetings with investors and just catch up with each other and hopefully share some insights for all of you. If you don't know, Rahul is now CFO of GE overall, as well as GE Aerospace. Rahul, thank you for doing this. I thought we'd start with that, which is, if you think about our time between now and when we spin sometime in early 2024, with both hats that you're wearing now, what are your key priorities?

**Rahul Ghai:** Thank you for having me here, Steve. The first priority is to make sure that we deliver on our 2023 guidance. That's priority number one, making sure that we deliver what we've committed to the investors. And then the second priority, which is linked to the first one, is making sure that this momentum that we have in 2023 carries into 2024, right? So that's kind of priority one and two. And then we need to make sure that everything that we're doing in terms of spin, you know, these small things that make spin possible: legal entity separation, filing the Form 10, all that kind of stays on track. Now, what is good for us right now is that we do have sufficient liquidity on our balance sheet. And with the equity stakes that we think we are in a good spot for ensuring that both the companies come out of the gate, really strong balance sheet, investment grade ratings. So that feels like it's good, but we need to make sure that's the way we end it. Same thing for you. I mean, you're wearing two hats, GE Aerospace and GE. How has the transition been, how are you managing your dual roles?

**Steven Winoker:** It's exciting. And I put this in the context of the last five-year journey since I left the sell side and have come to GE. And sometimes I tell people it's been a five-year masterclass with Larry and the team and just wonderful on that. And seeing the turn in the business has been incredible. So now all of a sudden, we have this moment where HealthCare is gone, we have Aerospace, and we have Vernova. And a lot of my time right now is still making sure that on an investor relations front, that the investor has a seat at the table in all of these places. Right. So Vernova and in Aerospace making sure that the investor view is brought internally and in turn, we're helping both current investors and new investors get to know each of these businesses. I'd say several layers deeper, right? So, there's a lot more desire for granularity, and we're trying to make sure that we have standalone, capable functions as well as investors that we're spending time with, so that by the time we get to these spins sometime early next year, people are comfortable, they know both businesses. So that's really where my team and I have been spending our time in focus. So, Rahul, you and I spent some time at another company some years ago, UTC, and you specifically have great experience at Otis and other places in terms of how spins work and what is good, what is bad. How are you thinking about what we should learn from the spin experiences that you've already had, and what we should be mindful of going forward?

**Rahul Ghai:** Steve, my experience tells me that spins are a great way of unlocking value and we've seen a little bit of GE as well. GE Healthcare is spun. You've seen the huge improvement in our market cap, how the investors are reacting, all that. So, we've already started down this journey of value creation, and I think there's more to come as we get to the second leg of this journey. And I saw something very, very similar at Otis when I was there. I was the CFO of Otis when we spun out of UTC after several years of financial performance. Otis clearly turned

around and part of that was just being nimble, being agile, right, and reacting to the specific needs of the business. And as we sit here today, you know, I do feel that spin is going to unlock both performance and value creation because once you spin and you are kind of on your own completely standing alone, there's no place to hide. Right? So, the spotlight is brightly on us and on GE Vernova. So, it will be both companies under the spotlight. And at the end of the day, what we do is going to create value.

**Rahul Ghai:** So, the second part is around the fact that it's not only just meeting the financial expectation, but also how you meet them. Right? That's equally important because every time we provide financial guidance, there are operating metrics that kind of go with it. So, if you're thinking about GE Aerospace, yes, we're going to deliver our profit growth. We're going to deliver free cash flow, all that. But. We're also going to deliver a certain number of leap engines in a year. We're going to deliver a certain number of shop visits, certain part of spare parts growth. Right? All these individual operating metrics also make a difference. And the third thing on the positive side is that each company will have its own journey on how they want to spend capital, what makes sense for that business versus, you know, taking that capital or that cash flow from an individual company and deploying it for what the enterprise needs. So, each company can chart its own course, invest where they feel both organically and inorganically, the best opportunities lie. So, I think it's going to be great in terms of unlocking performance, deploying capital, and hopefully that leads to value creation.

**Steven Winoker:** Yeah. And I know the teams are really pumped up and across the company ready for that to happen, which is exciting. And we keep hearing about wherever we go. So today at Laguna, you started off on the stage and you wanted to make sure investors had a number of messages, maybe for the benefits of our audience here, many of whom were not present or able to see it-- What were those most important messages?

**Rahul Ghai:** I would say I would put that in kind of three categories, Steve. The first, the fact is that the momentum is building towards spin. We touched on that a little bit earlier, but we spoke about how you and I were together in Greenville with 125 of our GE Aerospace colleagues. And we spoke about, you know, creating a new culture. And everybody was jazzed up about what Lean can do to unlock performance. So, we spoke about that. And then we also touched on the fact that the senior management team is coming together at GE Vernova with Ken Parks, who is a seasoned CFO, you know, three times over, public company CFO, coming in to join Scott and the rest of the GE Vernova team and being their partner in leading them to spin. We spoke about Vlic taking over the offshore wind responsibility after the huge turnaround that he's driven with onshore. So, we spoke about how that team is kind of coming together and then, you know, a little bit around the fact that all the little things around spin, all that is on track. Then we spoke a little bit about how 2023 is shaping up for us. We spoke about how both GE Aerospace and GE Vernova are delivering on what we said back in July, and maybe GE Aerospace on the services side is doing a little bit better. So, we spoke about the fact that we are tracking to the higher end of our third quarter 2023 guidance on both EPS and free cash flow. And we touched on a little bit about the strategic reviews that we are happening and how they identify both the strategic strengths and the opportunities that exist in both companies. So that was kind of the combination of the three things that we spoke about.

**Steven Winoker:** That's helpful. And we also got a number of questions, I think, on stage around capital allocation. What were you telling folks about how we're thinking about capital allocation?

**Rahul Ghai:** Listen, the first thing I want to say about capital allocation is that the first and the primary goal here is to ensure that both the companies spin as solidly investment grade. Now, as I touched upon earlier, the good news is, with all the deleveraging that has happened over the last several years, we recently completed the preferred equity that was on our balance sheet. We retired that; we continue to monetize the equity stake. So, with that, there should be enough cash on the balance sheet to ensure that both companies spin off as solidly investment grade. So that's priority number one. Now, as we form individual boards, they will decide what the future looks like in terms of dividends, in terms of share buybacks, in terms of M&A. So that's a chapter that is still to be written, but at least both companies will have the flexibility to chart the course. That's right. For them.

**Rahul Ghai:** We had some meetings after we finished the webcast, and we met several investors beyond that. So, do you want to share what we heard from them? What's top of their mind and what exactly are they expecting?

**Steven Winoker:** It was you know, it's a great conference, a lot of interest, a lot of investors. And those discussions are always, always interesting. And the main questions I think that people are getting into now is they're fast forwarding. Once they have an idea of how we're trending on the year, it's very quickly to, "okay, let's talk about the spin. Let's talk about post-spin and understand the current environment at the next level" So help us understand a bit more within your narrow body business, what the trends are. How do we think about both aftermarket visits, shop visits, spare parts? How are you guys thinking about OE trends as well in each of those, then pivoting over to wide body within and kind of going a little bit deeper trying to understand the financial implications of those things. So, okay, help us understand how you're thinking about growth rates, given some of the changes in the external environment and with our peer group and whatnot. And then within those growth rates, are there any margin implications and any cash flow demands? So certainly, addressing current news flow, but also just trying to get into how are we running the business differently? So, they keep hearing we're running the business differently and we're planning and keep driving lean hard through our enterprise to make a difference and breaking through kind of old paradigms and just how we're doing that. Same thing on Vernova, right? Really trying to dive into onshore wind grid and offshore wind and understand what is changing in our view of each of those business and how we're operating differently on that front. And then of course, they always end with capital allocation and how we're thinking about our various businesses that we're in today, as well as getting into the question that sometimes is kind of always the last question, which is, oh, and what about insurance? Right? So, we do get that. And I think I think it's probably worth just a quick minute on how you're addressing that one, too.

**Rahul Ghai:** On insurance, listen, I think, you know, with everything that's happened and with the new management team, it's a very different landscape from what I believe existed a few years ago. You know, operationally, we're running it much tighter. We've driven a lot around the premium increases that we can drive and what we can do on claims management. So operationally it's much healthier. We have the last piece of capital infusion that needs to happen into insurance that will happen in in first quarter of 2024. That could be up to \$1.8 billion. But then we feel we're kind of sufficiently funded. And then the question comes down to, you know, is that part of our future? And our view is that any impact from that is not imminent. That part is, you know, we will keep looking at it. If there's an economic way to make the business smaller, exit the business, we will keep evaluating that. But any exit is not imminent. That's how.

**Steven Winoker:** We just keep running it.

**Rahul Ghai:** In the meantime, we keep running it. Exactly right.

**Steven Winoker:** Also, I thought one of your answers was interesting today was around within thinking about the capital allocation question that people have for us, the fact that really stepping back with fresh eyes, as you have over the last year coming in and realizing and talking about our moving from \$140 Billion plus of debt back in 2018. Right. To taking out more than \$100 Million now and therefore largely that deleveraging being behind us and opening both the deployment and return opportunities. So absolutely it's kind of an exciting, positive, positive thing for the business. So, let's maybe finish on this question of when you now step back again today, what are you most excited about into the spin for yourself and for the company?

**Rahul Ghai:** You know, listen, I think we've touched on that. I really do feel that as we go down this path from here to spin, I think having two strong management teams that are going to run these two industry leading franchises, one that is going to define the future of aerospace and the other that's going to lead the energy transition in the world. I mean, what a fantastic opportunity for both these management teams to change the course of what the world may look like 20, 30, 40 years from now. And then, you know, having their own freedom around investments that need to make, places, you know, geographical expansion. They want to have products they want to introduce, all that is going to be up to them with no overhang from anything else that existed in the past. So, I really think the future is bright and I think we are well on our path. So, Steve, as you think about what lies ahead, what makes you excited about what's to come?

**Steven Winoker:** You know, Rahul, I'd start with the team on this. It's been incredible working with the corporate team over the last five years. Just what talent and thinking about what's ahead for the team here, as well as the team that I'm getting to know inside of Aerospace as I'm going deeper within the organization. I'm nothing but impressed with the level of commitment, expertise, integrity, humility, like the kinds of things I'm running into. And I'm so excited for that team to be able to launch independently. Same thing on the Vernova side, right? So, Michael Lapedes, who's my counterpart for GE Vernova, has built out the IR team there and they're working with people who are so committed. So, one of the things that's just been incredible for me has been the people inside this company, and I really mean that, and just knowing what everybody has ahead of them in a focused standalone basis, I think is going to be fantastic for them and for the world to see.

**Rahul Ghai:** That's perfect. Steve, I don't think I could have said it better.

**Steven Winoker:** Rahul, I literally know how busy you are. Thank you for making time for investors on this today.

**Rahul Ghai:** Thank you, Steve. I appreciate it. And thanks for coming with us.

**Steven Winoker:** Absolutely. Thanks, everybody.