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PRESENTATION

Carolynne Borders ***- Chief Investor Relations Officer***

Good morning, everyone. I'm Carolynne Borders, Chief Investor Relations Officer at GE HealthCare. And I'm pleased to welcome you all to GE HealthCare's Investor Day here at the Nasdaq MarketSite in New York City. Thanks also to all of you joining us remotely. We have quite a full house between the 2. This is an incredibly exciting day for both GE and GE HealthCare as we host our first Investor Day ahead of our spin, planned for just a few short weeks away on January 4.

We have a full lineup for you today with presentations from Peter Arduini, our CEO; Helmut Zodl, our CFO; the CEOs of our segments, Jan Makela in Imaging; Roland Rott in Ultrasound; Tom Westrick in Patient Care Solutions; and Kevin O'Neill in Pharmaceutical Diagnostics. And we also have the CEO of our U.S. and Canada business, Catherine Estrampes, who will speak to our global commercial go-to-market strategy.

Before we get started, note that the materials we're presenting today are posted on GE's Investor Relations website. And of course, everything that we speak to today is subject to the customary forward-looking statement language that's in our slide set and also in our SEC filings. This is in line with our best views of the markets and the business today, which, as you know, are subject to change.

We're planning for 2 separate Q&A sessions today, one immediately following the presentations from our segment CEOs and Catherine. Peter will also join that session. And we'll have a 10-minute break after that Q&A session. Later, we'll have another Q&A session with Peter and Helmut before we close for the day. And finally, we know that some of you are off to another event this afternoon. So we'll have boxed lunches available for you to grab at the end of the day.

I'm pleased to note that we are joined by Larry Culp, GE HealthCare's Chairman, who will start our discussion today. Larry, thanks for being with us, and let me hand the mic over to you to kick us off.

H. Lawrence Culp ***General Electric Company - Chairman & CEO***

Carolynne, thank you. Good morning, everyone. Thanks for joining us. This is getting very, very real for those of us who have been at this for a little bit. We're excited to have the opportunity to share this deep dive on GE HealthCare with you today.

The team has spent a considerable amount of time over the last year getting ready for what really starts in earnest on the 4th of January.

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But today is an important milestone for us, and we're really excited about the opportunity to take you through in significant depth what this business is all about and, more importantly, where we're going.

Let's go to the next slide, please. Last November, we shared with you the strategic rationale for the historic announcement that we made to spin GE HealthCare in a year later, be in a position to do the same thing with our Power and Renewables businesses, now known as GE Vernova. I believe even more firmly today than we did a year ago in the strategic logic and rationale for that announcement.

We talked then, and we'll talk a good bit today, about focus and accountability. I can share with you, over the last year, I have seen this team become more focused and prepared to be more accountable to you as investors and, obviously, to our clinicians and our patients. That has just ratcheted up at every turn, and I'm sure that, that will only continue in all good ways as we get ready for what lies ahead.

We talked about alignment. We talked about the opportunity from the boardroom through the leadership team throughout the entire company, including the investor base and every other concern stakeholder, to bring everyone together around a common vision for this business. And that, too, has only improved over the course of the last 12 months, and we're nowhere close to being done in that regard.

And we also know that as an independent company with its own balance sheet and its own stock, capital allocation within HealthCare will be of paramount importance, both as a responsibility to you as shareholders, but also as an opportunity to continue to push the frontiers in this business. And this is a team, I think, ready to do that. So there's been a lot of work over the last 12 months to bring this to fruition. But when you step back, again, the arguments for putting GE HealthCare out there on its own, I think, are even more compelling today.

Next slide, please. We've been busy, and there's been a bit of a division of labor. But one of the great joys, and I say that sincerely, of the last year has been the opportunity to go out and meet so many people as we look to assemble the Board to help lead this business going forward. I think we were humbled by the number of people, high-quality people, from the health care space and in other domains who were interested in serving on this Board. And it was through their eyes, those not close to the business, that we could see the future, the future that they were very keen to be a part of.

We didn't have a seat for all of those people, but we're really excited about the 10 people we're going to have around the room. In fact, we'll be around the table later on today for one of our initial meetings with the group in earnest. I think what you see here is a group that brings significant domain expertise, something we talked about as a priority a year ago for each of the 3 boards going forward. Domain expertise supplemented by a number of other leaders with key experiences and skills that we think are going to be an important part of the GE HealthCare story.

This is a Board fully committed to precision health and making sure that we realize the full potential of GE HealthCare. I'm excited to play a role here as a Nonexecutive Chair to be around the table with Pete and our other Board colleagues to make sure that everything that we see as possible here comes to fruition in the years to come.

Can we go to the next page, please? There's been a lot of work over the last year plus, but another highlight for me has been, say, over the last 18, getting a chance to meet Pete, bring Pete into the company and really see him in action. Pete is a leader, and the team that he has assembled is ready. They are ready for this moment. No doubt in my mind there either.

And I hope that you see that through the course of the morning. I'm really keen to make sure that you come away with a sense of how this team is going to operate, how they're going to manage, how they're going to lead in terms of the core fundamentals in the business, but also with an eye growth.

From the first time I met Pete, and again, last Tuesday in Chicago with the RSNA, his focus on the provider, the clinician, the patient is like nothing I've ever seen. If you had an opportunity to be with us last week in Chicago, you really saw that, right? At each station in our booth, there was a lot of magical technology, but that's not what we were talking about. What we were talking about across our modalities was how that magic has impact for a clinician taking care of those precious lives that you saw in the opening video. That's our reality. That's what precision health care really means. And to be able to have that course through the business day in, day out, I think it's

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terribly exciting for everybody involved.

We talk about growing this business. We're going to do that, first and foremost, organically. And there's a lot through the course of the morning you're going to see both in terms of what we're going to do commercially as well as with respect to innovation. But as we've done a little bit to date and hope to do more of going forward, we're going to supplement what we do organically, inorganically, as I mentioned earlier with respect to capital allocation. We're excited about those opportunities, but we know we have to earn them. We have to earn them through performance for you.

So again, we really appreciate you taking precious time out of a busy December. I know we all have a lot going on to come in and spend half of a day with us to hear the story firsthand from the team, a story that is still just being written, a story that I think is going to be one of significant value creation as we look forward.

So with that, let me introduce our CEO, Pete Arduini.

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Thanks, Larry. Thank you. Thank you. Thanks, Larry, and thanks, everyone, for coming. Look, I think we're going to have a good day for you here. Hopefully, for those of you that don't know a lot about the story, this is the beginning of curiosity to learn more and understand things. I want to thank many that are joining online and obviously, the full house that we have here today.

And so we're going to frame up the business and give you some deeper views in the thing. As Larry mentioned, obviously, the spin is a catalyst moment for us. It really presents a lot of benefits. But I'll be honest with you, it's an event. I mean since I've joined the company in January, we've been working on what this transformation will look like. And as we talked about, people, patients and our customers has been really a really important part of why we're building the company out.

And we've started this transformation thinking about our businesses, our portfolios, all that, really for the last 9, 10 months. And again, it's been great having the team come together that way. And I'll introduce the team here in a few minutes, but I just want to comment on a few things. We've got a lot of good things in the short term. I hope you'll hear that as well as you hear about the longer term.

Obviously, events like this, we lean a little bit more towards the future, but we also have some great things happening now, how we're winning in the field, how we're getting price, how we're being able to drive our margins, the work that we're doing in R&D that will feed the future, all those are plenty of near-term drivers that we have out there as well as a healthy backlog as we come into 2022. And we'll talk a little bit about that translation with our customers and what's going on out there. But I hope everyone gets excited and energized about what this company can do in health care and, ultimately, what a fine investment it ultimately can be over time.

So what I'd like to do is now maybe move in to actually introduce our team -- or excuse me, back up here and talk about our purpose statement. We've talked about this. You saw the signs and the other area for breakfast about creating a world where health care has no limits. You saw it on the video. It's a bold statement, and it's something that we've talked about as a leadership team. It's a codifying moment to reach for that top rung. I'm a big believer that if you reach for the rung in front of you, that's what you're going to get. If you don't stretch, you're not going to get to the next level. And we believe we're the type of company that has that opportunity to be able to go to that next level.

Obviously, as Larry said, we need to be able to earn our right to be able to do that. But that energy, you can feel it at GE HealthCare. It's different in the hallways. It has people coming to us and say, I'd like to work for you. We've had no issue getting people. In fact, we've got many people that want to be part of the organization. And I think that's a really powerful part of individuals seeing what the potential can be.

I think many of you know for decades, this is a company that's led for 125 years. It's kind of cool being a part of a 125-year-old IPO and spin-out. You have the assets and capabilities of a bigger company, but bringing that energy in is what we've been really focused on.

A lot of firsts: the first full-body CT scanner, really commercialization of MR, things in our service capabilities, remote service, what we've

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done in enterprise capabilities to bring broader solutions to customers. GE HealthCare really started that out. And now in digital, leading very much within artificial intelligence that you're going to hear that theme throughout each of our presentations.

And so obviously, as we come out as a separate company, being more agile, being more focused and being able to deliver for customers more innovation faster is really what we're all about. And look, I'm a big believer that personal intensity determines organizational intensity. And you're going to feel it with this team because we believe it, and with that, bringing our organization along to find new ways to solve these problems, resulting in, obviously, growth in capabilities for our company.

So look, we've got a great group of leaders here. You can see on the chart here behind me the different folks. The one circled in the yellow are the folks that are here in the room, and they've got significant amounts of years of experience as well as some new faces. And so team, I'll call and ask you to stand up here and wave your hand. I know the room is a little bit challenging to see.

But I'll start off with Jan Makela, who runs our Imaging business. I also would like to say it's his birthday today, so let's give him a round of applause on that. Love to come to New York to spend on your birthday. Roland Rott, who leads our Ultrasound business; Tom Westrick, who leads our Patient Care Solutions; also Catherine Estrampes, who leads our North America business. And then on this side, business-wide, Kevin O'Neill leads our Pharmaceutical Diagnostics business. Next to him is Helmut Zodl. You guys have met Carolynne, who runs IR. And we also have 2 the senior staff. We've got Betty Larson, our Chief People Officer; and Frank Jimenez, our General Counsel. Both Helmut and Betty and Frank, both -- or all 3 have significant public company experience as well.

So the other item is when you look on this list, roughly 60% of these people are new in their roles in '22. That's some of the changing that I did as we came in to get the right people in the right roles, and that's played downhill. 40% of the franchise leaders that report to these folks are new in their roles. Brought in some new talent from outside, took some risks on some folks and have had some good runway over the past few months with them. And even in the U.S. region, we've had about 50% of our commercial team we've actually upgraded. And some of this was getting the right people in the right roles that know how to win, people coming and say, hey, I want to be a part of this. And so again, we've been working that over the last 9 months, and we've got a really good team in place as we go into the future.

So look, as we look ahead, I think we've got a really nice position here relative to -- if you go jump to the next slide, please? So to talk about a clear path to accelerate long-term growth. If you look at the chart here, these are 3 pillars that I'll walk through as we go through the discussion this morning. Talking about the markets that we're in, we actually have some really interesting attractive markets that we believe are at an interesting catalyst moment. I'm going to spend a lot of time on what Precision Care is all about and why we believe we're uniquely positioned as a company to execute on it. And then this piece here of focus and agility, what being a separate company means and how we're going to use this moment to be able to drive growth.

So that's kind of the framework that I'll go through and spend some time talking about the driving areas. And so you're going to hear this theme throughout the day here about being a consistent mid-single-digit grower, the ability to drive high teens to [20% EBIT margins](corrected by company after the call) and the focus on that dropping through strong free cash flow that we can obviously deploy in a very focused and capable way into organic investments, into paying down debt as well as also being able to do M&A, as Larry commented on. And so we'll talk a little bit more about that in each of the businesses as we go. And so taking all these together, we believe we're quite well positioned to do that.

So let me start framing up a little bit about our markets that we play in because I think this is an important backdrop here to kind of set where we actually play in. So next slide, please. So we're a leader in this attractive growing market. Our market is roughly about $84 billion today. We estimate by 2025, it's going to be going up to roughly $100 billion in the current markets we play in. There's quite a few different global trends that are out there. We all know of the aging population, chronic disease, the rise of the middle class in many of the emerging markets around the world. Those are all key drivers of our equipment growth as well as our injectable pharmaceutical growth.

And these drivers, in many cases, drive the need for more imaging procedures. So I think we all know maybe someone who has a chronic disease, typically, you may have a follow-up exam once a year; most, twice; many times, 3 to 4 times a year. And the more people, longevity and age goes up, the follow-up typically is typically tied to certain tests, but imaging is clearly a big part of that.

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Second part is productivity. I mean you can't read any articles on any of the providers around the world with not hearing about nursing shortages, RT shortages. Radiology, the discipline is actually projected to be significantly short around the world. And so that comes back to us as, what can we do to bring more productivity? And what can we do to actually enhance the capabilities for our customers? And so you'll hear a lot of that this morning about what we do in each of our areas. There's some really tremendous tools that the teams have been able to bring together to help solve that.

Also the need to harness data. I think it's mind-boggling when you think about the data in health care. There really is no other industry that has as much data that is produced and not used. I mean it's a crazy amount of data. It's about 97% of the data that it's produced and storage really never looked at again. And so we view that as really an untapped resource. How do we help take that data and turn it into insights, turn it into information? And that's a critical part about what we're focused on.

The last part that we talk about here is alternate sites of care. There's a lot of movement into ASCs, right, ambulatory surgery centers out into other forms of care. We're looking at how we extend from the hospital out ultimately to the home. And we believe that this idea of hospital at home is going to be a continual trend that's out there. It's a way around the world that many cases are going to be leapfrogging over going to intermediate care ways. And you'll hear our approach to that relative to certain technologies about how we take as a base of a hospital and bring it out to another location, but connect the data. And I think that's a really important part of those adjacencies. We also think that in our current market, as just defined, as we think about these disease states, it could expand into other areas. And I think that could be roughly $50 billion of an expanded market over time as we think about where else we could play beyond our current markets.

So switching to our businesses. Look, we operate with 4 segments. You were introduced to the 4 leaders that have full P&Ls all the way through. And we'll talk about that as a fundamental change of how we've wired the business in 2022. So let me first jump in here on the chart here. You can see the Imaging business, which Jan runs, and has everything from CT scanners to MRIs, PET/CT for oncology work through interventional labs, really our largest business in overall scale.

Next is our Ultrasound business where we're a #1 global player. We have different clinical areas such as point-of-care, emergency room capabilities, women's health as well as in cardiology. Our Patient Care Solutions business has multiple technologies. So we're the #1 player within monitoring throughout a hospital system. And we also go into leading and delivering anesthesia within surgery, the machines and devices used to deliver that; as well as in Tom's world, a host of digital solutions that help our customers run their hospitals.

And then in Kevin's world here in Pharmaceutical Diagnostics, it's a portfolio of 2 key elements: one is injectable agents that help make the images better, whether it be an MR or a CT or an X-ray; and then a portfolio of molecular imaging agents, agents that actually show function in the body. And so Kevin will get into that a lot. But just as an example, in the growing field of neurosciences, we make the agents for helping diagnose Parkinson's disease or we make the agents for actually defining the level of amyloid beta plaque that can be used as a biomarker relative to Alzheimer's.

So 2 good examples, and you'll hear more about that. We're very excited about what that combination can mean for us. And so we're the only company out there that has these devices, has the agents and also has the digital together. And I think as we talk more about Precision Care, you'll get an appreciation why we think that's important.

Digital platforms and software, we have about $1 billion of sales across all of these businesses today. That ranges from software, connected tools, AI, integrated products. And that's a fast-growing area for us and an area that we're going to be focused on amping up for a lot of reasons. One is the direction and, obviously, the other area is what it can do to our overall margin mix.

And lastly, all this is supported by really tremendous field service organization. You spend this money for these devices, you want it up 24/7. You can't afford to have it down, and we really have the most extensive service group around the world. We also offer multi-vendor service. So if we work with one account, they want us to service everything they have, we can bring that type of solution. So this all adds up to fundamentally really strong opportunities ahead for each of our segments.

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What this chart has is some data here for you to just think about the extensive scale of this company. 1 billion patients a year, so think about that. So from somebody who came from a mid-cap that was talking about thousands or millions, 1 billion patients a year we touch every year, 2 billion procedures. And so our reach around the world is quite profound. We have about 58% of our sales outside the United States, which I think many of you know is rare for a med tech player, but that gives us our breadth around the world.

And also, as it states on here, we have over 4 million pieces of installed base equipment, which the team will go through and what that means. Upgradeability to that fleet is also a really important component of how we create value and also stickiness with our customers. We got 18,000-plus employees that actually interact on the service, sales, clinical capability every day with our customers.

And this leadership position that we have in artificial intelligence, there was a report that just came out that showed of any of the companies in the area who has the most products out, we had 40 some. I think the next close person was around 25. We don't take that for granted. Things are moving fast, but it's a point that says we're not starting from behind. We're actually leading in the space. And I think you'll feel that thread through each of our products.

I think another really important part here is also about keeping our name. Our name of GE HealthCare with kind of our new compassion purple and how we're spelling it gives us a chance to tell the story about care and patients, but it's known everywhere. You can be anywhere in Southeast Asia, Latin America, anywhere, we're known. And so being able to keep that name, we believe, from a brand equity standpoint, was a big deal.

So if we go to our next slide, this gives you a view here of kind of the forefront of care and how we take a look at where we play. We play a lot upfront in screening and prevention. A lot more is going to be taking place in this area in the future from early lung cancer screening to screening of all types of other diseases throughout the body. Diagnosis is core into treatment. We make many of the labs, the surgical C-arms that we lead in to actually do orthopedic implants as well as monitoring.

And I think our reach of services through these obviously is important. What this plays to though is many of our accounts have big fleets of aging -- of different ages of populations of products. And so our ability to bring new -- for new sockets, but also offer upgrades to actually solve that problem for a customer is a big deal. And so upgradability does a couple of things. One is it reduces disruption of care. If you can upgrade an MRI magnet in a few days as opposed to putting a new one in where the whole socket is down for 2 months, in a world where you're short on capabilities, it's a big deal.

We enable the greatest and newest capabilities, but you also create that stickiness. No competitor can compete on an upgrade, right? It's a captive audience for us from that standpoint. And it also enables us to bring more connected care to the market faster. And so all combined, it's a really important part of our breadth and our strategy. And so look, as we -- as I've just covered, we've got a really great strategy coming together relative to just our core products.

Let me spend some time now talking about our next step, which is going into Precision Care. So this is something I think that GE HealthCare is uniquely positioned to lead in. It's one of the reasons that I looked at the company when I was deciding joining GE HealthCare over a year ago that I was super excited about.

And Precision Care really is all about how do you use the data that's out into the health care system, to bring it together, to find better insights, to solve 2 big problems. One is better outcomes for patients because you actually have a very personalized approach. Secondly is how do you solve productivity. And I think we've all had experiences in the health care environment. Many of you have very good connections. And finding the right connections, finding the right algorithms, finding the right people to figure out what's with you takes a lot of time. And if that limitation can be reduced, it's a big deal. And it really does come down to some of this untapped discussion around data.

So look, one of our biggest dilemmas for customers is this personalization and how they can to do it the right way, the right diagnosis with the right data. So look, today's environment, most of this is disconnected. You have different aspects of it. And what you're trying to do is be able to get this patient's longitudinal data aligned to actually how the disease state will play.

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And in a world of expensive therapies, which are on the rise, if you think of many of the different drugs out that would be $200,000, $300,000 a course, choosing that patient that this is really going to work on, first of all, is the difference between life or death. But if you're not good at it as a provider standpoint, it also drives up your cost specifically.

And what personalized care play is, is really how do you put the patient at the center with getting multimodal data. You're going to hear a lot of that today, this discussion of how do you bring multimodal data at the point of the decision. Simple things, just like I have your image, we did a biopsy, I have your pathology. The person that's looking at those simultaneously can draw very different conclusions if it's different people separately. How do you first bring that together?

And so we'll talk about that and how this evolves with algorithms and how this actually feeds into our products and capabilities to deliver. I'm super excited about this because I think this is the future of care. This isn't 20 years from now. But over the next 5 to 10 years, this is going to be an evolution within the care. And our view is, is that we can be a significant enabler of it. I don't need to build all of this, but I need to be able to create an ecosystem where we play a significant role in enabling, and that can have a tremendous capability for us, creating value for shareholders as well.

So look, we play this insider role in health care. And what I mean by that is because we have so many devices that are part of the disease pathway and actually create much of the images, we're uniquely positioned. So onboard capabilities in our devices, we have products actually at a departmental level, let's you -- help you run your radiology, your labor and delivery, your cardiology department as well as at an enterprise level. We have a product that we'll go through later called Command Center that really helps our customers determine, I've got a full hospital, who's going to get discharged later today? So this morning, I can decide who I can move in. One of the biggest issues in health care, as simple as that sounds, there aren't many solutions out there. And because of that, we have 300-some installations that help solve that.

And so our holistic view, I think, is what makes us different. Again, a lot of onboard device, department and then also at a broader level. And our ability to say we can host the data there on the product, we can be on-prem or as we're advancing and moving in cloud, which ultimately on cloud -- in the cloud scenario is one of the opportunities here for really ramping up the capability. And honestly, we'll be an enabler for broader growth.

So I'm going to switch now to talk a little bit about our Precision Care around disease states and a framework that I want to use on how we think about it. So this is kind of a shorthand view that we kind of frame up as D3. So when you think about Precision Care, the 3 ingredients that we think are super important are smart devices, disease state focus and digital platforms, and that you need to have all 3. And particularly from our standpoint, with our 4 million devices that we have out there, this is a really important part of how we think we're an inside player that can trade. We're probably one of the greatest contributors to that data. So how do we play a role in converting that?

And so smart devices are becoming a broader part of our installed base. Again, if you think of artificial intelligence, 4 years ago, we had hardly any products; no one did. With embedded today, there really isn't a product coming out that's not enabled without some form of artificial intelligence. And what that means actually is, is that we're either stepping to the next level of solving a customer diagnosis challenge they have with the patient or actually increasing productivity. You're going to see plenty of examples here coming up from the teams. But this is how we support the customers minute by minute, day by day with those devices.

And then we have this digital platform, which is really a critical enabler throughout that. And that brings all this data together at the right place at the right time. And then we focus on the disease state area. I think you'll see this throughout our discussions today, but what the disease state focus has you think about is the patient journey. So I talk a lot about people, patients and customers, one, because I believe on our people, I believe taking care of patients the right thing. I've spent 30-some years in this business because of it, and it ultimately comes down to taking care of customers.

But I also have other motives about talking about patients. And that's when you talk about a patient, you're not talking about a citizen, you're talking about a patient that's on a care pathway. And if you have breast cancer or you actually have prostate cancer or cardiovascular disease, there's a pathway there. And it changes our thinking inside about not just making modalities, but actually how

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that links together and, ultimately, how we need to think about delivering Precision Care.

So I'm going to walk through this framework now and go through each of the Ds. So first part is obviously devices. You can see here behind me all the different products that we have. The Radiological Society of North America, the meeting Larry was referring to, he's in Chicago just last week, tremendous. We had everybody back from around the world, 30-plus-some-thousand folks, I think 20-some-thousand clinicians. And we had just a great event. I mean we had 5 days, the booth was packed. You couldn't even get through it to see these products.

And if you see the stars on here, you see different products that between connected or actually have AI were featured. CT, MR, our new PET/CT, new surgical C-arm, just a lot of action there; as well as within our ultrasound world, we've actually had 3 new launches just recently. So a lot of good things going on in that space. But again, it starts with, you can't just come in and say, well, I'm going to be a good digital player and I'm not going to invest in my devices. This is where our core is, and we're leading from the front here, driving with our devices.

So we've accelerated our investments in the space over the last couple of years. I think we're in a good spot here relative to our investment profile with our overall devices. And again, this gives us fuel for the near term for our commercial teams to be able to sell and grow. All these are commercially available and will be driving our growth here over the next couple of years. I think an important point on here from our orders vitality standpoint is 35% of our orders are coming from NPIs in the last 12 months. So I think in our space, 25% to 30% is a range. 30%, 35% is a pretty good return on your investment for growth coming out of your pipeline. And so again, it also plays to the point about the drumbeat of new products drives growth within our business.

And so the next piece here I want to touch on, the second D is disease state or care pathway, and we kind of use those interchangeably. And simply, what you see here is patient and caregiver in the middle. There's obviously a planning cycle from diagnosis or detection through intervention. The purpose of this, I want to frame up, is just the framework of this. What you see around this outer circle is all the different devices that we have today that are actually around the patient. And if you think about this, everything from a cardiovascular CT to cardiovascular echocardiogram, SPECT, molecular imaging, the agents used, what we actually do with monitoring, our interventional labs, EKG, stress tests, I go on, we're there. I mean we are present.

The key here is putting these on a broader platform to integrate all this data. And again, it starts with thinking about the patient integrating with disease. Years back, this was difficult to do. With the way technology has evolved and the work that we've done on our platform, this is really what the future holds. And again, what this can do is being able to integrate this data, multimodal data, from these specific modalities with other key pieces relative to lab tests, things of that nature, we think is the future. And so again, smart devices and disease states.

And I think a couple of takeaways here is, obviously, we're already a critical player in many of these disease states. Not like we have an aspiration to move some place where we're not, we're there. So the question is, how do we do take this to the next level? And I think the other side is, is that from a disease standpoint, it has us focused more about the patient and what -- how that aligns to our customer, right? Our customer is trying to solve this patient's problem. The more we think that way, we say, gee, we're in imaging to hear, but if we had this device or we had these other areas and that was connected, we could solve the issue. And so I think that idea of how we create our ecosystem as well as how we think about our M&A strategy in the future, in many ways, will be encouraged and also influenced by how we think about this type of framework.

And so it aligns to our common goals here about how we think about driving better outcomes for patients and also productivity. And Jan, when he comes up here in a little bit, is going to talk about what we're doing in the oncology world, particularly, I think, an example in prostate cancer that we'll get into. But you're going to hear more about that. So we talked about devices. We talked about disease state or care pathways.

The third D here is really around digital, right? So creating an ecosystem for customers by leveraging this digital platform is a big deal. So the first part is most customers' installed base have not just all GE or peer 1 or peer 2, it's a mix. And so having something that is GE HealthCare and non-GE HealthCare open platform is everything. And that's been our design from the beginning, the ability to integrate

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multimodal data, not just imaging data, but pathology, lab data and then be able to have an AI development capability on that. And so what you're trying to get to then is a structured data format of how you bring these together at the point of impact.

And that's really what our Edison platform is about. We actually have pilots running in Europe and the United States as we speak. We had some customers last week that gave some great testimonials about what the work is that are out there. But this is a critical enabler that over the next 3 to 5 years, we think this can be a transformative engine for us to grow. We move from just a company that's selling individual devices, spectacular devices, to integrating them though around the patient. And this is an important part of it.

So just a, I mean, simple example, say, in radiology, kind of a near-home area about what this can do. Many -- in an integrated delivery network, you may have 10 hospitals, 20 ASCs. You've got scanners all over the place. Whoever you buy from today, you're buying to put those applications on each of that scanner. And if you went to the central hospital, you might have got the 5 -- the S-Series Mercedes experience. And if you were in the other area, you've got a lower experience.

But when they come back in for your third follow-up, you'd like to say, well, is that the same comparative image as the other one? And the short answer is, it might be. But in a -- and so a simple example of that, and we use it in the rest of our life, is to have a common application capability that's available to that network because they have a subscription with us. And they can actually download and use by one at a time or actually multiple applications and their different capabilities. It doesn't exist today. Now we're going to enable that via our platform.

But that's just a simple example that's not far reaching about how we can simplify and bring more value. Further afar, it's really about unlocking what's behind those images with our multimodal data. And again, being able to actually have, at the time when the radiologists are looking at the image, other lab data that gives a yes, no answer, a percentage capability, an answer on the pathology. So when they're looking at the images, they know, is that malignant or not, as opposed to they're trying to think, I think it is, but then someone else is looking at it. You think about it, it's disparate. That's our next step.

Further afar then is taking AI to actually say, what did you see here, what did you see here, what did you see here and how the algorithm be able to compare to a reference database to say, we think this is option A, B or C. Now that's further out. But this is the development, that's the vision of the platform to be able to do that. And that would be very different workflow that exists today. And again, it's why we're super excited about what Precision Care can be. There are things today that aren't far reaching that can make a significant difference, and there are things further down the road that can be transformative, things that could be a home run for a company that can actually deliver upon that. And so again, you're going to hear more about that in our presentations around Edison and how it's evolved that product, department and enterprise level. But this is pretty exciting, and we've got quite a few customers that are amped up about what this can be.

So if you think about our spend and our focus, we've got lots of things that are happening now. Helmut will talk a little bit more about this. We spent about $1 billion in R&D. I mentioned the vitality. And you're going to hear from each of the presenters about where we're putting energy against it from premium CT down through digital, a lot of great things that we have in the pipeline that are going to be coming out. Again, we just introduced a bunch of new products just last week that will carry us into '23. And these are investments that we think are really important over the next couple of years. And so I'll have the team kind of go through those as we -- through the next few presentations.

So innovation in the space, needless to say, is super important. I think there's a high correlation between what we bring out. When we bring new products out, we can typically get higher pricing. We have an edict inside that any new product coming out, we're driving a higher gross margin than the prior product. That's just really about focus and priorities. And you'll hear different parts of the businesses talk about their strategies. Everybody has got a strategy on finding more growth and finding more gross margin. But certain businesses is there's a more high prioritized area just based on their current complexion, and you'll see that here shortly.

And so also, I'd just comment on external investments. Just during the last year, with everything going on, we've still advanced our external pipeline work: and so things such as our acquisition of Prismatic Sensors, which is a key part of our photon-counting strategy; BK Medical, taking ultrasound into the operating room, in this case, neurosurgery; things like SOPHiA GENETICS, our partnership with

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them to be able to bring genetic profile information into this multimodal data discussion that I was just having about Edison; and products that take us into alternate site, either in OB/GYN or EKG at home to diagnose AFib. And Tom will talk a little bit about that.

And so look, people ask me a lot, Pete, what's going to be different? Well, look, there's a lot of things that are going to be consistent, a lot of things are going to be the same. But I think a big part of this is just how we think about bringing the right people into the organization that actually have the capabilities to get things done. I'm a big believer, if you got to engage everyone, communicate to the whole company, 60-plus-thousand folks, broader than that when you think of our contractor base, about what we're doing and why because I believe if you bring smart people into your organization, you're clear with them, this is what we're doing and why, guess what, they do it. And I think that's one of the really important things we've worked on as a team is our integration and our communication.

And the third is just more of an outside-in approach, that we want to be out with customers. You can't solve their problems if you don't listen to them. And it's an important part of our lean leadership approaches around going to where the action is or what we'd say go to Gemba.

So look, every company has its kind of unique culture, but I think it comes down to its people. This is what we've laid out as a leadership team together this year, a focus on serving our people and patients. I'm a big believer in service leadership. My job is not to be served, my job is to help our team win. Our team's job is to help our customers win. And that has to be a prevailing set of how we focus across the company. Leading with lean is a big deal for us. I think lean is all about continuous improvement, waking up every day, finding new ways to get better. We have a nomenclature that's focused on what's called SQDCI, safety, quality, delivery, cost and innovation, in that order.

In our world, everybody that works for us or any patient that gets on a product, safety has to be job 1. That's what we think about. Quality, the product has to work. We have so many products that are mission-critical. They have to work. Delivery, deliver on our commitments, do what we tell you for customers, for investors. Cost, take waste out as much as we can so we can invest it back in the organization. And then innovation. And I say it in that order, and you say, gee, Pete, you're an innovative company. Innovation is massively important. But if you can't have safety, quality, you do that first, you're not going to do it. And that's a headset that is across our company and how we run it.

Big part about entrepreneurial spirit. And the point here is, is that I want people to act like owners. Owners are the people that if you walk into a restroom and there's a piece of paper on the floor, you pick it up. If you're not an owner, you walk past it. We want owners in this company. And this energy around developing the future of health care, creating a world where health care has no limits, it sounds like words, but it's passion that's bringing people to this company that in many cases, we probably wouldn't get. And I think that's a really important part about having our team stretched and think about going forward. The last part here is about winning together with inclusive teams. Big deal. I mean we need to be able to bring people from all backgrounds into our company, and it's a super important aspect of what we've got.

The last part here is, I just want to touch on, is our operating model. We've made some big changes in the last year. Each of these runs as a separate integrated P&L. You'll hear again from each of the segment leaders. And then our regions are actually responsible for our service and also how we bring one GE HealthCare to our customers. And so focus and accountability by our businesses and breadth when we have a large customer base. And I think that's a really important part of how we actually work together with our organization.

I would also comment that we actually are adding a Chief Technology Officer reporting to me. I think we're going to have some exciting news to report on that here in the coming months. But the digital organization, research and also the architect of much of the Precision Care strategy I talked about, they will own. So stay tuned on that.

ESG, I'll just kind of wrap and make some few comments on here. Super important to us. Obviously, it's in our DNA as a health care company. We think about it. Things such as we've laid out some goals already to be emission neutral by 50% by 2030 and actually neutral by 2050. A lot of focus on diversity, as I mentioned. We most recently just added a diversity and inclusion leader, Abby Epane-Osuala, who's just come in, has got a great background, who's going to help us get to the next level and really make a difference. I think this is going to be an important part, and our leadership team is very much committed to it.

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So I've covered this outline here, markets, precision care and focus. Our teams are -- will go into this in a little bit more detail. I think, look, just to recap on my part, this is a great business. We've got great customers. We've got great markets. And the markets are really at an inflection point. COVID changed how many people diagnose. And in many cases, imaging played a significant increased role because of that. I think we're uniquely positioned with what we have, particularly in our ecosystem and with Precision Care, our 3Ds, as well as a separate company, our focus, our ability to manage our balance sheet and do things.

And so next, we're going to have our 4 segment leaders. They're each going to go through this. I would say, as you go through this message, you'll see a focus a little bit more on revenue in some, margin on others. That's really intentional that obviously, they're all focused on growing top and bottom line. But in the spirit of focus and execution, other businesses have higher priorities, and you'll see that within the presentations.

And so I'd like to wrap up by just saying as you go through the discussions from -- with each of the leaders, think about how that fits into our mid-single-digit growth strategy. Each of them has a critical role to play in that. How we drive mid-teens to 20%, it's not an idea. You're going to see plans of how people are thinking about getting there. How that generates the free cash flow that ultimately we can invest in the business.

So I'd say with that, I'd like to invite Jan Makela up, and Jan is going to kick us off here and talk about the Imaging business. Thank you.

Jan Makela ***GE Healthcare Inc. - President & CEO of GE Healthcare Imaging***

Thank you, Pete. So I'm Jan Makela, I'm the Imaging CEO. I've been running Imaging for the last 3 years. As you've heard, Imaging is really the big iron, the MRs, the CTs, the interventional suites. Just to add, before this, I also ran our service business globally for a few years, so it's closely linked to imaging, obviously. And before that, I ran the PDx business, which Kevin now leads. And it's a separate business for us, but it's the same radiologist, the same issues. So many years, I would say, in this space.

Let me give you some of the key takeaways for the presentation for Imaging. We're a very large, well-positioned business. As we think about the growth drivers around the world behind Imaging, the growth in patient volumes are well positioned with a large installed base, a large fleet of products, a great NPI pipeline to capture those growth drivers. For GE HealthCare overall, service is half of the revenue in total. And for us in Imaging, services are a very important part of our P&L as well.

Our large installed base with our customers, I'll talk about on the next page, really is an opportunity for us as we think about selling enterprise solutions, care pathway solutions and so on. And finally, we're going to expand margins going forward. I'll talk about it in these slides with our NPIs and those other growth drivers in our installed base, the digitization care pathways and so on.

Next page, please. So here's Imaging at a glance. So Pete spoke about the $84 billion addressable market for health care and imaging is more than half of that, a $44 billion market; strong growth, 4% to 6%. Our revenue is really underpinned by our order backlog, a large order backlog and also the ongoing demand from our customers to work on their patient backlog. There's been long waiting times, as you know, for many of these procedures, in revenue-generating procedures for hospitals that underpins really the revenue.

We talk about the installed base. We talk about 400,000 systems in the installed base. We talk about that driving our service revenue. But of course, from our customers' and patients' perspective, they think of that as their fleet. So our customers every day and our patients every day are working with their installed fleet. And for us, as a company, we talk a lot about new equipment sales, and we talk about service contracts and service sales. But from the point of view of a customer with an installed fleet, they've got a range of ages of machines. These machines imaging live 8, 10, 12, 14 years in the field. And for our customers, as those machines become midlife, really, a great opportunity is to improve the performance of those machines. So we call it upgrades.

But if you think about it from a customer's perspective, how can I do more with my fleet? And a big growth driver for us in Imaging today and going forward is how we help make that fleet more vital and homogeneous. How we get more patients through, the customer will ultimately buy a new machine, but there's a lot of growth we can drive with that mid-life fleet.

So the underlying drivers of the imaging market, these are the 4. The first one is really the emerging middle class in developing countries.

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If I tell you in the U.S., there's 40 MRs per million population, in China and India, there's fewer than 1/6 of that rate. And as we look at the other big imaging modalities around the world, it's the same. So as the middle class emerges, it drives lots of demand for imaging in those markets.

The next one is about the aging population really in the developed markets. So it's really about the growth in screening programs. Now you're all familiar with breast screening. But around the world, we see more screening programs coming, and we see the inclusion criteria extending. So for example, low-dose CT screening for lung cancer, we see the age for inclusion coming down and we see the number of years of smoking coming down, which brings more patients into the screening program, means more screening needs, means more diagnosis and more therapy as well. Strong driver of growth for us.

The third one is about high-end diagnostic exams really changing care pathways. So if I talk about a patient with chest pain, they may go into the cath lab. Cath lab is a very expensive procedure, let's be sure the right patients go in. So using a CT scanner to non-invasively measure the flow in the blockage to decide whether the patient should go in or not is a big growth area for CT as one example.

And the fourth one here, new therapeutic procedures. Increasingly, the actual therapy depends on imaging. So we can talk about minimally invasive procedures like valve placement and stent placement. To do that procedure, you need a high-quality image to guide the procedure. So all 4 of these are really the sort of underlying drivers of this 4% to 6% growth rate around the world in the imaging industry for us.

So on this page, these are our main segments. On the left side of the page, you see different growth rates. But I would say that these growth rates have really fluctuated post COVID, and we obviously direct our investments to the highest growth, most attractive markets over the cycle. On the right side of the page, you see the sort of the range of hardware solutions and software solutions, which mean we can talk to a small customer with their first MR or a large-fleet customer with multiple sites and a big installed base and talk about the services around the outside.

So I'm going to go through 4 submarket examples. I'm going to talk about innovation that we're driving. But before I do that, I just want to sort of frame it up for you. Some of the innovations are really about hardware, like a real hardware, electronics, physics innovation. But there are 3 others which are very important for us and really at the core of our product management and engineering. The first one is AI for imagery construction. So you hear a lot about AI for workflow, you hear about AI for image interpretation and reporting, lots of players in those spaces. And we do that, too. I'm going to talk about AI for image construction, so taking the raw physics, the raw data from the hardware to construct the image. And very few people do that. And we believe for GE HealthCare, this is really something we are leading the market in. It means to get a better image for a lower hardware cost.

The second one is workflow. So workflow is about the patients coming in, how do I set them up for the scan? How do I do the scan? And how do I report the scan as quickly as possible with the right clinical outcome with no defects in an easy-to-learn way? And the third one is upgradability, which I spoke about. And the important thing about upgradability is bringing the AI and bringing the workflow for the customer's fleet, not only on new machines. So those 4 principles underlie the next few pages.

So CT, you're all familiar with CT. I spoke about the growth drivers on the left side of the page. We have a very broad portfolio from the sort of first in rural value CT to the best one-beat cardiac CT. Two of the innovations in CT, the first one is we call TrueFidelity. TrueFidelity is about applying AI to get a better image quality from your CT. It's a subscription we sell to customers' existing fleet. So again, it helps you burn through your patient backlog and for us as a recurring revenue stream on that fleet.

The second one is photon counting. So I'll just take a minute on photon counting. Many CT companies talk about photon counting. And we really think about first generation and second generation. Apart from us, all the photon counting announcements of machines are what we would call first generation. They're based on cadmium technology. So what photon counting does is it takes the X-rays and makes it directly into electricity. Cadmium machines can give you great resolution, like a more detailed fine picture, and they also lower the X-ray dose for the patient. This is a breakthrough for CT from the last 20 years.

But the second generation of photon-counting machines will do something on top of that. They'll be better at measuring the energy of

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the X-rays, and the energy of the X-rays can help you characterize the tissue. So if you're trying to tell the difference for calcified plaque in an artery or if you're trying to see the areas inside a cancer lesion and the differences between them, you need to characterize the tissue. And that's what second-generation photon counting will do in addition to the benefits of first generation. So we are unique in the market in pursuing a second-generation photon-counting machine.

So MR. Now MR is already great at soft tissue. MR is very important today for cancer, for neurodegenerative research, and it's a non-ionizing system. It's great for screening processes, for following up younger patients and so on. And as a result, the MR market is a strong growth market. But only 25% of the world's patients today have access to MR, and that's because of the cost of the machines and the length and complexity of the exams. So the innovation for us in GE HealthCare on the right side of the page, and again, I think we are uniquely positioned in this approach, is really to make it easier and faster to access MR, including on the installed base, the installed fleet that customers use every day.

So we go from value MRs to leading-research MRs, 70 MRs. But the innovations I want to talk about are really getting that patient flow more easy to innovations recently like AIR Coils. In AIR Coil, the coil is part of the imaging process. Typically, these are hard things, very hard plastic. We launched recently AIR Coil. It's like a blanket, you wrap it around the patient, easier for the patient, better image quality, can be used on the installed base if it's upgraded.

The other one I'll talk about is narrow to wide upgrades. So many of our older MRs have a small bore, 60 centimeters. We can upgrade those to 70 centimeters in the field without buying a new MRI, which gives you the latest software and patient handling.

The other one I'll talk about is AIR Recon DL. So AIR Recon DL is that image construction process. And we launched AIR Recon DL quite recently. We applied it to the installed base. And AIR Recon DL gives up to 50% scan time reduction with no image quality compromise. So patients, customers around the world are using this today for spine exams, lumbar, prostate. So I'm just going to play a video here and show you, in our customers' words, some of the impact AIR Recon DL has had for them.

(presentation)

Jan Makela ***GE Healthcare Inc. - President & CEO of GE Healthcare Imaging***

Fantastic to hear those stories from our customers around the world. Now I'm not telling you about a software application which is only on the latest high-end MRs. I'm talking about application which has been put on MRs, which are 10 years old in the field. So we've gone to our customers' fleet, upgraded some of the hardware and applied this software at a fraction of the cost than of a new MRI. And that's how we've reached more than 5 million patients with AIR Recon DL on the last 12 months. Version 1 has been launched, very successful. We launched the 3D version last week at RSNA, and there's a development pipeline of features like that coming in the future.

When I talk about surgery, so surgery is our OEC business, mobile C-arms based out of Salt Lake. This is a very strong business with a very strong position in the main market, which is the 2D market. They launched the 3D product recently. And the 3D product has really got the same sort of features and the same look and feel to the same user set as the 2D product. It's been a fantastic market entry for us, a very strong growth of the 3D system. And in fact, this is really about easing the workflow in these surgical procedures.

What's driving growth for these procedures is those factors about the aging population, a more active aging population, the growth in implants, hips and knees and spines, and also the ability of many of those procedures now to be done, as Pete said, in ASCs and OBLs. So there's a massive growth in demand for these procedures, and this business is really well positioned with the 2D, 3D playoff to do that, so much so that many of the implant companies and the robot companies are now talking to us about how they can work with our 3D system to guide and navigate those procedures.

Next page is about molecular imaging. We talked about this briefly. So this is where we use a radio-labeled molecule to map the function. So this is in neurology, in cardiology, in oncology. And for years, this has been a big industry. You see it on the left side, this plays a lot to the growth in cancer. But an exciting new growth in this field is around theranostics. So many of you in the room, I'm sure, are aware of Pluvicto and Lutathera from Novartis for the new trial published yesterday. And these molecules use the same ligand to identify where the tumor is and also then with a different radio molecule radioisotope to deliver a payload to the tumor, to deliver a dose

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of radiation to the tumor.

So this is all about Precision Care. This is very effective for late-stage cancer patients. And there's a massive industry now. There's more than 500 new molecules in development around the world trying to use the same principle, this precision personalized dose of the tumor. We play to this industry, both for customers who want to implement a Pluvicto process, but also for all of the researchers who are developing the next set of molecules.

What's important in theranostics is to see where the tumor is and to measure the right dose for the tumor. So the dose you give needs to be the biggest possible for the tumor without causing damage to the bones and the kidney. So this dose titration is vital for the efficacy in the clinical trials and the clinical practice. You need to track where the tumor is and then how much dose was delivered to it.

No one else has the range of hardware and software solutions to do that. So GE HealthCare, we have between us the cyclotrons to make many of the isotopes, the chemistry systems to attach those to their ligands and then the PET, Omni and the SPECT StarGuide systems to precisely track the response of the tumors to then measure how they're responding to that dose. And most importantly, the software. If you were a late-stage cancer patient with many mets, how is each met responding? What is the dose that each met receives? And how do I adjust the dose going forward? We have that full range of solutions, both for clinical and for researchers. It's a big growth driver for us.

Next page. So I talked about theranostics. I'm going to zoom out now to the whole prostate care pathway, as Pete mentioned before. So you see the stages of a typical cancer patient. Therapies will differ for each patient, of course. But across here, again, as Pete showed, you see the range of hardware we have. We have #1 or #2 positions in most stages here, and you see the Omni and the StarGuide from the previous page. So having great devices, upgrading the customer's fleet, playing to trends like theranostics is a big growth driver for us.

But then the digital and the data in the D3 model, the digital and the data connecting together some of these dots. So I talked about in theranostics the ability to see the dose, measure the dose and measure the impact. That software connection really is going to drive better patient outcomes and recurring revenue streams for us.

Even further behind that, in the future, you can think about connecting more of those data points on the Edison health platform behind this. So as you think about the early patient records, the path lab data, the genomic data, the [radium] data to better predict disease progression and to better predict response to therapy, and so to choose the right therapy, especially when we think about large populations with expensive options. So the future of us on the Edison health platform with our customers' fleets, with our leading position in hardware, is going to drive that revolution going forward.

Next page, please. So service, a few words on service. We handle over 2 million service requests a year, including more than 1 million preventative maintenance visits. And I'd just like to quickly share a lean example with you. So when we install an interventional suite for a cath lab, it's a very complex installation. A large piece of machinery gets installed. And our field team come and connect it, connect the power, do the calibration, do the commission and hand it over.

So how has lean changed how we do that? Last year, the product team noticed the installation costs for interventional was higher than expected. So the first assumption, the way we used to work was to really assume, make assumptions about the root cause, assuming it was a problem of the field team's competency. But using our standard work and our root cause analysis, putting a team together, actually, we found different root causes. The root causes led to actions in product design to make it easier to calibrate in pre-calibration in the factory, and then updating the service manuals to reflect all of that. And putting those changes into place drove down the installation cost. So our business structure, our operating mechanisms, our lean toolkit gave a measurable impact in terms of that problem statement, which perhaps in the past would have gone unresolved for a longer period of time.

The other thing I want to say quickly about service is, as Pete mentioned, service is vital for our customers. Most of our -- most of this heavy equipment is mission-critical with only 1 or 2 systems installed. Customers want to know that it will be up and running 24/7. And we have the confidence in the service depth and breadth, both the field teams and the parts and the support to keep that running. It's really something very important for us as we think about equipment selection and equipment choices.

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Next page, please. So a couple of pages to go. I'm going to talk about historical financial performance on this page. So at the top of the page, you see our revenue profile; on the bottom, you see the EBIT walk. And for the top half of the page, a very strong revenue profile for us in Q3. Our orders were up 6% on top of a double-digit orders growth in the prior year, particularly strong in MR and MICT. A record backlog for us across the segments. And that backlog, as I said, really underpins the revenue growth. Q3 growth for revenue was 7% v Q2, and it's really across the entire portfolio.

The bottom half of the page, EBIT margin, looking backwards. EBIT margin, as you see, year-to-date, is down 250 basis points compared to the prior year, driven by 2 main factors. The first factor is really accelerated R&D investment. So I've talked about our pivot to focusing on the fleet and upgradability. I've talked about some of our breakthroughs. Funding those and funding the next generation of those coming forward is part of the R&D cost here, which Pete spoke to.

Another driver behind this is really the timing of the cost inflation and the price increases in a long-cycle business like ours. So during the year, we saw logistics costs and component costs, especially for electronic components, really increasing. So we moved quickly to minimize and mitigate those, product reengineering, alternate sources of supply, longer-term supply contracts, but at the same time, putting order price increases through to our customers, changing our product configuration mix to maximize the -- to minimize the cost impact for the price that we could charge, all while keeping an eye on market share and growth in the attractive markets. Now in our long-cycle business, that order price is now starting to flow through to sales price. We've seen positive sales price in this business for the first time in a long time, and we're starting to see that net margin pressure reducing as we go forward.

Next page, please. So this page is looking forward at our EBIT expectations going forward. So over the medium term, our target is to get Imaging to a high-teens EBIT margin business. And there's really sort of 4 main planks I would share with you on that journey. The first one is NPIs. Now we've launched some recent leading innovations, one-beat cardiac CT, the Omni and the StarGuide I talked about in theranostics, the MR Recon DL and the family that is at the beginning of the OEC 3D. Sales of these will ramp. These are margin accretive. This will ramp margin in the medium term, short term.

The next one is I talked about our expertise in bringing machine learning to imagery reconstruction. And we've done that already in MR, AIR Recon DL, TrueFidelity and in the PET business. But as we bring that to all of our products and as the sales grow, this gives you higher image quality for lower hardware costs, higher gross margin.

The next one is our common software architecture. So underneath all of our products, we have a common software architecture for Edison, which obviously reduces complexity, but that enables future solutions such as improved remote service and subscription sales. And as we apply that to the fleet, that brings those revenues forward in time.

And finally, from a hardware perspective, we've designed our products in a modular way or a platformed way so that you can basically assemble common subcomponents for the end product with the same range of customer choice. This obviously drives less design effort and also more sourcing leverage and less service and sales complexity. So again, this is a strong driver of leverage for us going forward. This is also, if you think about it, the enabler of upgradability, right? If systems are designed in modules, then you can swap the modules in the field. So NPI is a big part of our margin walk going forward.

The second one I'll talk about is commercial execution, specifically getting improved price and improved volume for our current offerings. Now with our big installed base, we can most precisely mine how customers use the machines, the mix of procedures they're running, not patient data, and also their sort of scheduling processes so we can better target our sales team and our value propositions for the upgrades, for the fleet and for new sales.

Next one is about supply chain and VCP and platforming. Obviously, coming out of COVID, there's going to be lots of tailwind for us in terms of reduced logistics spend, reduced spot by improved supply. But equally, we continue to apply lean and the lean principles to shorten lead times and improve our supply chain and, of course, again, the scale benefits of our modular design going forward.

And finally, enterprise and fleet solutions. So our large customers with these large fleets, helping them to really upgrade those fleets, work through their patient backlog, improve their productivity and really drive stickiness for GE HealthCare. These are our 4 big drivers

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on a, I would say, a very strong margin path into the future.

So last page, just to recap, what are the sort of key growth strategies for Imaging going forward? To broaden our portfolio leadership, designing breakthrough devices, a longer pathway and then orchestrating the multimodal data, as I showed, to drive insights and outcomes. Leveraging our industry-leading service capabilities for how much customer experience, customer confidence and ongoing sales to their fleet. Expanding digital innovation by expanding Edison and bringing providers and vendors together in clinical support workflows. And finally, and always, continue our lean journey, bringing the lean rigor, execution not only in operations, but also in R&D and in our commercial processes.

So it's a very strong plan. It's a very strong team. I'm honored to be here on behalf of the tens of thousands of people across the world in Imaging. And thank you for your time.

Roland Rott ***GE Healthcare Inc. - President & CEO of GE Healthcare Ultrasound***

Good morning, and hello, everyone. My name is Roland Rott. I'm 12 years with GE Healthcare and I thought I'd start off to talk about ultrasound by showing you why Ultrasound is so impactful in health care. I brought a device here, it's here in my pocket, a portable ultrasound device. And how ultrasound works is very simply that it sends sound waves into the body and the reflection of these sound waves can be visualized, like a visual stethoscope, right? It can visualize the condition of a patient's heart. It can -- like during COVID show whether a lung is affected or whether the treatment of COVID is actually making progress. It can also help determine whether a patient is in shock and why or simply show whether a fetus is in a good position for delivery.

So Ultrasound is a superpower in health care, which truly has the potential to transform health care further. First of all, in today's overview, I would like to give you some key takeaways. So what to take away of this session. We have been in Ultrasound for more than 25 years as a leader and innovator.

Secondly, ultrasound is a very attractive market. It grows mid-single digits and it has some recent high single-digit adjacencies. Third, there are future growth drivers, possible based on care pathways of disease states as well as artificial intelligence and digital capabilities. And fourth, we have reached a strong margin profile based on the differentiated value we provide and the scale we have reached as a business.

So talking about the scale of GE Ultrasound, GE Healthcare Ultrasound. We are a leader in this $12 billion market with more than $3 billion of revenue and very strong and healthy margins. We are reaching that with a global infrastructure of sales and service teams. And with that, actually, we maintain customers worldwide. We have an installed base of more than 400,000 active devices out there. And this installed base is touching not less than 600 million patients, every year. So a huge impact and also a huge go-forward opportunity to further improve and transform how health care is provided.

Let's talk about the market. So $12 billion market, which we expect to grow further in the 4% to 7% CAGR range towards the year '25. So why is that? As I demonstrated in the beginning, ultrasound is so versatile, right? It can be used diagnostically in many different ways. And so there is a strong underlying demand, which has been around for some time. At the end, there is also a big installed base, even a real at opportunity from older to newer devices.

But further than that, there is still ongoing clinical innovation, a lot of innovation going into where else could ultrasound play a role such as in screening in treatment going point of care. We also see an opportunity in the market when it comes to digital solutions as well as further miniaturization, which got us to devices like this as a handheld ultrasound.

And fourth, there is also ongoing activity in the space of wireless and even into home care, right? So it could get ultrasound into the home, and that would be an additional driver for further growth. So all in all, there's a lot of potential in this market, which we are eager to further unlock ourselves as well.

On the next page, I will give you a little bit overview about how our business is structured as well as how our portfolio looks like. So we serve customers in 5 dedicated clinical care areas. So these first 3 carriers radiology, cardiology and women's health have been around

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for some time. And we have a leadership position in these 3. In the #4 point of care and handheld ultrasound, the device I showed you, this is a new area, and this is also an area which is very fast-growing because it really brings Ultrasound to the patients.

The fifth one, surgical visualization and guidance is the segment which we actually formed with the acquisition of BK Medical. One year ago, we acquired BK Medical, and it became a fantastic addition to our portfolio, looking at ultrasound for surgeons. So this strong product portfolio is underpinned by digital threat, as Pete pointed out, we work on a digital platform and this digital platform actually builds additional digital applications.

And secondly, a service offering, which helps our customers be up and running and utilize their equipment at all times, most efficiently. So what you see here is not just the product portfolio, but really this is the way how we actually innovate, how we have set up our R&D teams, our sales teams, our commercial teams, our service teams because requirements of customers are quite different even in ultrasound between cardiologists and radiologists and obstetricians.

So this specific organization design and the way how we work is one of our major differentiators and long-term success factors. On the next page, I will tell you a little bit more about our history of innovation. So as mentioned, we are around for quite some time in this space, more than 25 years, and GE Healthcare has been a leader and innovator all along. When you look at this image here, this black and white in the '90s, that was actually state-of-the-art, right? If you became parent in the '90s, you would love to see your baby to be in 3 dimensions rendered and that is what we actually created first.

If you zoom forward to today, if you become a parent today, this is how ultrasound would look like these days. It's almost like a photo, right? So it has substantially advanced in its capabilities, and we have been on the forefront of driving that innovation.

We also introduced the first generation of handheld ultrasound already more than 10 years ago. We brought some first AI capabilities into ultrasound or we have been the first who did 3D printing directly from an ultrasound device. So there's a strong history and a strong legacy of innovation, which our team has unlocked.

Now going forward, we are focusing on 3 key areas which matter to our customers. First of all, to help customers to improve the clinical outcomes. So we provide them clinical tools and support their decisions, for example, to detect potential cancers as early as possible.

The second part, leveraging the power of AI in particular, AI, to drive productivity to improve the workflow of ultrasound and help customers be more productive and efficient doing so. And the third aspect to further simplify and miniaturize ultrasound, as I've shown you and beyond, because that can get us into new and additional applications. Let me show you now why artificial intelligence is so particularly relevant for ultrasound.

So in the space of women's health, during the pregnancy examination. There are a lot of different exams done different types of exams, one of it being, what is the development of the fetal brain looking like, central nervous system. And so to get to this examination, a physician actually has to not only find the brain in a good position, but to take free license in a particular order based on the guidelines and that can be challenging because fetus can move, right?

So it can even take a trained physician like 1 to 2 minutes to do this. Now with the help of AI, what you see on the right side, we have automated this process that essentially the physician only has to hold the probe in the right direction, press a button, and the system does pretty much all the rest. So acquire these images, find the right 3 planes and deviate also the measurements accordingly.

So this small example, which really brings the workflow from 1 to 2 minutes down to less than 10 seconds, right, shows you the potential of AI and ultrasound. And this is just 1 particular exam. If you think about different types, this can pile up, this can become essentially an additional 0.5 hour at the end of the day, good for more reimbursable procedures or to relieve strain from the health care providers.

AI is not only relevant to be more productive, but it also helps in the second way. It reduces -- it makes it easier to use ultrasound, right? Users of all skill levels can actually be supported to get a higher quality and a more consistent ultrasound examinations. So it helps us to get into new markets with lesser skill users and hence unlock future further growth.

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3 more examples here, how we improve our portfolio based on automation and simplification. First of all, BK Medical, Again, we acquired BK a year ago, and it was a fantastic complement because we haven't been active in surgery ourselves. Now BK did a great job to transform and focus ultrasound for specific procedures. For neurosurgeons, for example, when they do a brain tumor resection, before they use ultrasound, they could only rely on the preoperative imaging. Now with ultrasound, they can actually follow their examination during the procedure, and they get real-time feedback whether the tumor was completely resected or not.

So a very powerful tool. The second 1, Vscan Air. I showed you this device in the beginning and now here with my phone. So this makes it a complete ultrasound system, right? You take an iPhone with the app we deliver, you take our scan device. And essentially, this ultrasound system can go anywhere where care is provided. This can be on the sidelines of a football pitch. This can be in a rural area where there's nothing else available. This can be in any ambulance car.

I have it in all my flights, in fact, and offer it in case there's a medical need. So literally, this can go wherever care is needed and care is provided. And the third example, is, again, in women's health, our recently launched Voluson Expert22 premium ultrasound system. This system is not only the 1 which gives you these outstanding images, which you have seen before, but also has substantially advanced the workflow to again radically simplify with AI help how an ultrasound is conducted. And especially in current days, where so many health systems are constrained with their staff with staff shortages, this is a very, very powerful capability.

Now let's hear from some of our customers how they think about our innovation.

(presentation)

Roland Rott ***GE Healthcare Inc. - President & CEO of GE Healthcare Ultrasound***

It's great to hear from our customers how they confirm the value of our solutions have to them. So as mentioned, as Pete mentioned in the beginning, it's not only about smart devices, right? We're actually working on a free strategy, which essentially means we have smart devices, focusing on particular disease states but then connecting these devices through a digital platform and with that leverage the data.

We're actually building on that platform Edison, specific ultrasound applications. So essentially, all of our customers a suite of apps, which help them to navigate their ultrasound devices better. They can run their fleet more efficiently that way. They can use the examinations they generate from the ultrasound devices and hand it to their billing systems to get reimbursement that way.

They can also have collaboration capabilities to connect ultrasound users with each other, for example, to get training. So a very powerful suite of growing applications based on our digital platform, we also build our AI models based on the same platform. So following this section innovation, I'd like to show you our financial results, recent financial results. And as you will have seen, GE Healthcare Ultrasound is a substantial contributor to GE Healthcare's total top line as well as bottom line. We have been able to grow top and bottom line also over the last 3 years in spite all of a pretty demanding environment when it comes to COVID, when it comes to supply chain shortages.

And so there are really 4 key areas why that is the case. First of all, our leading brand and trusted position on the market. I think these voice of customers speak for themselves. The global distribution and service footprint, right? This dedication we have to our ultrasound focused sales and service teams, a real differentiator and one in which we keep building out. We still have the aspiration that every customer who takes a buying decision in the world will consider GE Ultrasound, at least have a look at that before you make your decision. So that is what we are building out.

Third, the continuous innovation. Continuous innovation, which delivers smart and intelligent devices, as you have seen. This year, we actually launched 18 new product innovations, either totally new products or upgrades to existing ones. And the fourth aspect behind these results is really that we continuously focus on improving our [end to end processes](corrected by company after the call). We adopted a lean mindset and lean practices like Kaizen to continuously work and improve. An example here in the area of inventory, right, 3 years ago, our inventory turns were a factor like 3.2. And today, they are more than a factor of 5.

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We removed some unnecessary warehouses and hence, also shorten the lead time for our customers from ordering something to ultimately get it delivered. So in summary and looking forward, right, we continue to grow our leadership in Ultrasound based on very strong continuous innovation as well as increasing our commercial intensity.

We will also, going forward, look opportunistically at adjacent areas, which can round up and extend our offerings such as what we did with BK Medical or our recent investment in home care solution provider, Pulsenmore. We continue to innovate and broaden our digital capabilities and provide customers an ecosystem of possibilities. And fourth, we continue to improve ourselves with a lean mindset to drive further revenue and margin growth.

We couldn't be more excited about the potential Ultrasound has both as a business as well as a key modality in health care. And with that, continue to create a world where health care has no limits. Thank you very much. With that, over to Tom.

Thomas J. Westrick ***GE Healthcare Inc. - President & CEO of Patient Care Solutions***

Thank you, Roland. Good morning, everyone. My name is Tom Westrick. I run our Patient Care Solutions business. I've been with GE Healthcare for almost 20 years, but in this role for about 2 years. Very excited to talk to you about patient care solutions, what it is today and why we're very optimistic about our future.

First slide, please. When you think of our business and our portfolio, think of literally decades of clinical innovation, trusted medical devices and solutions, taking care of patients, supporting our customers in some of the most extreme health care settings in the world today, predominantly within acute care. Our largest business is our patient monitoring business. We're going to talk a lot about patient monitoring today, how we can accelerate what we're doing in that business and expand across multiple areas.

Because of the large -- our large installed base, as Pete mentioned, and all the data it creates, there's a growing list of digital applications and digital solutions that we're offering that help to continue to improve workflows around where our customers are struggling today given predominant labor shortages.

We play in mature markets. We expect middle- to single-digit growth in revenue and margin accretion, and we certainly see opportunities in adjacencies where we play today. Patient Care Solutions at the clients. Our $18 billion consists of the hardware and software, the medical device itself, consumables, services and a wide array of digital offerings, many of which we'll talk about today.

From a market perspective and market share perspective, we're as weights to the equipment, we have a long-storied history here, particularly with large market share really in all of our products from our monitoring solutions portfolio through maternal infant care. We're either #1 or #2 in the market today.

We certainly play at scale. We have 3 million units in our installed base today around the world today, predominantly within our monitoring portfolio, which allows us to monitor patients over 100 million annually per year. Our revenues are $2.9 billion for 2021, 12.2% earnings for interest and taxes, both of which we believe we can improve going forward.

Let's go deeper into our portfolio. So from our enterprise monitoring portfolio, our strong presence in the operating room for anesthesia, we'll hear a lot today about our electrocardiogram technologies within EKG and our maternal infant care, which serves the labor and delivery of the NICU we really follow the patient through their care journey throughout the health care system from stabilizing triage in the emergency room, into the operating room, into the ICU and then monitoring an observation in the general ward and beyond, as Pete mentioned, with solutions outside the hospital.

Really, all of our technologies have this thing in common is that we produce a tremendous amount of real-time critical care patient information. So as you think about monitoring solutions, think about noninvasive blood pressure, SPO2, respiratory rate. These are critical patient vital signs that are used in real time by caregivers to provide care to that patient at the moment in time.

We're beginning to develop more and more decision support tools around that data that helps improve the workflows around the

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department itself where the devices are and also across the hospital overall. These decision support tools and workflow-type solutions, we believe are most significant and relevant and responsive to some of the health care challenges our customers face today.

Next page, please. Our $18 billion market, we expect to be $21 billion by the end of 2025. Much of that growth is really related to the digital offerings that we're developing and growing to support the right side of this page. I think many of us are familiar with the numerous macro trends in our industry today, most predominantly related to clinician shortages and cost.

Our customers would tell us this is not temporary. Something has to change. We expect -- many would expect by the end of this decade, we will be 20 million clinicians short on a global basis. Think about that from the care we get today, if that's the reality, 5 to 10 years from now. Clearly, something has to change and how care is provided to address this demand without the capacity of the clinicians that we expect.

Our customers come to us very clear and very loud with a simple request. How can I use the information coming from your fast array of medical devices scattered all over our hospital system to support our patients. How can I use that information at scale, greater insights from the patient to the department across the entire health care system to help ease the burden on clinicians, increase their productivity and ultimately support patient outcomes.

How do we help the system achieve these massive demand and capacity constraints? This is the very framework in our -- of our strategy, our innovation, and our goal is to continue to expand the use of the information through workflow improvements. Next page, please. The takeaway of this slide is relative to our 2 main focuses of our innovation. One is to continue to advance the device itself.

As Pete mentioned, this is a critical element in our legacy within our -- within this space as have the highest quality, most precise information to support the individual patient. Second is then to take that information and use it at scale through our Edison platform to continue to improve workflows and in and around where our clinicians use our equipment today.

We're certainly not new to this space. I'll talk about Command Center in a few minutes as how that relates to improving workflows across the health care system. I'd like to talk about our recent collaboration with ALiveCor. I brought an example of AliveCor device in my hand today. So we have literally decades of EKG technologies and solutions inside the hospital.

So our EKG systems and technologies bring in literally millions of EKGs per year. Those EKGs are read by clinicians inside the hospital and utilizing our decision support software called Muse, they prioritize the EKGs with abnormalities and provides prioritized care been in the market for decades. Now we've extended that to create an EKG ecosystem with our partnership in collaboration with AliveCor.

So this is a 6 lead FDA-regulated device. It's a cardio mobile EKG monitor that takes EKGs outside the hospital from a consumer perspective. Our collaboration now allows these EKGs to be included within the same Muse software system inside the hospital. This creates a full [end-to-end solution](corrected by company after the call). Patients now have confidence that their EKGs are included with all the records that they've taken in-house. And the clinicians also are saving time and energy to looking for those EKGs, it's all in 1 place and improves the overall workflow and efficiency of this.

So very excited about our collaboration with AliveCor. On the right side of this page, you'll see our aggressive innovation road map, again, focused on continuing to advance the device as well as to grow our workflow solutions With a heavy emphasis on monitoring which we'll talk about next. So patient monitoring is -- most of our installed base. And our plan is to continue to expand and accelerate the capabilities of the monitoring platform across the health care environment.

Again, how do we do that, continue to advance the device. On the left side of this page, I will speak to some recent advancements we've made on the device itself. And then as you move to the right, how do you continue to use the information through the Edison platform to create information at scale that improves workflows across the hospital ecosystem as a whole.

So on the left are some examples of our recent technology. Let me introduce you to Portrait Mobile. So this is our post-acute monitoring platform, which we released in Europe earlier this summer. And what this is, is taking the -- it's the enhancement of today's spot check

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monitoring and the award. So if you're in the general ward, post-ICU, post your surgery, you're really getting your vitals checked every 4 to 6 hours. This is now a solution which is continuous monitoring of some of the critical parameters that suggest deterioration such as respiratory rate and SpO2. So early identification of adverse events and prevention of patients back into the ICU, which is a costly endeavor. Very excited of what we can do with our post-acute monitoring platform.

On the right side, as I said, is taking the information either from the device itself or from Edison in creating solutions at scale, how to use the information beyond just care to the individual patient. The digital central monitoring solution is an example of remote surveillance of cardiac telemetry patients. So in the hospital today, there could be literally dozens or more of patients are being monitored after a cardiac event.

It's a very difficult population monitor. There's lots of alarms, there's lots of communications. And with the shortage of clinicians, it's just hard to manage this population. This is a remote -- our solution is a remote tool that allows monitoring of multiple facilities of multiple patients, literally hundreds of patients in cardiac telemetry that helps to identify alarms, address the alarms are the most significant, prioritize communication back to the individual clinicians and overall ease their burden so they have prioritized care inside the health care setting physically.

So a very good example of how we're taking the information for monitoring capabilities and using at scale. The next page is taking it even 1 step further. So we talked about patient. We talked about the individual department. Now let's talk about the ecosystem as a whole. So Pete mentioned Command Center. Let me introduce you a GE Healthcare Command Center, installed at over 300 facilities around the world today. Think of air traffic control. This is as the picture describes is not -- it's not a dashboard. It's not just information that people have to then address.

This is taking information from literally all sources within the hospital, hospital electronic medical record, the medical devices and other health care IT systems. Taking that information in, applying our algorithms and using applications in something we call tiles that helps to identify demand, identify capacity constraints and overall increase the throughput of patients through the health care system in the most effective and efficient way, ultimate goal of improving patient outcomes as well as reducing length of stay.

You can see the in the quote from Dr. Pattani in the lower right-hand side of this page. With that, let's hear more from our customers who use Command Center today.

(presentation)

Thomas J. Westrick ***GE Healthcare Inc. - President & CEO of Patient Care Solutions***

Fantastic testimonials from our customers. Let me summarize what I just mentioned with respect to our monitoring capabilities, continue to advance the capabilities of monitoring the individual patient with the highest quality devices that we can produce and continue to innovate. Next, take that device, use the information, improve workflows in and around departments where our devices are today and finally, you just heard with respect to command center is how do we take it across the entire enterprise.

We're really excited on what we can do in our patient monitoring space. Let's talk about our financials. We're poised -- we believe we're poised for near-term growth on the as well as margin accretion. So when you think of our revenues today, think of the device itself, the hardware, the software, the consumables, services and a vast array of digital offerings I mentioned today.

About 1/3 of our revenue today is recurring in nature. The EBIT margins on the lower left, we don't believe reflect what we can do in the near term. The margins over the last 18 months are reflective of the following. First is a significant shortage of key electronic components. In a typical monitoring installation example, multiple things come together to create a full solution and if 1 part is missing, you can't on a the full solution, you can't deliver.

Second is high cost. To get some of these critical components, we've had to go out in the market and the spot market and sometimes pay 10, 20x what it typically costs. And finally, the price increases, which we've been effective in achieving over the last really couple of quarters are really still in our backlog, still in our backlog, and they haven't come to the revenue, the income statement yet, and we

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expect that to happen in 2023. So as we look forward with respect to our margins, we do see easing in overall easing environment within supply chain. We've made significant improvements with applying our lean principles in our factories as well as working really closely with our suppliers to help them get through this too as they are our key partners in our overall supply chain.

So given all those factors, we do believe our backlog will continue. Our backlog will be the highest we've ever been at the end of 2022. We expect that to accelerate the use of that in 2023 and a higher-quality backlog. On the longer term, we continue to innovate. On the longer term, the continued innovation the through the device itself, the digital offerings and continued improvements with our lean tools and particularly around our supply chain, we see margin accretion in the long term as well. Let's go to margin accretion on the next page.

So really, these 4 or 5 things are what we see to take us from where we are today to high teens in the next several years. First is that this continued release of our NPIs, many of which we talked about today, mostly in the patient monitoring space. That plus the release of our high-quality backlog, we see as increased volume in the near term. Our highly specialized acute care sales force will continue to prioritize our go-to-market strategy, particularly around those markets where we have the highest margins as well as targeted continue to get target price increases. From an efficiency perspective, variable cost productivity programs, particularly in the supply chain will help us with our margins. And finally, from a digital perspective, these digital offerings I mentioned today, many of them are recurring in nature and higher margins. The summation of those 4 items, we believe over the next 3 or 4 years will create this type of margin improvement.

In summary, our customers face significant challenges today, and we are excited to help them. Through our -- through the 4 items on this page, we believe we can get at many of these issues that create higher clinician experience, improved clinician experience, productivity and ultimately, patient outcomes, we will help to improve. From a financial perspective, we are confident we can deliver profitable growth as our supply chain pressures begin to ease, we continue to accelerate our innovation path and ship our quality backlog in 2023 and beyond.

Thank you. With that, I'd like to welcome Kevin O'Neill to the stage.

Kevin O'Neill ***GE Healthcare Inc. - President & CEO of GE Healthcare Pharmaceutical Diagnostics***

Thanks, Tom. Good morning. I'm Kevin O'Neill. I lead our Pharmaceutical Diagnostics business. It's a role I've had for the past 5 years. And prior to that, I was the CFO of our Life Sciences platform. So I've really been around Pharmaceutical Diagnostics for 10 years now. I'm really excited to share with you this morning more about the business we've built over that time but even more importantly, the future growth we see as we look into the future.

Probably 3 key things I'd like you to take away from the next 15 minutes of the session this morning. Firstly, in our business, pharmaceutical diagnostics, we've got a leading position in injectable pharmaceuticals both in contrast media and molecular imaging agents. We're driving innovation, and we do that in 2 key ways. We do that through an NPI in our new product funnel but also in terms of delivering productivity to our customers in terms of how they're using those products.

And finally, this is business that's been built on -- has a strong financial profile. We've got recurring revenues, strong margins, and we build and run this business every day built on the strength of our commercial reach and the strength of our vertically integrated global supply chain. So if you just look at the business at a glance and just look at some of the statistics. First of all, 100 million patient procedures a year are performed using our imaging agents. That's 3 patients every single second.

We play a $10 billion market, and our revenues at $2 billion segment margins in 2021 of 34.3%. We've got a global manufacturing footprint of 7 key pharmaceutical plants around the world. And we've got 20 very well-recognized global brands in contrast media and molecular imaging plus a strong pipeline.

And finally, I think an important thing to take away from this page is GE Healthcare is the only imaging company that manufactures diagnostic pharmaceuticals as well. Now why is that important? Well, if you think -- some of the things you've heard from Jan today and Pete about the emergence of precision health, precision diagnostics, precision medicine, we believe the interaction of the diagnostic pharmaceuticals with the equipment and the AI is extremely important going forward as we look for precise diagnosis, and we have all that capability in-house. Similarly, in our contrast media business, as we think about next-generation Photon Counting CT, we develop

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the contrast agents to work with these machines, how do we tune it to work even better to create better images for patients.

So we think that's a really strong asset we have as a company. If we then look at the market, as I said, we play in a $10 billion market. We expect it to grow to $12 billion by next slide, please, by 2025 and we see some attractive tailwinds in those end markets.

Firstly, we talked earlier this morning about Precision Therapeutics. Precision Therapeutics by definition, only work on a small group of patients. And we develop the precision diagnostics that identify the patients that those therapeutics will be effective on. We also have the diagnosis -- we're developing diagnostics in the system to monitor the progress of the disease and the effectiveness of those therapies.

As small precision therapies come to market, precision diagnostics will become increasingly important going forward. Secondly, in contrast media, the use of contrast enhanced exams to diagnose disease is very well-recognized medical practice, particularly in the Western world, but in emerging markets, the importance of using contrast media continuing to grow, and we see more and more contrast enhanced exams being performed. And then the underlying principles, aging populations, chronic disease, expanded patient access, all increasing the amount of procedures and therefore, the amount of contrast media, molecular imaging agents, we see being used.

We go to the next page now, and I'll just explain how our products are used. Two key areas in our business. Contrast Media at the top here, molecular imaging. If you take contrast media, Jan talked earlier about CT scanners, MRI scanners if you've had a CT scan or an MRI scan, there's a high probability you're injected with a contrast agent that enabled the clinician to see a better quality image.

The contrast agent enables better visibility of blood vessels, major organs, soft tissues, all critical to getting a better diagnosis and ultimately driving a better outcome for the patients. In molecular imaging, again, Jan touched on our PET scanners, our spec cameras. We have the radio labeled functional imaging agents that are looking at things such as blood flow in cardiology, characterizing tumor types in oncology and in the space of neurology, identifying biomarkers for Parkinson's and Alzheimer's, getting a clear functional image, really characterizing a disease state and ultimately driving a better image, better outcome for patients.

And that's the core of our business, these 2 key business areas. Now if we look more broadly now, if we go to the next page, on the left-hand side of the page here, and I won't go through all of these, but you can just see the breadth of the brands we have in the imaging space, widely recognized globally. You see the modalities that X-ray, MR, ultrasound, SPECT and PET used broadly across imaging.

But what I really want to draw your attention to is the right-hand side of the page here. And so it's not just about having a good portfolio of products. It's about winning and why do we win as a business? Firstly, we continue to innovate. If you take the product on the far left of the page at Omni, Omnipaque is probably the workhorse of the CT imaging suite in terms of imaging patients. The molecules in that dose of OmniPaque are over 30 years old.

But we continue to innovate every year for our customers in terms of how that product is used. At RSNA, only last week, we were showcasing our CT motion injector. That's the device that's used to inject those molecules into the patient. What CT Motion is doing is enabling the patient to get a more precise dose. It's eliminating waste in the hospital and driving better productivity and throughput in the CT suite for the hospital.

So the patient may be getting a dose that's 30 years old, but we're actually delivering in a better way now that it's better for the patient, and drives productivity for the hospital. Secondly, we've got terrific scale advantage and capability in our supply chain. And that's only -- it's very obvious when we come to a product such as DaTscan here. DaTscan and imaging agents to image the dopamine system as an identifier for Parkinson's disease.

It's a radiolabeled agent. It has a very short half-life 10 hours, complex to manufacture. And if a clinician wants to order a scan for a patient, let's say, on a Wednesday, they will place the order with us on Monday. We'll manufacture that dose on Tuesday. We'll deliver it to the patient, to the clinician on Wednesday for their scan. It's a radio labeled dose and it has to be delivered and used within a certain time period.

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We do that over 3,000 times a week, and we do that with over 98% on-time delivery for our customer. And that is absolutely critical that our customers trust us to do that, to get the dose there so that the patient is scanned in a timely fashion. And then finally, we've built big customer relationships over many, many years. The customers trust these brands, they use them, and it's given us a terrific foundation on which to grow the business as we look forward to the future.

So that's the portfolio we have today. Now let's talk about growth opportunities. Contrast media, we'll start with contrast media. And if you just look on the left-hand side of the page here, we see a significant growth in the demand for iodinated contrast media over the next 10 years. We see that demand doubling. We're

the industry leader today and it's absolutely critical that as the leader we ensure security of supply for our customers. That's why we're expanding our manufacturing. We do that through lean, how do we create more capacity within the footprint we have today. And we're doing that through investment and building our capacity.

We've recently announced investments in our plants in Cork in Ireland, in in Norway to ensure that we can meet this demand going forward. But equally as important as our own manufacturing, we have to have strong relationships with our suppliers. Iodine, for example, key ingredient to our contrast agents, we're signing multiyear agreements with our -- which we've recently announced with our key iodine providers that give them the confidence to invest in the mining and the capacity that they need to ensure, again, we can meet demand for patients in the years ahead.

So that's just an example of where we see contrast media doubling over the next 10 years. If we then go through the key strategies in each of those areas in contrast media to drive growth, X-ray, as I mentioned, getting the capacity but also pricing the products appropriately to ensure that we can justify that investment and improving efficiency, reducing waste at our customers.

In MRI, we're transforming and looking to transform MRI imaging, both in terms of making branded generics available to give choice to customers, leveraging the strength of our supply chain but also disrupting with the use of non-gadolinium-based alternatives for MRI imaging. And then finally, in Ultrasound, as Roland shared this morning, we've got 2 terrific imaging agents in terms of option for cardiology, Sonosoid for liver. We're increasing the access for those agents, greater access for those agents globally.

So let's contrast media. If we now go to our molecular imaging portfolio on the next page. We think about this in really the 3 care areas, neurology, oncology and cardiology. In neurology today, we have the leading brand in terms of DaTscan which is used to diagnose Parkinson's disease. We also have Vizamyl, an imaging agent to look at amyloid beta plaques, Again, a precursor and a biomarker for Alzheimer's.

We see demand for the prevalence of these diseases growing, but also the availability of therapeutics and we're closely watching the space of therapeutics in the neurology area, requiring more precise diagnostics going forward. In oncology, we're building out our platform today. The acquisition gave us access to Seriana to form the base of our breast oncology portfolio.

We're building our toolkits in terms of immuno-oncology, and again, as Jan referred to, the vast number of early-stage traces that are under development in the oncology space. We're constantly looking at those and looking at opportunities for in-license seeing to continue to build out our oncology platform.

And then finally, in cardiology. We've had a leading platform for many years with my view, which is an enticing agent for myocardial infusion. We've just completed the Phase III study of Flupiridas, a PTE agent reported out the results of that. It met its endpoints. Now we're going through the regulatory process and getting approvals, but we hope to be bringing a PET cardiology agent to market in the near future.

Final thing on molecular imaging, and Jan referred to this we have a hugely broad portfolio in GE Healthcare. We do everything in this space. We make the cyclotrons to develop the radioactive doses. We develop -- we have the chemistry systems. We have the traces. We have the PET cameras, the SPECT cameras and the AI, and we believe that's incredibly powerful.

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But don't just hear it from me, hear from one of our customers, Professor Ken Herman, will give his perspective on our broad portfolio of molecular imaging.

(presentation)

Kevin O'Neill ***GE Healthcare Inc. - President & CEO of GE Healthcare Pharmaceutical Diagnostics***

So it's great. And you get that perspective from Kevin about how we bring all of these technologies together is GE Healthcare. If we go to the next page, we just really summarizes our pipeline now of new traces. I just really want to bring you down the left-hand side of the page here, you can see we're hitting the carriers, radiology, neurology, cardiology, oncology and immunodiagnostics products at various stages of development right now.

Those programs are funded, and that's our work for the next years now is taking these products through their development phases and bringing them to market. And I think in all of these areas, now we're bringing them to high-growth markets and all offering potential for growth in the future.

If we turn now to financials. I'd start reminding you just on the right-hand side of the page here, the key drivers of our financial performance in the business. Look, we see a growing demand for procedures. We've got this rise in molecular imaging that we talked about. And this is all underpinned by our products are used on time-sensitive elective procedures.

The revenues are recurring, and we've got strong margins. If you just look at the numbers on the left-hand side of the page here, and I think on the revenue block, I mean clearly, 2020 was the year of COVID. But you can see, again, our products used on time-sensitive procedures there was an impact, but it bounced back again in 2021, and we expect that to continue to grow going forward.

In terms of EBIT margins, there's clearly a drop between 2021, 2022. And let me just explain the key drivers for that drop. In the first half of this year, many of you will have read, there was significant disruption in our supply chain, particularly with our plant in Shanghai and China during the lockdown. But as Pete mentioned earlier in terms of how we apply lean, safety, quality, delivery cost and innovation in that order. Whilst we have the challenges in Shanghai, our focus was on patients.

How do we keep our employees safe, how do we deliver safe products, quality products and deliver those to our patients. So we focused on investing in capacity in other plants in the world, particularly Cork in Ireland. We invested heavily in switching modes of transport from sea to air. Clearly, that impacted our first half margins. And if you look at the first half, our EBIT margins were 26%.

As we came out of the Shanghai lockdowns, we bounced back to 30% in the third quarter of the year. So you see the trend improving. But there was a key focus of patients first, getting the delivery to our customers. Finally, just to wrap up now. Hopefully, you've taken away for the sessions, the key growth strategies we have to drive long-term success.

Building out the capacity to meet the needs of patients, ensuring security of supply to our customers. Commercial execution in the field, getting the right price for our products, reflecting their value to patients.

Increasing R&D. We're increasing R&D spend year-over-year. You'll have seen the pipeline as we went through the presentation today. And then finally, look, this is a great platform, strong commercial reach, terrific manufacturing capabilities, and we want to capitalize on that and look at attractive growth adjacencies when we think of things like Theranostics, when we think of the expansion of our molecular imaging agents, when we think about injection systems.

So look, I'm super excited about the future of our business. Very proud of our teams around the world, who work every day serving those 100 million patients that benefit from our products. I look forward to your questions in the Q&A session. But now I'm going to hand over to Catherine Estrampes, who's going to talk about our commercial strategy. Thanks, Catherine.

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Catherine Estrampes ***GE Healthcare Inc. - President & CEO of GE Healthcare USCAN***

Thank you. Good morning, everyone. My name is Catherine Estrampes. I have 30 years in GE. I currently lead the North America region with previous experience of running the EMEA region. And I am super excited this morning to share with you our global commercial strategy and execution. You've heard already from Peter and the global segment leaders this morning. And what I want to do now is to take you 1 step further with me and really talk about how do we bring it all together and how do we articulate and share with our customers, collaborate with them to really bring innovative -- our innovative technologies and help them improve access to care, the quality of care and the cost of care.

So there are 3 really takeaways, which I would like you to hear from you this morning. The first one is we are known as a trusted partner worldwide. The second one is we have a unique value proposition. And third, the combination of our global scale our local market expertise and our extensive commercial capabilities actually allows us to serve our customers in many diverse care delivery settings as well as visit states.

So what does it mean to be a trusted partner? Well, first, it starts with a strong global presence and a strong global footprint. You can see behind me on the slide, we are organized around 4 balanced regions that are really focused on delivering growth at scale, and we are worldwide where it matters most to our customers.

We consistently show up with innovative responses, including in very challenging times. Let me take you back to the COVID times. We deployed 200 CT scanners in a box to actually allow for safe and fast diagnosis of COVID-infected patients and making sure that they were triaged safely.

If you remember, Jan talked about oncology and the need and the expansion of early cancer screening. We partnered with in France, in the United States and in Colombia to actually deliver one unique, very unique one-stop breast clinic, which actually allows for accelerated diagnosis treatment planning for breast cancer.

And of course, in support of our customers, we deploy, as you can see behind me, 10,000 global sales force, 1,500 channel partners, 8,500 field engineers and 1,800 clinical and R&D specialists. And we have an R&D presence in 18 countries.

In other words, we have scale. In addition to our scale, our unique value proposition really differentiates us in the market. And it's comprised of a number of capabilities, but let me just point you to a few of them. First of all, we cultivate deep relationships, long-standing relationships with our customers. We embed ourselves in their care teams in order to craft a new solutions with them. And that creates trust.

Second, we tailor our go-to-market approach to each region, combination of direct, indirect channels, digital presence, as well as localization of the product in order to meet the local needs. Third, and you heard it from my colleagues, it's about digital and AI. Think about Eric and think about True Fidelity that Ian mentioned, think about automated ultrasound measurements in Ultrasound, which Roland mentioned, and think about the digitization of patient monitoring.

The point here is how do we take this unique suite of digital and AI and automation and how do we integrate it and bring it at the account level in order to drive efficiencies and improve workflows. And finally, we really believe that this value proposition is going to continue to allow us to increase price.

What you have behind me really are the components of building long-lasting long-term value partnerships. So how do we show up in front of our customers. To the left of this slide here, as you can tell, you are very familiar. These are challenges that our customers are dealing with every day.

From cybersecurity threat to tight capital allocation to labor shortages and higher costs and to the need to drive efficiencies and the productivity. The way we show up really is we put the customer at the center of a 3-legged stool. And the first 2 are our key account managers. They are the orchestrator.

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They leverage our entire portfolio of technologies and solutions, and they co-create offerings with the C suite and the department shares. They are supported by a number of product sales specialists who basically are aligned to each modality in each segment and who bring the deep clinical and technical expertise. We also have, and this was mentioned several times this morning, a world-class service delivery team, global footprint.

And really, they bring solutions beyond break fix, as you could hear as well from Jan earlier. And then we have a host of other resources, cardiology, oncology, digital specialists who actually are supporting our advancement in the precision care that Peter has been talking about. I would like to share with you a key customer that is bringing to life our unique value proposition is HCA.

It is the largest integrated delivery network in the United States. And it's a 25-year strong relationship of our company that evolved from transactional to transformative. 3 examples of that. Neuro virtual care solution that applies to the labor and delivery. And this is really about a virtual solution that is bringing the multi-data sources, integrate them into the clinical workflow to actually identify and work on high-risk pregnancies.

The second example is what Tom mentioned around Command Center. HCA has adopted to actually proactively and predictably manage the dynamics of their capacity versus demand. Which during COVID, again, was extremely important. And then third example, they actually use a software application called Encompass, which allows them to track their mobile medical devices across their organization in order to make them available in the right location at the right time for the patients and the caregivers.

And now I would like you to listen from Dr. Schlosser, who is the Senior Vice President, Care Transformation and Innovation for HCA.

(presentation)

Catherine Estrampes ***GE Healthcare Inc. - President & CEO of GE Healthcare USCAN***

Thank you, Dr. Schlosser. And now I am really excited to be part of a company that is going to create a world where health care has no limit. I'm very proud of our teams as well, and I would like to welcome Carolynne Borders. Thank you.

Carolynne Borders ***- Chief Investor Relations Officer***

Thanks, Catherine. Now we're going to have Peter and our CEOs come back up on stage. We'll have about 15 minutes of Q&A. And then again, we're going to have the session later in the morning. You'll see that we have mic runners on both sides, and I believe we're going to have 1 here in the middle who's coming up. If you don't mind, please raise your hand when you have a question, we'll bring the mic over to you if you can state your name and your firm and who you are posing the question to that would be helpful. (Operator Instructions) Okay so now we will start on this side of the room. Grant, can you please bring the mic over here?

Yuan Zhi ***B. Riley***

This is Yuan from B. Riley. So I have a couple of questions for Kevin, for the business, you're highlighting in the pipeline. Can you talk about the commercial launch of, Cerianna, the breast cancer imaging agent, what's the market penetration now since the ramp up over the past 2 years, and we'll be looking for imaging agents, similar to that for merger and acquisition purposes?

Kevin O'Neill ***GE Healthcare Inc. - President & CEO of GE Healthcare Pharmaceutical Diagnostics***

Yes. Thank you for your question. So is a for those who don't know, Cerianna, it's an imaging agent for to characterize estrogen-positive breast tumors. We launched that product about a year ago now, over 1,000 patients scanned using that imaging agents. We're continuing to do 2 things with estrogen. One is obviously continuing with the clinical evidence and the clinical studies for payers and reimbursers and clinicians, but we're very happy with how the growth is going, and we're now investing in those next stage clinical trials to continue the growth of that product going forward.

Carolynne Borders ***- Chief Investor Relations Officer***

Okay. Erin, are you able to bring the mic over here? .

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Vinit Bodas ***Deccan Value Investors***

Quick question for any one of you. If you look at your historical performance and what you're projecting you'll perform, it's very, very different. There's really been no revenue growth in 3 of the segments. The margins are pretty low and you're projecting significant margin improvement. I mean, that's a little bit confusing. Why haven't you already done all this? Like why now is the question? And the strategy is you put on the board seemed pretty generic in that sense. Like it's not I don't see anything greatly native in that what you put up at least. So I'm sure there's a lot of work behind that. that you cannot describe or don't have the time to describe. So it's a little bit confusing as to why you're so confident of your margin improvement given your historical performance? And also why none of the segments are growing at market rates, at least in the recent past, other than ultrasound again. So that's kind of the heart of like investment thesis for this.

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Yes, I'll take a shot at it. Look, I think obviously, through COVID, nobody was growing at market rates unless you were actually having products that we're delivering, I think in Tom's business, you saw it pop up because of the ventilator business, that was a huge demand that's changed. So there's a lot of noise in the system right now. But to your question, if you look at the previous say, 7 to 10 years, we've been probably more of a low single-digit grower.

And now we're saying we're going to be a mid-single-digit grower, to your point. And I think it's a fair point. The key here is coming out of COVID, in particular, there's clearly structural changes around how imaging is being used, how many of our products are being used. I mean, we all know of the virtual visits that took place.

If someone talks to you they say Gee, we need -- you may need to have some follow-up. a doctor, you typically had a scan. We have a backlog of procedures when we talk to our customers around the globe that is an all-time high, meaning people that have to wait to get a scan.

And so that's some structural change that -- that's why those market levels we think are going to increase. It's not pent-up demand. It's a fundamental change. In an area like China where there's been lockdowns, there's more change. On the margin piece, it's really about going after plans that we've been putting in place. I think your point, a lot of this stuff isn't pure rocket science, but it's about funding it, going after it and attacking it and making sure that you're investing to do that. The plans you heard from Jan, in particular, the plans from Kevin. And we're committed to go after it.

Carolynne Borders ***- Chief Investor Relations Officer***

I believe we have a question from Brian. No, Okay. Come over here. Grant, to this gentleman right here, please. Right here. Thanks.

Jim Kralik

I'm Jim Kralik, I'm an investor first. Thanks for all your efforts as an investor during this challenging time, and Pete complements on the compassion purple time.

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Thank you, Joe. I appreciate that.

Unidentified Participant

In thinking about growth, a number of you have mentioned developing markets,China. So what are your strategies toward developing either products or services specific to the developing markets, where you will have different price points, different needs, different requirements?

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

You take a shot?

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Roland Rott ***GE Healthcare Inc. - President & CEO of GE Healthcare Ultrasound***

I can make a start. So we have been actually speaking for Ultrasound, we have been in emerging markets and including China for a very long time, in fact. -- if I pick up China for a moment, more than 20 years, right? We have local R&D. Today, we have local manufacturing, and that is originally for the global market pretty much. But over recent years, we more and more localized our team, there's a focused our teams on local innovation.

A lot of these customers have also great ideas and the very specific needs looking at the patient volume they deal with, et cetera. So we really combine our global capabilities and then add local components or local software pieces on top and make these local products, so particularly for China. Other emerging markets, again, we have actually started some value product offerings in our portfolio like in general imaging, which are very successful on these lower price points, especially in emerging markets as well. We continue to do that.

Carolynne Borders ***- Chief Investor Relations Officer***

Michelle, we have a question over here first, and then we'll go to Anthony next.

Unidentified Analyst

Brian Zimmer, BTIG. Just want to ask on the margin bridge slide that you put up, highlighting the ramp in margins over the next few years. Given the med tech environment going into the first half of '23 and just kind of the backdrop, it looks like an improving backdrop, but there was very little contemplation on any headwind components in those margin bridges. And so if you could talk a little bit about -- and this may be a question for Helmut, and maybe I'm getting ahead of the presentation, but talk about your thoughts on the currency impact, component pricing or any other headwinds for that matter that you expect to kind of navigate through to make it to those mid-term EBITDA margin goals?

And then the second question I'll just ask upfront is pricing is a huge driver of your margin expansion over the next few years. Can you just talk about the duration and the quantification of that price impact for the business as we think about it flowing through from orders to sales?

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Brian, if you don't mind, maybe we'll hold the FX and stuff go after because we've got a good Q&A afterwards. But maybe, I mean, Jan, if you want to kick us off talking a little bit about some of his questions. .

Jan Makela ***GE Healthcare Inc. - President & CEO of GE Healthcare Imaging***

Yes. I think as we think about going forward across the midterm years, I think we have come through, as I said and as the others said, increased cost for components and logistics. I would say we're not back to normal, but I would say all of the sort of the indicators we track the leading indicators in a number of problem parts and so on. These things are improving. So a big part of our margin work is seeing improvement compared to where we were getting back towards normal over the next few years.

I think we've taken actions with many of our key suppliers getting further up in the supply chain to the Tier 2, Tier 3, Tier 4 suppliers, which is often where these problems are occurring and really also in logistics, seeing prices come down, but switching from air freight back to ocean together. So I think in the short term, there are still headwinds to be clear. But relative to the recent past and relative to the actions we put in place, that is now become more of a tailwind for us.

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Anybody else want to comment? .

Catherine Estrampes ***GE Healthcare Inc. - President & CEO of GE Healthcare USCAN***

Yes, I mean, if I can on the price side of the question, so we have taken a number of price actions since I mean over to 2022, whether it is tightening of the delegation of authorities or reframing our global framework agreements with indexation clause. So we've taken a number of actions, and we are starting to see the slowdown from orders to sales.

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And actually, we are -- we have seen our customers accept the pricing not only because they understand the inflationary environment, but also because we have done price increases a lot of transparency with them, and they see the value we bring to their operations.

Carolynne Borders ***- Chief Investor Relations Officer***

Anything else to add?

Kevin O'Neill ***GE Healthcare Inc. - President & CEO of GE Healthcare Pharmaceutical Diagnostics***

Yes. Maybe just to add 1 thing. I mean, we talked about it in my presentation on contrast media. Look, we're repositioning the price of our agent there on the basis of look for huge investments we're making going forward to secure security of supply with our customers. And we're positioning those price points now going into 2023 and agreeing those new price points for customers.

Carolynne Borders ***- Chief Investor Relations Officer***

Okay. Michelle will go to Anthony next.

Anthony Charles Petrone ***Mizuho Americas LLC - MD of Senior Medical Devices, Diagnostics & Therapeutics Equity Research Analyst***

Anthony from Mizuho. A couple on just a bookings backlog sort of dynamic in the business. You have obviously, substantial capital in radiology and then I'll have a follow-up as well on pricing as well. But when we think about the backlog booking dynamics, in several of the categories, we're hearing record booking levels, record backlog levels.

So is the company going to be providing booking and backlogs for the divisions? And when we think about conversion from the backlog to revenue, can you give us an idea of what the -- the timing on that is, has it improved? Is it the same as a few years ago? How should we be thinking about that once the company is spun?

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

So I'll frame a couple of things and Helmut and I will both talk a little bit more, and then maybe you guys could comment on your backlog. So we'll talk about relatively a book-to-bill kind of a rate and RPO level of what's actually in that backlog. I mean to the point for all of the supply chain variations that have a place of all industries. And with the price that we've been able to get. If you have a product that takes from order to actually install 6, 9 months, we actually have more high-quality items with price stuff in our backlog. But maybe you guys talk a little bit about how you see coming out of the end of the year going into next year with your backlog.

Jan Makela ***GE Healthcare Inc. - President & CEO of GE Healthcare Imaging***

No, it's true. I mean, our backlog in imaging is the largest it's been as far as we can see in the records -- and that backlog has grown on lead times have grown. So we had -- with our customers, we've agreed longer lead times for those orders. And as we come into next year, really, we're going to be working through some of that backlog to bring those order delivery lead times back to more normal, which is still not short in imaging, but certainly more normal. So I think, look, it's a strong backlog. The order growth is still strong. And it's really about, at this point, planning the installs for the first half of the year, making sure those happen smoothly. .

And meanwhile continuing with the sales team to present and drive sales of the new products, which we talked about. So it's about working through the backlog and then building the next phase as well at these price points.

Thomas J. Westrick ***GE Healthcare Inc. - President & CEO of Patient Care Solutions***

Maybe just to add 1 thing to that. Within Patient Care Solutions, we again have some of what Jan mentioned, we'll have the biggest backlog at the end of this year we've had in quite some time. We haven't seen substantial cancellations or pushouts from our customers. There is a little bit of -- as I mentioned, the labor shortages in our customer sites that does impact installation. But overall, cancellations have been very low. As I mentioned, what's in the backlog is higher quality from a price perspective. .

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Yes. I think -- go ahead, Roland.

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Roland Rott ***GE Healthcare Inc. - President & CEO of GE Healthcare Ultrasound***

And lastly, I mean compared to imaging and PCS, Ultrasound typically doesn't have so much backlog because it's much more of a flow business. However, in the last years, especially with component shortages, et cetera, we also saw apparently and even more demand from customers than we could fulfill at times. So also we work through a backlog profile and actually very actively reducing the backlog as we go into next year. but it's much more of a flow business when you think about ultrasound.

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Yes. And just to echo the points that everybody made during the presentation. I can't -- and I've been here this 30-some years. I was at GE for 15 left for 17, come back. I can't remember when I talk to customers from every place in the world, and he said the #1 thing I have is, you call our place, you want a scan, and I got to tell them it's 4, 5, 6 months out. It's just booming the amount of that. So that drives into this need of that backlog, customers needed to actually meet the patient needs that are out there.

Carolynne Borders ***- Chief Investor Relations Officer***

Okay. Great. Erin, we're coming over here to Larry.

Larry Biegelsen ***Wells Fargo Securities, LLC, Research Division - Senior Medical Device Equity Research Analyst***

Larry Biegelsen, Wells Fargo. China is a big part of your business, 15% of sales. Can you talk about the outlook for that market in general, Pete, and any of the business leaders and how the maiden China policy and local competition, how you're thinking about that and value-based purchasing.

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

A lot in there, Larry. Thanks for the question. Look, I think at a high level were in a or in the China market. We've been over 30 years, been manufacturing successfully in Beijing, Wuxi, big operations in Shanghai, throughout the whole country and with a lot of local content. So in many cases, we compete with local content in the market just as any other local player with the cost associated with being a local player. I think that's important. I think we all recognize from a size of a market in the next you pick your time, 10- to 20-year window with the population, one of the largest markets that we're just going to have around the world. I think during the COVID window in China, it's been choppy, right? You have lockdowns, their procedures down numbers or mix. I would say, as we see coming out of this year though, that market is going to continue to just pick up and grow. In fact, you could argue that there's pent-up demand there because of the lockdowns that existed. And so I'll just open it up for this team to comment on their experiences and thoughts. .

Roland Rott ***GE Healthcare Inc. - President & CEO of GE Healthcare Ultrasound***

And I said, we have a leadership position today in China with ultrasound, a lot of trusted relationships. So we have dedicated sales and service infrastructure actually for a long time. And so of course, there is always local competition. We always had competition, right? But we have a very, very strong position in China today, and we keep building it out as we speak with more localization, in fact, ever before.

Jan Makela ***GE Healthcare Inc. - President & CEO of GE Healthcare Imaging***

I would just quickly say a few things. I would say there's obviously the inherent economic growth in demand, as I talked about at the beginning. So right now, there's a stimulus package on top of that for many of the provincial hospitals, which is coming through right now. We've been there a long time. We've launched in China NPIs. For example, we launched a 1.49TMR. We launched the 62 slice CT and some of these were the first in the market before the local Chinese competition with these products.

And going forward, I talked about our platform design. And really, our philosophy is to have the same platform families around the world, but within a region like China, the ability to adjust some of the features in that modular framework. So we can then design in China for China but still have the option to have global scale.

Carolynne Borders ***- Chief Investor Relations Officer***

Okay. I know we have some other questions, but let's take a break for 10 minutes. We'll come back and finish the presentations. And again, we'll have another Q&A at the end. Thank you. Restaurants behind us.

(Break)

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Carolynne Borders ***- Chief Investor Relations Officer***

Okay. Thanks, everyone. If you could please come back and take your seats, we're going to move on to the next section of the program. So welcome back. For the second half of our presentation today, we will have our Chief Financial Officer, Helmut Zodl, providing his remarks around our financial strategy and our outlook. Then we will have time for Q&A led by Peter and Helmut.

So with that, let me please introduce Helmut Zodl.

Helmut Zodl ***GE Healthcare Inc. - VP & CFO***

Thank you, Carolynne. It was great to hear from everybody this morning about all the innovation and commercial excellence our teams are driving. At GE Healthcare, we are innovating the future of health care as a global leader in Precision Care with an outstanding portfolio of products and solutions. We are a purpose-driven organization. We're taking care of patients, our customers, our teams, shareholders and the planet.

Now let me walk you through our financial strategy and the significant shareholder value-creation opportunity that is ahead of us. There are 4 key drivers that we expect to drive significant value and creation as we go forward. First, it's about driving innovation and growth with sustainable mid-single-digit revenue growth. And this is driven by enhanced commercial execution, new product introductions digital solutions and R&D investment.

Second, we're delivering sustainable high-quality performance. And this is that close customer engagement, Catherine talked about this, and commercial execution are driving recurring revenues.

Third, we are optimizing our business through Lean. And this results in operating margin expansion from the mid- to the high teens to about 20% of adjusted EBIT margins. And we're looking at this from a 3- to 5-year perspective.

And fourth, a disciplined capital allocation framework, which is aligned to our strategy. Our solid free cash flow generation is allowing us to deleverage, execute on M&A and continue to invest into our business. Let's now go deeper into each of those categories.

Revenue growth, as you see on this page, is really driven by powerful tailwinds; an aging population in mature markets; a growing middle class in emerging markets; chronic disease; need for better patient outcomes, I think you heard this a lot from the team this morning; and demand for products that increase productivity. All our customers have staffing shortages.

NPIs, Pete talked about this, across our business are driving revenue growth today. We are providing products and solutions across all care pathways from oncology, cardiology and neurology. We're capitalizing on our AI and digital capabilities. Enhanced commercial execution is driving market share growth today.

We're delivering on our backlog, pricing strategically, launching new NPIs effectively and efficiency. Local presence and global scale together provide customers with tailored solutions. We're increasing our R&D spending and at the highest-ROI programs. Overall, I believe we are in a very strong position to drive consistent mid-single-digit revenue growth. And this is really driven by our leadership position; our renewed focus on commercial execution; our innovation strategy, you heard a lot of this, this morning; and the optimization of our operating model, the way how we work as a team.

Let me now go deeper into R&D. R&D is another key catalyst that's going to drive growth and margin expansion as we go forward. We've increased our R&D investment this year, and this results in double-digit growth of that investment to about $1 billion. And going forward, we expect the R&D investment to grow with revenues.

We are very strategic where we invest. Example -- Pete and others have mentioned a couple of examples today: our new imaging platforms; photon counting, Jan talked about this; point-of-care handle ultrasound solution, Roland showed you our Vscan Air. Digital solutions and AI capabilities with machine learning is really helping us across the portfolio. Platforming is a very important initiative that drives gross margins, and this is well underway.

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We have a very disciplined capital allocation and portfolio optimization process. We're very disciplined on where we invest and where we drive synergies across the business to get the most efficiencies. We are scrutinizing projects at the total company level so that the dollars go to the highest-ROI areas.

We have a strong pipeline of products for 2023. At RSNA, just last week, we announced more than 40 new products, and there's more to come beyond that. Most of those products, as I think you've seen this morning, are really AI-enabled to drive better clinical insights, better patient outcomes and productivity. In short, we're taking a very strategic approach on how we invest our R&D dollars. Every dollar is allocated to the highest-return programs.

Let's now focus on our segments. Through the third quarter year-to-date, we generated 6% organic revenue growth. We talked a lot about mid-single-digit growth this morning. And this is really demonstrating the momentum in our business. Our performance gives us confidence to deliver mid-single-digit growth, particular in a normalized operating environment.

As you can see here, Imaging and Ultrasound have delivered strong organic growth year-to-date. The PCS business, as Tom said, was impacted by electronic shortages earlier this year. And the PDX business was impacted by COVID lockdowns that happened in our Shanghai facility earlier this year as well. But despite all of those challenges, overall, a 6% organic growth really speaks to the strengths of our business as well as the demand of -- from our customer for our products and services.

We are focused on delivering sustainable, high-quality earnings, leveraging our large 4 million installed base. Patient demand leading providers to invest in productivity to reduce operating costs given the staffing shortages. We talked a lot about the staffing shortages today. GE Healthcare will benefit as health care systems modernized post pandemic and prepare for increased demand in the longer term.

We are serving patients across the care pathway in different care settings. Customers are trusting the GE Healthcare brand. The investments we're making today will drive a continuous cycle of innovation. Our increased focus on commercial excellence will position us to deliver for our customers and drive attractive long-term growth.

About half of our revenues, as you can see on this page, are recurring in nature. This will increase as we grow revenue with digitals and consumables, including our PDX business that Kevin talked about, and life science services. Recurring revenues provide stability to revenues. We see strong growth in our life cycle solutions that include upgrades and trainings.

Our PDX business is a recurring revenue business and has very strong margins. You saw that earlier today, more than around 30% profit margins in Kevin's business. Digital solutions and software both on the device and also in the cloud are strong growth drivers. Our recurring revenue is a clear competitive advantage, and it will grow as we accelerate our growth as a company.

Let me now talk about Lean. We are optimizing our business through Lean. We are a number of years into our Lean journey, and we expect to achieve sustainable high single digits to about 20% adjusted EBIT margins as we go forward, again, in the 3- to 5-year time frame as we transform our business.

Lean leads to better outcomes by eliminating waste, focusing on customer value, driving productivity, improve quality and delivery. And this all happens with better margins and better free cash flow performance. We are increasing the adoption of Lean across commercial execution with better market visibility and win rates. We are optimizing the complete portfolio to maximize the right price and value for our customers.

We're managing logistics and variable cost productivity through a very diverse set of qualified suppliers. And our simplified operating model is leveraging scale with disciplined cost management and SG&A optimization. On the next page, I'm going to take you through a couple of examples here.

A Lean mindset is part of our company culture. And here are some good examples of how we're working continuously every day to improve how we operate. On the margin expansion front, as you can see here, we are taking proactive measures with pricing initiatives to

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counter inflation. We have implemented the management system that looks at our order price, our sales price, and we provide ongoing updates to our front-end sales team so that they have the best visibility to win in front of our customers.

We have thousands of SKUs and configurations in our portfolio. We have a great opportunity to simplify those SKUs, and we promote those ones with the highest return and the highest growth.

A good example here. In Imaging, we have implemented standard cost configurations, and this is reducing the number of build combinations we have in selected regions in this example for USCAN as well as in EMEA that we have just implemented.

We are taking a very hard look at our real estate footprint, and we have a great opportunity to reduce rent and operating costs. We are targeting about more than 100 of sites with reductions as we go forward. And this will reduce cost as well as optimize our footprint and supply chain.

We are also implementing Lean to drive better customer fulfillment and inventory turns. We're implementing pull systems as well as changes in last-mile delivery, installation and commissioning, so how do we go in front of the customer.

I'll give you an example here. Roland talked about this a little bit earlier. In Ultrasound, we are shipping now directly from our factory in Austria to customers in Europe, eliminating the middleman. This has caused a 20% points reduction in our on-time delivery, reducing cost and increasing speed.

The regionalization of our supply chain is here to reduce customer lead times and improve working capital with a local supplier base, and we are well underway in those processes. We're using Lean to improve our business every day.

Let me talk you through here on this page a little bit more about detailed margin drivers. So historically, we've operated as a 15% to 18% margin business, and I'm talking adjusted EBIT margins. 2021 was an exceptional year, where we had 18% of operating margins, and this was due to the COVID rebound. We expect to finish 2022 with about 15% of adjusted EBIT margins, and this is at the lower end of the historic range. And this is due to macroeconomic factors, supply chain challenges, inflation and the planned R&D investment that we've been executing on.

We're taking actions to get back to normalized margin levels, and this includes pricing as well as restructuring actions that we have taken in 2022. There will be some dis-synergies as we get into 2023. And you can see this here on this chart, and this is about incremental stand-alone public company costs. This incremental cost is about $200 million to support our buildup of specific functions like IT, HR and also treasury.

In the future, as I said earlier, we expect R&D to grow as revenue growth. And while there will be dis-synergies and headwinds to EBIT margins, gross margins I expect to trend higher given we have a lot of new NPI introductions as well as enhanced commercial execution.

We're including strategic pricing actions to improve visibility and win rate. We're driving portfolio optimization through parts reconfiguration and SKU optimization to drive higher-margin products. Variable cost and expense productivity is driving margin expansion. And with increased volume and Lean, we expect the margins to grow in the high teens to 20% of adjusted EBIT margins. And again, I'm talking about the time frame for the next 3 to 5 years.

Let me now talk about the cash flow. We operate a predictable, high cash flow-generating business. Free cash flow this year was impacted by inventory builds, specifically in the first half, as we build up for customer demand we expected in the second half. Over time, we expect those trends to be more normal. Our priority is to put patients and customers first.

Historically, as a segment within the GE company, we have operated at about 100% of free cash flow conversion. As a stand-alone company, we will have post-retirement benefits, and we will also use inventory and working capital where it makes sense. We will continue to look at supply chain efficiencies across our portfolio and optimize shipping routes and modes of transportations in the most effective way.

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Lean here is, again, a key driver to improve our processes at the total value chain. We have a great opportunity to increase our free cash flow generation as we go forward, particularly as revenues and earnings are growing as we go forward.

A few months ago, we received our first strong investment-grade credit ratings from the 3 agencies. And this is really a very great, strong early indicator of our overall financial health as a company. And we are committed to those investment-grade ratings.

We have a strong balance sheet with significant flexibility as we go forward, and we will spin off with good liquidity of around $1.8 billion and a $3.5 billion committed credit facility. We believe that our solid financial position provides significant flexibility for us as a business to deliver long-term shareholder value.

Our medium-term targets, and you can see it here on this page, in terms of free cash flow generation, again, I'm talking for the next 3 to 5 years, is about 85%. And the reason why it's 85%, as I said earlier, is really about this change in post-retirement benefits that is now included in our numbers.

Let me now talk about our capital allocation strategy. Our solid free cash flow generation gives us the ability to pay down debt, invest organically into our business and pursue tuck-in as well as strategic M&As and collaborations as we go forward. We will continue to accelerate investments in areas where we see most compelling growth and also is improving our competitive advantages.

Over the last 2 years, we've built up a strong M&A team, which I'm very proud of. And the good recent performance of 4 acquisitions and more than 20 strategic collaboration speaks for itself. We are committed to strategic investments. We are positioning our company in the long term to drive growth with a very disciplined capital allocation strategy.

We will continue to do M&A like BK. Roland talked about BK, a great addition into our Ultrasound portfolio, bringing the ultrasound into the operating room. And when we talk about tuck-in M&A, it's really those M&As that fit into our portfolio that we can leverage our scale. We are committed to strong investment-grade ratings.

Let's now talk about 2022. Some of you might recognize the numbers here on this page. We are on track, finishing a solid year despite many macroeconomic challenges. And this is driven by the strong demand and our backlog that we have, a stronger access to components and fulfillment, particularly in the second half of this year. We see a continued and consistent growth of our order book, and we have a very strong backlog.

The adjusted EBIT margin this year was pressured with supply chain constraints, inflation and also mix. We are delivering on our commitment to increase R&D double digits. As we scale volume, optimize our business, I'm confident that margin expansion will follow. We continue to expect about $2.7 billion of adjusted EBIT, and this is aligned with the operating profit guidance that was given at the GE earnings during the third quarter earnings announcement.

On free cash flow, we built up inventory in the first half of this year in anticipation of a ramp of volume in the second half. And as I said earlier, delivering for patients and customers is really our key priority. We continue to expect free cash flow of around $1.8 billion to $2 billion. And again, this is aligned to the GE cash flow guidance that was given through the Q3 earnings.

Overall, we are pleased that our performance in the second half is really a big step up from what we have seen in the first half on revenue, adjusted EBIT as well as free cash flow. It has been an extraordinary year: continued COVID recovery, supply chain challenges, inflation and also the war in Europe. And let me remind you, the first half particularly was challenged by supply constraints as well as the COVID lockdowns, which all of those are easing as we go into the second half of this year. We are on track to finishing 2022 with solid performance, and we are ready to spin in early 2023.

In summary, Pete has shown you this chart before. I want to go through a little bit more details here. This is our long-term value-creation framework that we have as a company. First is around driving growth, sustainable mid-single-digit revenue growth. And this is driven by NPIs, our digital solutions, market growth and enhanced commercial execution.

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Second, we will expand margins in the high teens to 20% of adjusted EBIT margins. This is driven by high-margin products, commercial excellence through pricing, and cost management. And this all is happening in -- around Lean and how we operate as a company.

And third, it's really our strong free cash flow conversion generation that is growing with revenues as well as profit as we go forward. This allows us a disciplined capital allocation strategy to, first, pay down debt, to invest organically into the business and do strategic and tuck-in M&A as we go forward.

Taken all together, I'm confident that this will lead to a strong and sustainable long-term value creation for shareholders. We have the right people in the right roles. We're enhancing our capabilities every day around customer relationships, Catherine talked about this. We're improving our commercial focus, we are investing in R&D, and we are implementing an agile action-oriented culture that will drive significant shareholder value creation as we go forward.

I'm going to close here where I started today by talking about purpose. Pete mentioned this also earlier in his speech. We are a purpose-driven organization. We focused on patients, on our customers, our employees, our shareholders and the planet. And our financial strategy is fully aligned with our purpose.

So now, let me welcome Pete back up on stage as well as Carolynne, and we will be happy to take any of your questions.

QUESTIONS AND ANSWERS

Carolynne Borders ***- Chief Investor Relations Officer***

Thank you. Okay. We have mics around the room. Let's go over here to Matt Miksic. Michelle, second in.

Matthew Stephan Miksic ***Barclays Bank PLC, Research Division - Research Analyst***

I'm Matt Miksic from Barclays. So one general business planning question for '22, if I could, just -- '23 rather, is there's, I guess, concerns over hospital capital budgets have come down a little bit from the middle of last year, where I think everyone was very concerned. The signal from that community seems to be a little more stable.

If you could talk maybe a little bit about your confidence that the back order conditions that you're going to have are going to be actually executed in '23, and there won't be any kind of adjustments to those budgets from what you're hearing from customers. And then if it's relevant, any stability or improvement in staffing that might affect your ability to execute on that?

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Yes. Thanks, Matt, for your question. Look, I mean this is one of the big questions that's out there in the marketplace is how are things playing out. I'll start with some of the comments that I made earlier just about the fact that the demand from our customers to get patients in and get procedures done is at an all-time high. I talked to some folks at the break about this.

There's a COVID effect of some level of pent-up, but there's more so in effect, more patients actually coming into the system with more acute disease. And so we see that, which as you can imagine, we're planning out Q1, we're planning out Q2 right now, installs. And we see the demand for getting these installations there.

Around Asia and Europe in particular, there's a very healthy demand. There was a lot of additions to sick funds and investments to actually grow outpatient imaging centers in areas such as U.K. and other parts around the world. So that's consistent.

In the U.S., big demand, but obviously, there's a little bit more prioritization on capital. When you look at some of the rankings of where people want to put their capital dollars, the imaging comes up on top of the list, mainly because of some of those points that I made. And so when we look at our backlog and the quality of it, we feel very confident in the quality of it and believe that, that healthy backlog into '23 is going to be executed, so continuing the trend that we see in Q3 and Q4.

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Carolynne Borders - ***Chief Investor Relations Officer***

And I believe we have a question here from Rick.

Frederick Allen Wise ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst***

Rick Wise from Stifel. Pete, how much articulating the focus on R&D and R&D spending levels, and I'd be curious to hear you expand on your thoughts about innovation generally. What are your internal innovation priorities that when you come in, you're stepping in to transform this company? And how -- what role will external M&A and the pursuit of innovation, what role will that play as we think about the growth acceleration and margin expansion?

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Well, thanks for your question, Rick. Look, I think both of those are really important components. I think as we all know in this world of med tech, devices that make a difference for patients or productivity drive value, get higher margins, capability. And so in the last few years, we have increased our amount of R&D. And the benefit of that is many of the products that you've seen that have come out. And we've demonstrated the vitality index on it, meaning those sales are coming.

You also have the benefit when you come out with a new product, be able to set it at a higher price, which is actually different, and then obviously raising your installed base price of your current products, meaning easier to gain because you're justifying and demonstrating new value. So we need to do that. And I'm the big believer that finding ways to take savings from other parts of the company and putting it back into investments that customers can feel is important. So you're going to continue to see that drumbeat.

As well as across the company, we did a full rack-in-stack this year of all the programs. And it's not that each business gets determined, here's my waterline list, what's your ENPV for the whole company, and that's the list that we're going to go after. So as much as we want to focus on execution, when it's capital allocation, we want to come together as a team.

The other part on outside, I would just say, look, we've got plenty to do in the near term, right, with coming out or organic, the execution plans. But I'm a big believer that collaborations, distribution agreements, tuck-in M&A, I think you're going to see it be a really important part of our strategy into the future. Thanks for your question.

Carolynne Borders - ***Chief Investor Relations Officer***

Matt Taylor, right here.

Matthew Charles Taylor ***Jefferies LLC, Research Division - Equity Analyst***

Matt Taylor at Jefferies. Like your medium targets today, I wondered if you could talk a little bit about how linear or ratable that is. And I think at the I Day in early '22, you implied that '23 could also look like kind of mid-single-digit growth and 25 to 75 basis points of margin expansion. Can you talk at a high level about '23 at all and just the linear-ness of the growth?

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Do you want to...

Helmut Zodl ***GE Healthcare Inc. - VP & CFO***

It's a little bit too early, Matt, to talk about 2023 at this stage. So we want to leave a little bit of thunder at the end of January when we announce our Q4 earnings. So that's the time we talk about the guide for 2023. But maybe what I want to frame to you a little bit is how we are looking at the margin profile and the growth. As you've seen, our second half growth has been strengthening. And we're looking at that longer-term target of mid-single digits.

If you look at the margin profile for next year, we are looking a lot of the actions, specifically in the shorter turnaround commercial execution. Think about price, think about VCP, these are going to be the areas. So we look at a gross margin expansion. At the same point in time, we also have public company costs that will be incremental as we go forward. So we'll frame this in much more detail at the end of January when we talk about the Q4 earnings announcement, but that's how you -- we have to look at what's ahead in the short midterm.

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Carolynne Borders ***- Chief Investor Relations Officer***

How about this side of the room? Have we got any questions? Drew?

Andrew Christopher Ranieri ***Morgan Stanley, Research Division - Equity Analyst***

Drew Ranieri, Morgan Stanley. Just as we're thinking about some of the segments and your prioritization on growth and profitability near term, like for Imaging and PCS, you're focusing on margin first off. But just do you reach those goals and then you flip the switch and think about growth? Or kind of how should we be thinking about the ongoing journey there in those segments? And then second, just on leverage. Helmut, can you maybe talk about your plans for deleveraging with, I think, about $10 billion in pro forma debt?

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Thanks, Drew, for the question. So look, I mean life comes down to focus and priorities, right? And so obviously, everybody wants to do lots of things. One of our jobs as leaders is to say, right now, we want you to be maniacal about this. And in certain businesses, focusing on those plans of walks to get the margins from 13% to 17% is worth a lot of value for shareholders. And so that's a really critical focus.

Obviously, as we grow on that, there's an extensive part of growth plans. But I'd say in the -- the first priority over many, we're really trying to be purposeful in the different businesses about how we choose and what we message. There's a tendency across, in many cases, med tech and health care and say, "Let's just focus on growth, growth." We want growth, but we want to be clear about in our diversified portfolio which levers we want to pull when. And that's kind of how I would say, between the 4 businesses we've thought about it.

Helmut Zodl ***GE Healthcare Inc. - VP & CFO***

And maybe I'll answer the question on the leverage. So when you look at our market leverage today is around 2.5x implied in these current numbers. And we are very committed to a strong investment-grade rating. That's very important, not only for us but also for our customers. Our customers want a strong financial company for a long-term relationship. So that's very important.

And our debt stack, we have implied that we will pay down some debt as we go forward, specifically in the early years. So that's really our plan: to pay down that debt in those early years and maintain the strong investment-grade rating that we currently have.

Carolynne Borders ***- Chief Investor Relations Officer***

We'll go to Anthony.

Anthony Charles Petrone ***Mizuho Americas LLC - MD of Senior Medical Devices, Diagnostics & Therapeutics Equity Research Analyst***

Anthony, Mizuho. Follow-up question on margins and then capital allocation. So the 15% in 2022, how much of that has the step-up cost for stand-alone company? Does that increase into 2023? And at what point do you offset those? And then capital allocation, when we think about white spaces for M&A and the size of the wallet, how big can we expect the acquisitions from GE to be? And are there any spaces specifically that we should be thinking about?

Helmut Zodl ***GE Healthcare Inc. - VP & CFO***

Yes. So in the 15% in the 2022 numbers, there's obviously no public -- or it's very little, I would say, buildup of a public company cost that is included in that number. And this is the $200 million I was talking about earlier. If you -- the questions around M&A, the way how we really look at M&A, it's really what we call tuck-in. And the way how I define a tuck-in is really something that fits into our portfolio.

You heard from our 4 segment leaders. So Ultrasound, BK Medical, I think a great example of a tuck-in M&A acquisition. And similar like those items where we can leverage our scale both on the device side but also the digital side. So that's how we look at M&A.

And I mentioned earlier, we built up a great team. Actually, we have our leader, Brian is here in the room, our M&A leader and strategy leader. He built up a great team, I think, over the last 2 years that is looking at the M&A pipeline, where we spend time, Pete, myself, a small group every week to look at that because M&A is not something that we do overnight. Pete, myself, we have done a number of transactions throughout our careers, but it's something that we have to foster and continuously do and build the mask recording, and that's what we are doing at the moment.

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Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

The only thing I would add, I mean, Anthony, I think is we have a lot to do just coming out, right? So we've got a lot of focus we want to make sure we execute on. We've got a lot of organic places to go after. But this point that Helmut made is something that I've done throughout my career is, we go weekly and look at the list of all the things happening in the world. Who may be buying who, who's partnering with who. One is it's just good hygiene relative to understand competitively what's going on.

And I say we will open our lens over time. I think this disease-state discussion says we open -- as we build our case and enable our case that we should be able to do that to bring in other pieces that fill out that capability. Some of those might be partnerships, but many of those may be acquisition to be able to bring more end-to-end value.

But first things first, we got to -- we have a lot of wood to chop in front of us, a lot of good things to focus on organically, and that's really our top priority here in the near term.

Carolynne Borders ***- Chief Investor Relations Officer***

We have another question out here.

Craig William Bijou ***BofA Securities, Research Division - Research Analyst***

Craig Bijou from BofA. I wanted to follow up on some of the margin expansion question or comments that you've made. And obviously, there are a lot of drivers of that. But I wanted to see what proportion of that margin expansion is tied to revenue. And you gave the high teens to 20% as the medium target. So does that mean you need to be at the higher end of that mid-single-digit top line growth to get to the 20%? And just how should we think about that over your medium term?

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Let me -- I'll take a shot and then, Helmut, maybe jump in. Thanks, Craig, for the question. I think it's a pretty good balance between SG&A and fixed structure cost. I mean we're coming out of a $300 billion company. We're on TSAs that support a $300 billion company. And when we come off the TSAs, we probably don't need that same structure, right? Helmut comment about facilities and things that we can do there.

So there's a healthy combination of that as well as just looking at how we actually even go to market more effectively. Street on -- feet on the street are important, but there's a lot of leads in digital marketing and reach. And you take Roland's business, reach primary care physicians for his magical little ultrasound, the Vscan in his pocket, probably is less about trying to get the primary care offices and reach them via digital channels. And so I think there's going to be more ways to do that.

Clearly, on the product side, though, there's significant leverage with the growth and the cost of goods. And so you hear this drumbeat about gross margin percent, gross margin dollar, which is obviously about getting more on the top line, but it's also about those input costs.

And so coming out of this year, where logistics were through the roof, spot buys on chips, if you could get them, other inflation tied to logistics and the cost of shipping, many of those are subsiding. But we also have plans not to subside but to aggressively use the reduction.

So I'll give you one example. We -- I think it was like 7,000 parts that we have engineers on this year building a second source for. We traditionally didn't do that. I mean -- and our industry is a lot of people with single source. We created a lot more. So that gave us more capacity to grow in the second half. But what it does now do as we go into '23 is able to actually play those 2 vendors off of each other for better pricing. And that's something that, honestly, in our industry in general, we always haven't done a great job of.

So I don't know if you want to add anything to that.

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Helmut Zodl ***GE Healthcare Inc. - VP & CFO***

Yes. I would maybe just add a thing. As Pete said, there's short-term actions that I will see more short term, which is around commercial execution, price, expense. I think we've mentioned a lot of those ones. And there is -- obviously, scale is important.

And then the innovation, we talked a lot about the innovations of being first to market with new technologies. Jan talked about second generation of photon counting. Roland and others are talking about what we're doing in ultrasound. So being first to market with innovation, get to the right price and get to profitability at that time, that's very, very important for us in the longer term.

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Good question.

Carolynne Borders ***- Chief Investor Relations Officer***

Yes?

Nitya Bhat ***Deccan Value Investors***

This is Nitya from Deccan. First of all, Jan, thank you for explaining that photon counting CT difference. It was really helpful to understand the difference in the way you guys are...

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

We give you a whole hour here, right? So...

Unidentified Analyst

I actually was at the Artisan conference. I didn't get to see it. So just on imaging itself, I just want to understand a couple of things. One is in the new equipment business, what percentage or how big is the upgrade portion of that business? And how much is de novo new installations?

And the second thing is when we look at long term over the last, let's say, 5 to 7 years, your biggest competitor in imaging, a European company we don't know about, is -- has grown at a higher single-digit rate than you have. More importantly, GE has a lean culture. You look at your employee count, it's much lower than the competitor, and the margins are lower than the competitor as well. So I'm just trying to put that puzzle together, trying to understand what is it that's driving that difference? So 2 questions.

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Yes. So in short, lots of opportunity in front of us. I would say to your first question, it's a mixed point about upgradability in new sockets. So in the imaging world, I don't know, half of the deals might be some form of an upgrade. But what they typically are anymore, it's very rare that someone says, "I've never had a CT scanner before I want to buy a new one." There might be, "I have a new facility I want to put one in, but I have 3, company 1 or company 2 systems whose items do I want to buy," which is why we build up a great ability in everything we do because we're typically now talking to big integrated delivery now, whether it's New York Presbyterian or Hospital Specialty Surgical.

And in some cases, they may say, "Gee, we have 2 new sites, so we want to bid those. And we're going to go after that, and we're going to look at you and other people. And then I want to deal with my other 3 systems I have that happen to be yours." Well, if I'm upgrading the 3 that are mine inside and I'm competing against other people for the new ones, and we actually package that all together, I can create some economic value there why you want to stay with me. And so I think that ebbs and flows baseline.

Obviously, if you're in Southeast Asia, the probability of new ones because it's growth versus Western markets is different. But that's how I would kind of frame that up. Second part of your question was?

Unidentified Analyst

The margins (inaudible).

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Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Yes. Yes. Look, I would say, if you go back more than, say, 3, 4 years ago, prior to Larry coming into GE, I'd say our R&D investments were not at the same level they are right now. We've actually ramped up over the last 4 years. You can see that in our spend rate. You can see that in the output.

And I would say maybe back in a 5- to 10-year window, there were some share points that we might have given up in certain modalities. But literally, in the last few years, that's not the case. We've been a share-taker or in the case where we've raised prices in certain areas, we've actually been able to hold both. And so I think that's a part of it.

And then look, as a focused company getting much more maniacal about customer, about profitability, about focus in certain areas, these are the fundamentals that we think we can implement and why we can drive some of the numbers that we've shown on the page.

Carolynne Borders ***- Chief Investor Relations Officer***

Okay. Why don't we take one more question before Pete closes today. Do we have one over here? Larry?

Larry Biegelsen ***Wells Fargo Securities, LLC, Research Division - Senior Medical Device Equity Research Analyst***

Larry Biegelsen, Wells Fargo. Pete, for those of us who followed you at Integra, the playbook here sounds similar. But the playbook at Integra, you also had a goal to be a market leader and in businesses where you didn't see a clear path, you eventually exited. How are you thinking about that at GE Healthcare?

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

Yes, Larry. Look, thanks for the question. I think, first of all, broadly, the big difference is the opportunity with Precision Care in the digital platform. Again, not just dreamland but things that we're implementing today to kind of take a wide set of devices and have them work together in a broader ecosystem to pull data out. This is a big idea.

And if successful on that part of the scale, it moves above what our targets are, right? But it's first things first. So it's why we want to paint that picture to understand about Precision Care long term for us could be big.

To your point on portfolio, I'm just a big believer on taking a hard look and say, "Is this an area do you want to put the most energy behind? Do we want to do things differently here?" And even in our portfolio where we know we want to keep these products, over time, you end up with 20 versions of a product that a rep has to sell.

I used to be a rep a million years ago. You learn to sell 2, and you don't worry about the other ones. You give them 6, guess what, they learn how to sell within that area. And if those 6 happen to have 2 points of higher margin than the other ones out there, that's the value you get. Not rocket science but important calibration. So that's a big part of what we're doing.

And then I'd say, look, as we evolve our care pathway strategy, there's probably some products in the portfolio that might be better with other folks. And I think just like we're going to look at new things to bring in, I think maybe some things that aren't critical to us will be important. So thanks for your question.

Carolynne Borders ***- Chief Investor Relations Officer***

Okay. Pete, we'll leave it to you to close.

Peter J. Arduini ***GE Healthcare Inc. - President & CEO***

All right. Let me find the clicker here. We're in the homestretch. Thanks. Go to the next slide, please. So look, I really believe we've got a significant opportunity to create value. I mean we've covered a lot of stuff today talking about our visibility to growth. I think this point about solid demand in backlog. And just to reinforce, we've had tough first half, as everybody did. We talked about second half growth in '22, continuing on into Q4 of '22. We're seeing that, we feel confident that and this backlog that then takes us on into '23. So full stop at that point.

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We talked a lot about the R&D investment. It's super important. And it gives us the opportunity to reset price, reestablish value and really is a critical driver for not just our equipment margins but also service, which we didn't talk a lot about here. New products that actually are new to the world capture a much higher percentage of high rate service contracts, which is a really important part of our reoccurring revenue.

And then commercial execution focus. If you aren't someone that's a strong hunter and can win, you probably won't stay a long time in GE Healthcare. We want people that really know how to sell, be successful, meet customer needs, and we've raised the bar. That alone in this past year, we've done a significant amount. That will get a full year behind people as we go into '23-'24. And having the right talent on the street that has the passion for our vision but knows how to actually drive value is quite critical, critical parts to that.

We talked a lot about EBITDA. So look, strategic pricing and also value variable cost productivity is a really important part of this. The higher-margin products, laying out the point that says, if you're coming up with a new product and you want to get funding for it, it has to have higher gross margins in the predicate product. You come to me and actually has equal, guess what, your engineering team finds out magically how to get some higher margin because you got to push harder. But those are the kind of fundamentals and things that all these folks are driving.

And then product line simplification, similar to the question that was asked, there is a lot that we can look at. Over time with a big company like this, every country in the world wants to say, "Well, the new product comes out, I want to launch it." Maybe that's not the best thing for that market. Maybe it's actually keeping a much more tighter band of products that actually have the appropriate margins for that area. All those things, we're in the midst of implementing.

So if we go to our last slide here. Look, I'm just super passionate about our opportunity to create this world where health care has no limits. We won't solve them all, but we're going to solve quite a few of them. And this data component of it is a big deal.

There's a lot of companies looking at this from the outside in, big tech companies, other players. But when you have the reach that we have and actually the data pathways and flows that we reach, we actually have an entitlement to be a key player. Customers are coming for us looking for those solutions. Many of them you saw today. And I hope the next time we get together, you'll see the next step up of that in our portfolio.

I want to thank you and say, look, appreciate your time. Hopefully, you got a better understanding of what we mean by Precision Care. Our focus on our innovative products and you have an increased confidence as I do about our ability to drive mid-single-digit growth and also teens to 20% margins. Over the longer period, with this play in Precision Care, we all believe that we can do better than this. But it's first thing first, starting on the fundamentals on day 1, which is in January.

So thanks so much for your time. Really appreciate it, and have a great day.

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