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Andy Kaplowitz:

So welcome everyone to day two of the conference. Very excited to be here, as I know all of you are. Again, I'm Andy Kaplowitz covering Multi-Industry and ENC for Citi group. We are really excited to have General Electric and Larry Culp. Larry needs no introduction, but I'm going to do it anyway, because he is the chairman and CEO of GE. He joined the GE board of directors in April, 2018, and joined GE as CEO in October, 2018. Prior to joining GE, Larry served as president CEO of Danaher from 2000 to 2014. And during his tenure, the company increased both his revenue and market cap five fold. He's usually viewed as one of the top CEOs in the annual Institutional Investor Surveys. And he got his MBA from Harvard Business School. We also do have Carolina Hap in the audience, Steve Winiger. So I'm going to turn over to Larry, I know you have of a few prepared remarks and then we'll get right into Q&A.

Larry Culp:

Thanks, Andy. Good morning, everyone. I can't see you, but I'm assuming that you're there. If you walk out, I won't know so we're happy to be here, Andy. It's been two years since we've done an investor session like this. I think [crosstalk] with you.

Andy Kaplowitz:

Yeah.

Larry Culp:

So, thanks for getting us back on the road. I would just, maybe before we get the question, share a few thoughts relative to the state of play at GE. As I'm sure many of you saw just a few weeks ago, we put out our annual report in 10K really capping what we thought was a historic 2021. It was a strong bottom line year performance wise you saw that in terms of our earnings, our free cash, our margin expansion, a lot of different dynamics going on through the business. But we were really pleased, not only with the performance, but the way we were able to do it operationally. We've talked a lot about how lean and decentralization are really the heart of the way we run GE today. I think you see that in the 2021 results, I think you'll continue to see that going forward. Clearly strategically we continue to reshape the company. The [inaudible] merger really allowed us to consolidate GE Capital. We were pleased with that. That work as well as never ending. You saw just, I guess, two weeks ago we announced the transition of our steam nuclear business to EDF, a better home. By all rights for that business we think that makes us stronger as well so a true win-win. And that [inaudible] merger allowed us to take the next big step with respect to the deleveraging of the company. Now over 87 billion of debt reduced since 2018. So whether you're looking at the company strategically, operationally, or financially, we really like 2021 we had, and all of that really in turn, set us up to make the announcement that we did in November relative to the three spins that will affect over the next couple of years.

Larry Culp:

That doesn't happen if the company isn't stronger operationally, let alone financially. I'm really proud of the work that the GE team did over the last several years to put us in that position. And we're going to have an opportunity in, I guess, two weeks from tomorrow to give everybody a look in person like this setting at the businesses, the teams to give you a better sense of why we're excited about their go forward propositions. First things first though, we've got a lot to do here in 2022 at earnings. And again, just last Friday, you heard us lay out a framework for this year. We think we're going to see strong revenue growth again, good margin expansion and cash performance.

Larry Culp:

We clearly said at earnings, we reiterated on Friday that these inflationary and supply chain pressures out there are real, and they will have impact on us in first quarter and in the first half. But there's a lot of things that are within our control and we're going to aggressively manage those, be that price cost, be that some of the resourcing activities in addition to a number of the growth opportunities that we have in this environment. I think if you look at what I've seen, Andy, we were talking earlier, I've been back on the roads the last three weeks with the businesses, and I'm so excited about the way we are running the businesses. This is a tough operating environment in many ways. Again, these inflationary pressures are exercising muscles, a number of our leaders haven't exercised in quite some time, but after two weeks with Scott Strazik, who has run power the last several years now is running our renewables business.

Larry Culp:

We see, I think continued progress in Gas Power. We've got our steam business now positioned to be profitable power conversion, a business people had forgotten about just a few years ago and understandably because we were losing a lot of money there, is poised to have a nice operating performance this year, profitable. And in turn, we've got a lot of work to do we know in renewables, the lack of an extension of the PTC here in North America hits us in our, probably our best performing business or onshore wind North America business. But we have a host of countermeasures that we are going to take and are taking there. The international business is tougher, not dependent on the PTC, but this is where we have a number of legacy products or projects that we need to work through.

Larry Culp:

It's where, frankly we haven't been as selective as we need to be. So having Scott come in and in many respects build on the progress we've made run the plays that he has run so successfully at Gas Power, I think gives us confidence that we can make onshore wind a far better business than it appears to be today. We're getting close to break-even in our grid business, we've got new leadership there, Philip Perone has come over from our power conversion business and there again, from project selectivity to better price and better cost execution and a host of growth opportunities there, our grid automation business for example, is a really nice growth play force, particularly in combination with our digital grid business which sits in GE Digital, but we'll move over. There are a number of things within our control that give us confidence, meaning the long term that will continue to improve there.

Larry Culp:

I was in Florence, South Carolina yesterday with our healthcare business as you can imagine, they are jazzed beyond description with respect to the opportunity to go out and really tell their story over the course of the next year. A lot of growth levers there to pull, but here in the short term, these supply chain pressures are very real and we can't keep up with demand. There are a host of demand drivers out there from investment in public healthcare and private healthcare, new use cases for our equipment, let alone the aging of the install base. So a lot of good things that set up the demand trajectory for GE Healthcare going forward.

Larry Culp:

But we clearly have another six months here, at least where we're going to have to really fight tooth and nail to get the product to customers. And we know aviation will be headed up there to Cincinnati. Tonight is poised both in the aftermarket recovery and as our major airframes continue to ramp their production over the next several years. We'll need to keep up and do so thoughtfully from a safety and a quality perspective, let alone financially but I think the team is well positioned to do that. The spends will get a lot of attention internally, certainly externally over the course of the year, but what we really want to make sure we do is stay focused on running the businesses in this operating environment as well as we possibly can.

Larry Culp:

And at every turn, Andy, you've reminded everybody first things first, we really need to run the businesses well. Use lean, continue to push decentralization. But just a couple of words on the spins. In addition to the teams being pumped up, we've gotten a very strong response from customers. They like the idea that the deleveraging is almost behind us. They like the idea that we're going to be fully focused on them and them alone. And you may have seen some of the recent announcements relative to some of the talent that has been attracted to the opportunity going forward.

Larry Culp:

Scott Reese is going to come over from Autodesk and run GE Digital that'll free up Pat Burn to be full-time in onshore wind, that'll be good for us. Betty Larson's coming over from BD to be the healthcare HR leader. Frank Jimenez is, I was with Frank yesterday, he's coming from Raytheon where he was the GC to play that role force in healthcare. So we really have the healthcare team ready to go. A couple of other I'm sure tweaks in progress there, but in getting the team set up, I think we're really poised to get this business out as we've said in the first quarter of next year, teams running hard.

Larry Culp:

But supply chain issues aside really encouraged by the opportunities that they have. And you'll see this, I think in two weeks when we talk about their position and position health from a diagnostics, from a therapeutics, from a monitoring perspective, plenty of opportunities here to drive organic growth before we get into playing the organic card as we did last year with BK Medical. Similar setup, I think in aviation. As I mentioned a moment ago, a lot of operational challenges to make sure that we ramp in the aftermarket and with new units in line with customer demand.

Larry Culp:

But that's the type of challenge and opportunity that we want because we think longer term in how we shape the future of flight and get excited about just the announcement. Earlier this week with Airbus to put up a hydrogen propulsion test bay, you saw the announcement

Larry Culp:

Announcement we had with NASA around hybrids, let alone what we did late last year with Boeing and United, relative to what just asked. So there's a lot there, short, medium and long term in aviation that we're excited about. And we know, again, it large part because of what's controllable, but also because of what customers have told us in the wake of the spin announcement, that the role we can play in the energy transition is real, is significant. And there's plenty of opportunity given. I think the role that gas will play and you've seen that I think echoed with the European taxonomy here of late. Larry Fink's letter as well, I think has gas well positioned. Again, wind both on and offshore need to be better performers for us. We know there'll be plenty of demand.

Larry Culp:

So that's on us and I'm really encouraged by the way the conversation has evolved over the last 12 months with respect to just recognizing that the grid will be the impediment ultimately, and there are a host of things that we can do to make sure as we build up renewable generation capacity, that the grid is in a position to handle that.

Larry Culp:

So you put all that together. We talk a lot at GE about building a world that works. That's what we're doing and I think that will manifest itself Andy, in a host of ways, but for investors it'll certainly, I think one way it will manifest itself next year is more than seven billion of free cashflow. So a lot going on but enough of that, let's get into your questions.

Andy Kaplowitz:

A lot going on Larry. Very interesting stuff. So let me address, you talked about supply chain a lot. And you did have that update on Friday, so maybe you can talk about sort of what changed. Can you talk about sort of the ramp up this year? Maybe give us a little update on the portfolio in terms of how you see the ramp up for your various divisions for the year.

Larry Culp:

Sure, sure. Well, and keep in mind Andy, what we wanted to do Friday was frankly reiterate what we thought we had made explicit and clear back at earnings a month ago relative to these supply chain and these inflationary pressures with respect to how they're going to impact the first quarter in the first half. So there was no intent to provide any news. We thought we were clear then. Not sure everybody heard us. So we just got up on the soap box and made it a little bit more explicit with respect to what we're dealing with. Those issues are related operationally, but they're different, right? Because when we talk about these inflationary pressures, we may have a supplier taking advantage of these capacity constraints to play the price card. We may just run out of access to a component and we may go from a contracted supply arrangement to being out on the spot market.

Larry Culp:

And that's not a place to be here over the last several months. So with the passage of time, we are redesigning, I think we've redesigned 5,000 components in healthcare for example, over the last couple of years. And that gives us an opportunity to move away from the spot buys. We may be renegotiating getting a bigger allocation in those situations where we've got components in short supply, but we also are setting ourselves up to redesign ourselves into a new supply situation and there are a number of components. There are a number of sub assemblies saying healthcare for example, where that will play out over the course of 2022, giving us not only a better cost position, but more reliable supply. But if you've got a thousand components in a MRI, you need all thousand, right, in order to ship that product. So we want to make sure that we are buying right to mitigate as much of the cost pressure as we can, but we also need to make sure we've got adequate supply, particularly in healthcare, right?

Larry Culp:

Where that pressure in the back half of last year was acute. It will continue to be probably three to 400 basis points here over the next several months of foregone revenue. At least we haven't lost it. It's just we can't ship until we can sort out, or implement the counter measures there. So it is what it is. We wish it were otherwise. Again, in addition to being smarter on costs, we need to exercise the price muscle more. Given what we've seen over the last three weeks in our operating reviews, backlog, the order book, improving in that regard, but will take some time given the lead times in many of our businesses for that to actually play out in terms of revenue and in turn margin.

Andy Kaplowitz:

Larry, just to be clear, did you see any supply chain, anything worsening? Maybe you can talk about Omicron. Has Omicron gotten a little bit better and or was this more a street expectation where we were just too high?

Larry Culp:

Well, I wouldn't accuse you ever about being high.

Andy Kaplowitz:

I know you wouldn't. I know you wouldn't.

Larry Culp:

However, again I think what we intended to reiterate on Friday was what we said at earnings. Nothing less, nothing more. It is challenging out there, right? And I'm not sure everybody heard us the first time, clearly from the reaction, a lot of people heard us the second time, but in terms of new news, no, to your question, there are a lot of ways to look at this and we again, we were in [inaudible] healthcare team. If you just look at the run charts that we use in that business and forgive me, I'll get rather granular here. We'll see if anybody walks out. If you look at how many discrete units were short and were short as a function of new news, that curve has bent a little bit over the last, I think seven, eight weeks.

Larry Culp:

Now it may be because this is a slower part of the year, but I'm not convinced that that's the case. You look at our delinquencies relative to just a dollar based volume. Delinquencies from a purchasing perspective, they're coming down, right? So you have a number of those leading indicators, which would suggest the way we are navigating. These challenges is getting stronger, right? It's still a challenging environment, but I think we are improving our control of the controllable. But again, if you're short one item, in the customer's eyes, you're short the whole thing.

Larry Culp:

From an investor's perspective, that's revenue that hasn't shipped. But I think the teams, and this is not a GE dynamic, we've all gotten many more reps over the last six, nine months, right? Managing these shortages in addition to working the price side of the equation. So that work continues, but I think as you look at again, what we're seeing from a pricing perspective in terms of our backlog, our orders, if you look at some of these costs and supply chain countermeasures as to when they should kick in, we're going to have more effect from all of that work in the second half, then we will in the first half. But that's not new news from earnings a month ago.

Andy Kaplowitz:

And Larry, just one more about the quarter. You had a cash guide out for Q1, you said you were going to have negative cash. Any sort of change to that? I mean, I know you reiterated everything for the year. How's cash going?

Larry Culp:

Yeah, no change in that regard, right? Talk a lot about lean. One of the core tenets in lean is daily management. And daily management is all about making sure you're working every day, just the way you would at the end of the quarter, right. But while we've driven a lot more linearity across quarters and within quarters, there's no question that we still start slowly at GE and we finish strongly. That'll be particularly acute here in our renewables business again, because the PTC in the absence of the inbound orders for a couple of quarters, at least, right, has us fulfilling a lot of existing obligations without that cash being replenished in the wake of new orders.

Andy Kaplowitz:

So let me ask you about renewables, because you've talked about it a couple times. So you've got an outlook here. I mean, you've talked about Woodmac sort of having a pretty weak outlook for 22, but you guys have talked about, I think, low signal digit revenue growth. And so, how do you, and you also profit improvement overall in 22. So how do get there given all those sort of cross currents?

Larry Culp:

Yeah. Well, I think you get there one business at a time, right? So if I just walk the major pieces within renewables, let's go back to the onshore wind. I mean it's really an onshore wind and grid story, right? Because offshore has a $7 billion backlog, which will manifest itself with the launch of the Haliade-X over the next several years, right? So that's a good opportunity. Now we need to see that through and again, from a SQDC perspective, we need to execute, but I think investors understandably are focused on how well we're going to manage onshore and grid. Onshore because of the PTC impact really hits us in our most profitable geographic market, right. We do much better here. You saw, we were number one again in North America in 2021. There are a whole host of reasons why that's a stronghold force beyond the fact that we're the loan domestic supplier, but in the absence of that revenue, it exposes some of the pressures from a price cost perspective, particularly with steel and logistics, right?

Larry Culp:

So we're not going to wait for the tide to come back in domestically. We are putting in place a whole host of different cost counter measures, all the while making sure we're pushing on price where we can and making sure that we're capturing as much as of the service opportunity, which was a double digit grower force within on short wind, right? Through the year. And again, I think because of some of the timing dynamics, not only in terms of volume, because we'll have a better volume back

Larry Culp:

Half domestically. In addition to the mix of that volume, we can see a better second half domestically. And that will carry on shore wind in 2022. Because we know internationally, there's a lot of work that we need to do combating some of those same inflationary pressures. But also seeing through some of the projects that have not been winners for us.

Larry Culp:

And that'll be particularly evident, I think in the first half, is we put those projects behind us. So what we'll need to do, and again, this is where I think Scott's work at gas Power is a good leading indicator or good template for what's going to happen. We'll just turn this selectivity crank one more time and make sure that we're not signing up for anything that we shouldn't, both in terms of the economics and just the scope and the overall risk profile.

Larry Culp:

Grid's a different dynamic, grid's going to grow this year. I think we're well positioned to see grid grow and probably the grid growth will carry the segment. We're approaching breakeven. And we've got some similar dynamics, some legacy projects there that still hurt some of these go back to when I was employed somewhere else, somewhere else. So they, they, they are long dated, but they're on, you know, they're ours until they're not. So we need to work through that. But again, that plays out, I think to our advantage through the course of the year price cost.

Larry Culp:

Similarly, as we will have at that point, 12 months of a number of the countermeasures being effect with a better revenue mix. Again, I mentioned our grid automation business is a shorter cycle part of the overall grid business place, where we can get priced. A place where we're seeing good volume. And there's a lot of commercial activity there that I think gives us real, real optimism that we can drive that better, that business better than we have. So you put all that together, it's still going to be a business with parentheses around the critical numbers, like free cash, but we think we get better and in 2023 should be coming in to break even.

Andy Kaplowitz:

Got it. So I always forget to tell the audience that you can scan your QR code to ask questions. I see a couple questions here. I'll get to them in a second, but let me follow up on something you just said, which is sort of selectivity, because you've talked all about it a lot.

Larry Culp:

Yeah.

Andy Kaplowitz:

You know, for a while, but I felt like you talked about it even more or last quarter.

Larry Culp:

Yeah.

Andy Kaplowitz:

So maybe talk about sort of what you're changing in terms of selectivity. And then you mentioned some of these projects have to run through their backlog.

Larry Culp:

Yeah.

Andy Kaplowitz:

How long does that take? Because as you said, some of them sort of predate you.

Larry Culp:

Yeah.

Andy Kaplowitz:

It feels like we should be past some of this stuff.

Larry Culp:

Yeah. Well, you would think that we would be past some of those projects. Right. But if you're involved in what is fundamentally a civil engineering infrastructure effort, they can go on for a whole host of non-technical reasons.

Andy Kaplowitz:

Yeah.

Larry Culp:

Right. Be it politics, financing, what have you, they're really just a handful of these projects, particularly in onshore in grid that we're talking about because they are part of the reason that we're going to have I think disappointing performance in the first half in renewables. Right. If the PTC was in place, if we didn't have these inflationary pressures, I don't think we'd be talking about them as much.

Andy Kaplowitz:

Right.

Larry Culp:

But investors understandably are very keen to understand how do we build a path from '21 through '22 to '23. How do we build a path in '22 first half to second half. So we're just trying to put it all out there.

Larry Culp:

And again, I think it's largely within our control. Some of these projects we wish we hadn't signed up for. And in other instances, we need to do a better job, bringing them to conclusion. And until we do that, we're going to see their affect on the P and L.

Larry Culp:

We talk about selectivity because I think from time to time, when we're talking about growth and the organic numbers that we print, folks don't always appreciate that it's often an apples to oranges comparison. Right. We talk about selectivity in '21 in power for example, as we wound down our new cold bill revenue. So a very strategic decision would make it seven days a week. But as that revenue fades, we don't take that out of the organic number, the way we would in acquisition or a divestiture. Right. So we just want to make sure that people know that whether it be a strategic decision, like that or just more disciplined underwriting, we're not going for share. We're not going to try to post the biggest organic revenue number out there. If it doesn't carry good margin and good cash potential along with it.

Andy Kaplowitz:

And so Larry, you still feel reasonably good that Scott can come in into renewables and sort of fix these issues so you get up to that mid to high single digit margin. As you go out into '23, is there anything stopping you from getting there? And what can he do? I mean, you mentioned sort of technology issues along with sort of execution in international onshore. Any sort of color there?

Larry Culp:

Well, I think when we talk about technology, keep in mind, we've got a number of new platforms being launched. Be they the Cypress platform in onshore wind, Haliade-X, even in offshore, which not unlike a new gas turbine or an aircraft engine, don't have peak gross margins at launch. Right. So we need to come down that experience curve, which we will. Again, we probably wouldn't talk about it if the tide wasn't out with respect to PTC and some of these inflationary pressures. But again, If people want to understand what we need to do in controlling the controllable. We want to put that out there. But again, I was with Scott two out of the last three weeks. We spent a week together last week in Europe. It's not just him. He's very capable executive, but I think the team that we've put in place and there have been a number of changes.

Larry Culp:

I referenced earlier in terms of Pat Byrne coming over full-time now and onshore Felipe coming over to grid, Felipe Perrone. I have tremendous confidence that the performance in the way we delivered the performance in gas power, right. A business people gave up for dead a few years ago. Business people thought we should have given away a few years ago. In addition to what you're seeing at steam and power conversion, really do apply to building on the progress that we've made in onshore wind, the opportunity in offshore, and what we need to do at grid. So when we talk about that '20, '22 progression in the opportunity for the combined business to be in that high single digit range, I think we can do that. It'll clearly be power-led. Right. Because renewables will be working to catch up. But that's the state of play and you put those two together, they'll be a positive contributor for us next year.

Andy Kaplowitz:

So we do have a couple of supply chain related questions, but let me sort of weave them together into one. The first one is can you give an assessment of the supply chain issues and how it all gets resolved? And the second one is, do you expect supply chain issues specific to the aviation market? So maybe we'll just do them in turn.

Larry Culp:

Sure. Well, I think that how all this gets resolved is probably outside of my scope. I think that as long as we have just all of this demand, right? Chasing limited supply, it's going to be awhile before we get back to tranquil operating conditions. So from a GE perspective, we are just looking to outperform. Again, in terms of how we buy, how we source, how we engineer or re-engineer different products, let alone what we can do from a price angle to offset that.

Larry Culp:

These dynamics span our entire operation. I would argue, they probably expand the operations every single company in Miami this week. Right. Whether it's a forging or a casting in aviation, whether it's microprocessors in healthcare and in parts of renewables, labor in different places, right. It's what every CEO laments to another when we run into each other, but it is what it is. So again, I think there are a host of things that we are doing that are gaining traction and will through the course of the year, to help mitigate some of these pressures. There are opportunities at the same time that we need to be all over, but this is going to be with us for a while.

Andy Kaplowitz:

Let me ask you about healthcare, Larry. So, obviously good business, good order momentum. You know this year you've talked about sort of low to mid single digit growth. Like, so when you step back, a lot of people ask me, what is it going to take to sort of accelerate the growth in healthcare, make it more of a mid, single digit plus business. So where are you in that journey? Where do you expect to go?

Larry Culp:

Well, the good news is... If you were with me yesterday and Florence with the healthcare team, they know as an independent company, that their greatest valuation creation lever is organic growth. So they're very keen to be at mid single digit grower, but I don't think they'd be happy if that's where they are. 3, 4, 5 years down the road. In the immediate term, Andy, if we could just clear the backlog,

Larry Culp:

We would be there and then some, right. So we'd have a different conversation. But I think if you look at not only what we need to do operationally to manage the supply chain more effectively, so we don't have this backlog situation. There's a lot we can do from a growth perspective.

Larry Culp:

And we really think about if you will, the way to grow a business, first, get the fundamentals right, safety, quality delivering costs. Then let's make sure from a commercial perspective, we have visibility on every opportunity that we should, and we've got good win rates there in. There's a host of things, Pete, or do we need the new CEO in healthcare has reset the regional sales leadership team. And I think that in 2022, you're going to see progress both with respect to visibility and win rates.

Larry Culp:

We'll sell what we have today. We need to make sure we reload tomorrow. And I was just so encouraged by what I saw yesterday, in terms of the way the teams are really driving more customer driven, more market backed R and D, right. People get caught up in, are you spending enough? The X percent, Y percent of sales? I don't think that's really the way you drive innovation. At the end of the day, you really have to be close to customers. Pete sets a terrific tone at the top, very patient centric, focused on workflows and pathways. So I think you're going to see the innovation engine get tuned up here at healthcare all the while, making sure we're making the longer term bets with respect to technology. And this is where I think the digital angle comes in. But again, whether we're talking about cardiology, oncology, there's a whole host of care pathways that I think we want to make sure we're making real bets around.

Larry Culp:

If you layer in the commercial, the new products and the longer term technology beds, then you're in a position where you can put the capstone on in terms of the inorganic opportunities. And that's why we were so excited about BK Medical last year. Not only could we put some capital to work in probably the best business, our ultrasound business within healthcare, but he gave the team an opportunity to see how to do this. Because again, they know that in addition to good organic growth, good margin expansion in the core, if we can be a good allocator of capital, we can identify diligence and integrate well, that's just another value creation lever for us in that business.

Andy Kaplowitz:

Do you need supply chain to alleviate it all to sort of hit your guns for the year in healthcare? The sort of low to mid single digits in 25 to 75 base points of margin.

Larry Culp:

I think that this environment is one in which we'll execute better through the course of the year and deliver on that.

Andy Kaplowitz:

Okay, let me ask you about power, but because I think a couple years ago we sat here and you had talked about 25 to 30 gigawatt market. And now for the last two years, we've done over 30 gigawatts and power seems like it's really finding its sea legs. So maybe talk about sort of what's changed and I get a lot of questions about hydrogen and how that could change the business for you guys. So maybe talk about sort of longer term growth potential of that business.

Larry Culp:

Sure. Well, I think we've always said that power and particularly gas power is probably not going to be a high grower, but within that 25 to 30 gigawatt range annually, it'll be up and down. But if you look over time, gas has a role to play in the energy transition. That wasn't necessarily conventional wisdom in 2021 but again, I think you see a number of data points here in 2022, and I'm not getting political here, but just again, the European taxonomy, the BlackRock letter, I think there are a number of voices out there realizing that we're going to need gas to make this decade a decade of real action on climate. Otherwise, it's all talk, right? So that is good for us, but we still need to execute. And I think if you go back over the last three years or recall what happened, we had a big layer between corporate and the business called GE Power.

Larry Culp:

We basically blew that up and really began to manage bottoms up one P&L at a time. Gas power is a big P&L but Scott and the team went in there and really just got back to basics. Ran off some of these legacy projects, started to do a much better job on cost, right, push services as effectively as we could, and just dealt with the reality. And we didn't sugarcoat anything. There were plenty of bumps along the way, and it looks far easier in hindsight than it was in the moment, but the cumulative effect of running that lean playbook in a decentralized form is why you see that business I think performing as well as it has. Scott picked up steam power conversion in our nuclear business, subsequently and has been running a similar playbook. We'll end up with a smaller steam business.

Larry Culp:

It'll be fundamentally a service play and probably limited growth prospects, but nevertheless, a business that's going to contribute more going forward, even if the top line is smaller. And I mentioned power conversion already. So plenty of opportunity there to take full advantage of the short and medium term, but to your question about hydrogen, there are hosts of investments that we are making to make sure that our customers see us investing in their assets potential long term. Now some of that will be hydrogen from a pre-combustion perspective. We're certainly going to look at the post combustion carbon capture technologies here as well, because it's what our customer base wants to see. Not only with respect to today's investments, but certainly longer term. I think it's part and parcel the role we're going to play in the energy transition.

Andy Kaplowitz:

So maybe just going off that, you've talked a lot about playing offense. And so where is playing offense in 2022 for you guys? You know, what are you focused on for playing offense in 2022?

Larry Culp:

I would just go back to Andy to the framework we were talking about a moment ago. In a number of instances, shorter lead times and better on time delivery, right? That operational bedrock is the best growth lever we've got in 2022. In other situations where delivery is acceptable, we're going out again, driving visibility, making sure we are putting forward better value propositions to increase our win rate, right? Just commercial blocking and tackling, which are real opportunities for us, whether it, and we certainly have in healthcare in particular a number of new products that will launch this year. But it's really those operational fundamentals in addition to doing a better job with respect to price across the board. Which will I think, shape the organic top line trajectory for the business, with respect to those things that are within our control, right? If aviation comes back far more quickly than perhaps the 20% that we've talked about, that'll obviously help the organic print, but we won't really shape that. We will need to just manage through it.

Andy Kaplowitz:

So let me ask you, it's hard to ask you now this question because of supply chain, but last year you had 390 base points of margin improvement on low single digit declining revenue. So when I look at your guidance, like I understand the sort of the backend loaded, but it seems like normal incrementals for you when supply chain alleviates can be really strong, sort of better than 30%, how would you sort of respond to, cause it's a tough question to ask you now, as I just lowered your Q1 number, but you know what I mean.

Larry Culp:

Yeah. Well, again, I think we have the utmost conviction with respect to what we framed in earnings and what we reiterated on Friday, but inherent in all of that, are these price cost pressures, the price, the cost pressures are real and our price counter measures have not yet kept pace, right? We know that we've got some of these other dynamics we've already talked about, particularly in renewables. And as we launch some of these new projects, be it, be it Cyprus, be it Haliade, even, we're still ramping on leap, right? Those are unhelpful mixed dynamics. So you put all that together, we think we're going to have a really strong top line year, 150 BIPs of OMX. It's pretty good if we do better, all the more right, with good cash conversion. So we think that's a good setup for this environment. Rest assured, if we can do better, we'll do better.

Andy Kaplowitz:

And probably time for one more question. So just a follow up there, when I asked you price cost on the earnings call, it seems like you're thinking second half of the year is when you can catch up. I know you're a long lead business.

Larry Culp:

Yeah.

Andy Kaplowitz:

That's how we should think about you. Right. If I look at aviation renewables, to most long lead, the way you're set up now, Q3 is sort of when you get there?

Larry Culp:

I think what we've said is price cost will be negative for the year and it will be better for us in the second half than it will be in the first half. So those dynamics are very real, but again, we've got some shorter cycle exposures in addition to our service books, where we have opportunity to exercise the price muscle, the way many of the shorter cycle folks who are here in Miami do.

Andy Kaplowitz:

Got it. Very much appreciate the time, Larry.

Larry Culp:

Always a pleasure, Andy. Thank you.