

**Kieran Murphy, Helmut Zodi & Steve Winoker – In Conversation**  
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Steven Winoker:

A great introduction there to GE Healthcare at RSNA this year. I'm here with Kieran Murphy, president and CEO at GE Healthcare and Helmut Zodi chief financial officer. You'll remember GE healthcare as a roughly \$18 billion business with leading positions across the markets we serve. Delivering mid-teens margins and strong free cash flow conversion. You'll also know that we recently announced some exciting news with a plan to spin off GE Healthcare in early 2023. I'll let Kieran speak to the strategic rationale for this transaction. The bottom line though, is that this is a business that's ready to be a standalone company. It's well positioned in a number of growth markets and as a standalone company will have significant opportunities to invest both organically and inorganically in the future. There are a number of secular growth drivers in the healthcare business, ongoing demand for improved care, a growing and aging middle class, increasing investment by both government and private health systems around the world as they look to increase productivity, efficiency, and resiliency.

There are also a number of key trends that influence our business. The digitization and virtualization of care, with this care moving outside the four walls of the high cost hospital environment. Burnout and staff shortages across the healthcare workforce. And there's a continued need for better integration and aggregation of healthcare data to gain better insights. All of this means the importance of digital and technology such as artificial intelligence is increasing. We believe that those healthcare systems that combine data science with clinical medicine will be best positioned. And while the industry is working through a period of supply chain challenges right now, we'll talk today about why GE Healthcare is well positioned with a strong franchise that continues to deliver innovation on a global scale. So with that, Kieran, let's start with the spinoff announcement. How do you think about the strategic value of this plan and the opportunity that lies ahead for GE Healthcare as its own entity?

Kieran Murphy:

Steve, thank you very much. And we're just delighted to be part of this presentation here today. I think the real answer to your question is we're excited be part of this strategic plan and that's based on... We've built a wonderful platform, I think based on the performance of the business over the past few years, grown revenue, we've increased our operating margin and we've delivered strong cash flow. And of course we've invested in innovation. And if you look at the spin out plan, of course, that gives us more flexibility. I think we'll have to be more nimble. We'll be able to have great focus to allocate capital. And I think the strategic flexibility to drive long term growth and that's what's so exciting here. We've invested in organic growth, I think quite effectively, we've great innovation in this business.

And of course, we've been investing recently and in inorganic growth as well. And I think the opportunity for us to do more of that I think is very exciting. But fundamentally what's always in our minds is that have to serve our customers well. We have to ensure that we stay focused on what the patient needs are. And I think we are in a great position to do that if you look at the sheer breadth and depth of our portfolio, the investments we've made in digital, I think we are in a great position here to deliver for every stakeholder and deliver strong growth.

Steven Winoker:

Kieran, that makes a lot of sense. Really captures the spirit of what we're doing across the company and excited about this opportunity and to spin healthcare. Let's change tact for a second Kieran, you have had a remarkable career. You've done an amazing job in leading GE Healthcare for so many years. Talk to us about this management transition as you look to hand over the reins to Peter Arduini shortly, who will run the new you public company.

Kieran Murphy:

Well, look, first of all, I think the business is really well positioned. And first and foremost, people shouldn't be nervous about the transition because there's a very strong team, has been built a GE Healthcare, and we've really strengthened the team over the last few years. If you look at just the franchise depth we have, our global scale and reach it's... If you look at the sheer depth of the installed base, we have a lot to work on here. There's a lot of room for growth. I think it's improving all the time. We've been investing in this theme of precision health. We see ourselves at the center of an ecosystem that's really striving for precision because that's the root to productivity and it's the root to addressing the biggest problems in the industry, which are cost.

And so, I think I'm handing over the business in great shape to a fantastic leader, and I think it's at a great time actually. We've been investing heavily in digital platforms for example, and that's now starting to bear fruit with some of the innovations coming through. And of course, Peter has a terrific track record. He knows the business, he knows the products. I think he knows a lot of the customers. And so I think the transition, and we've obviously been working on this over the past few months, it has just been incredibly smooth. And so I think people should feel very good. And I know that Peter is very excited as I am about the future here and the opportunities that lie ahead for this business.

Steven Winoker:

That's great. So with that important business change, as a backdrop, let's shift gears to RSNA. Looking back over the past 12 months since we were last together here, I think we can agree it's been quite a year, COVID 19 pandemics continued though we've seen some normalization of healthcare services and both government and private sectors have been investing in equipment to support future capacity. How's GE Healthcare positioned for these changes?

Kieran Murphy:

COVID 19 brought many changes, and we've discussed this before in terms of what did it mean for the productivity of the system, the availability of capacity, the availability in what is a constrained market in terms of supply of labor, there's this incredible need for more productivity? And what we saw for example, was a transition towards much more digital consulting, tele-consulting, telemedicine. And what we are seeing is that that is continuing to build momentum and I think it'll keep going that way as we start to see... There's a big backlog of, for example, cancer procedures that has built up because of COVID 19. And so we have to be in a position where we can deliver for patients. And I think we're extremely well positioned to do that. We've 47,000 employees in GE Healthcare, we're in 160 countries around the world, we've 9,000 service engineers.

And what we saw during COVID 19 was just the importance of that scale and breadth of the business. And I was just on the phone to a big KOL in China before this call and they recognized that when we went to work in China and delivered mobile X-rays, CT in a Box, a lot of digital innovation. It really helped kind of deal with COVID 19. And the very same happened across the world in places like Europe and the USA. And I think the clear global scale of our business meant that we were able to respond. And I know that you and I have discussed this before, just the way we ramped up capacity, for example, we saw 10 times more ventilators than we ever knew we could. We've really ramped up our CT capacity.

And, I think we did very well in terms of answering the needs of our customers whilst at the same time delivering for our stakeholders. I'm very proud of the way the team delivered. I thought we stepped up in exactly the right way, but we didn't take our eye off the ball. We kept emphasis on quality, kept an emphasis on supplying our customers as well as we possibly could. And I think the underlying performance of the business in terms of margins and cash was very strong.

Steven Winoker:

Kieran we've talked a lot about some of GE Healthcare strategic priorities, such as care pathways at Edison and Go to Market and a few other recent acquisitions. How do you view GE Healthcare's equipment portfolio right now?

Kieran Murphy:

Well, I think first of all, I would say your mention of care pathways and Edison and so on, this is a critical part of the team for this business going forward. But you can only deliver on that if you have a terrific portfolio of products. Of course, it's not just equipment, but I'm going to come back to that a little bit later, but just on equipment we've made great advances in MR for example, gained a lot of share over the past year. And when we had this meeting last year, we discussed something called Air Recon DL that has been a true phenomenon in the industry, allowed us to regain a lot of our position in MR, very strong position in CT molecular imaging. And of course, I think we brought a lot of innovation to X-ray in terms of mobile, but also the addition of AI and machine learning.

In fact, we've just had FDA approval of part of the Critical Care Suite and X-ray, which again, just allows us to deliver more productivity for clinicians in detecting tube placement, for example. I think then if you look at what we did in CT with the acquisition of Prismatic and the direction we're going with Photon Counting, we continue to strengthen the imaging portfolio. When I then think about ultrasound, I mean, I hope people realize that we have the best ultrasound franchise in the world bar none. This is an amazing portfolio of products, it's an incredible team. And I think that's why we had the confidence in order to press ahead with BK Medical this year, because we know that this is a team and a portfolio that delivers extremely well. And I think it's a great signal for the future.

And then also on our Life Care Solution business, which is sometimes forgotten. You know we are a leader in monitoring, we are a leader in anesthesia and we do a whole lot of series of products in areas like maternal care, which are critical to newborn babies around the world. And we spoke about ventilators earlier. Again, our ability to ramp up in areas like ventilators and monitoring, deliver digital solutions like Mural, which helped our monitoring portfolio. I think that's been extraordinary and I think underlines that equipment portfolio. And then lastly, I would say, all of these equipment franchises are helped by the investments we've made in digital. And that is expressed in things like Air Recon DL and MR. In what we've done, an automatic patient positioning. I mentioned Mural in the case of our whole

Life Care Solutions portfolio. We continue to innovate because this is much about hardware enhanced by software and analytics, machine learning, AI. All of these things have to go hand in hand.

And that was part of our Edison strategy to ensure we could deliver in the cloud, at the hospital level, but also on the device so that we can actually deliver insight to the clinician who's at the bedside. And I think that's absolutely fundamental here.

Steven Winoker:

That's great. And healthcare has a sometimes underappreciated pharmaceutical asset in PDX, at least for investors. Can you talk to us about the importance of this contrast and molecular image imaging agent business?

Kieran Murphy:

Well, of course it's never been underestimated by me because I had the good fortune of running this business since 2013. Look, this is a phenomenal business and of course during COVID because elective procedures were somewhat suppressed, last year was a tough year for our business. But what we've seen is just a fantastic rebound in 2021. We have an amazing position in this industry in terms of contrast media, because first of all, we're a world leader. We have leadership in terms of our cost position, fantastic manufacturing facilities, and quite a concentrated footprint, but that includes factories in China and in Europe. And I think it gives us a great base in which to supply the world. And what we seeing more and more now in terms of the relevance of a piece of this business, which is around molecular imaging, is that with advances in areas like immuno oncology, these biomarkers or molecular imaging agents are coming into their own so that we can identify patients that are going to be best suited to these, what are quite expensive treatments, they have to be extremely well targeted.

And so, I think it's going to be a very exciting time for the PDX business going forward. And this year, people may know that we bought a company in France called Zionexa, and that has an FDA approved PET imaging agent called Cerianna for recurrent metastatic breast cancer. And that's just the beginning. There's a whole portfolio we can build here, similar agents which are critical in that cancer pathway. Again, help to target patients that are going to respond best to treatment. And, and fundamentally overall that delivers the sort of productivity and precision health that we speak about as part of our strategy. And this is also a business that has great margins. It delivers great cash flow, and it's an outstanding team operationally.

Steven Winoker:

Thanks, Kieran, let's move on and talk a more about the planned acquisition of BK Medical. What excites you about the business, and should we be looking for more M&A to come?

Kieran Murphy:

So we were really excited, the BK Medical deal. First of all, for our ultrasound business is a world leader, fantastic team, great leadership. And I think we are in a position here to really integrate BK Medical well. But also of course it takes us into that slightly different market of image guided surgery and areas like neurosurgery, general surgery. So it's a great adjacent space for us. And it kind of speaks to where I see the opportunity to do further M&A down the track. We have several attractive adjacent spaces right across our business in all of the areas that we were talking about earlier. And I think that's what's attractive here because we can really expand the addressable market. This has a term of \$10 billion, and I think we can... There's a lot of opportunity and room to grow in here.

And of course, the synergies are significant. If you look at our install base across the world, I spoke earlier about just the sheer... Our reach into the market, we're active in 160 countries, we have an army of service engineers, our ability to do a great job in terms of distribution and getting into all other parts of the market here. Our connection with KOLs right across the world, I think is really significant.

And then of course, I think as always with an acquisition like this, we can get synergies in terms of costs. We can bring some of our operational muscle to bear in terms of material, productivity and factories and product design and so on. And there's an additional point, which I think is unique to where we are at. We can add a lot of value here in terms of our muscle in digital to bring AI and machine learning to these products and applications. And of course we have amazing probe technology. So I think the sort of technical design engineering synergies, that's probably... There are some good surprises along the way for us when it comes to BK Medical.

Steven Winoker:

That's great. Kieran, before we get into business results with Helmut, talk to us about a few of the innovative products GE Healthcare is showcasing this year.

Kieran Murphy:

Well, I'm going to focus on a couple because as people hopefully will see on the booth tour. I could spend a lot of time on this. I think one of the most interesting areas relate to Edison and how we start to take enterprise imaging to the cloud and this... It really speaks to the trends in the market we were speaking about earlier on the need to digitize. Because digitalization, one of the things that's really going to change the cost curve in the healthcare industry, and what we are doing with enterprise imaging is moving that to the cloud. We're taking a lot of our imaging IT solutions that are done on site today and local servers and so on, moving back to the cloud. And that's going to ensure that radiologists can do a lot better sharing of images across multidisciplinary teams.

That'll speed up reading. It will improve the quality of the decisions that are made, and it will reduce errors. I think it will improve these cancer and care pathway workflows, which is a key strategic area of interest for us. And then on the equipment side, I think our Revolution Apex platform and CT... This is a cutting edge CT platform with great clinical capabilities. And that's going to make a huge difference in imaging critical majors, cardiac for example, so that you get just a much better image quality. And what's terrific about this is a bit Air Recon DL last year. These are upgrades that we can also bring to the existing install base across the model. So there's a great service opportunity for us and from a customer point of view, there's a massive productivity game from upgrading existing install bases, which I think is extremely exciting.

Steven Winoker:

That is exciting. Helmut. Supply chain's the issue on everyone's mind, how big of a challenge is this for our healthcare business and how are you addressing it and is this likely to stretch well into 22?

Helmut Zodi:

Steve, thanks for your question. And first of all, it's great to be with you and Kieran today. And I'm really looking forward spending time with customers, partners and friends of GE Healthcare here at RSNA over the next days. So as it relates to supply, obviously it's a challenge in our industry, in many industries these days, and we are really looking to serve our customers first. So we don't like having customers and

patients have to wait for their products. Our biggest challenges are really around chip supply, around resin, around logistics capacity. These are the ones that are probably the biggest challenges. And when you look at the Q3 results, we have quite an impact.

We talked about the nine-point growth impact onto our business, but I'm very positive because the demand remains strong. We've seen double-digit order growth in Q3, and we are very positive that the demand is out there. So fulfilling that demand is high, high priority. And the teams are working, I would say, around the clock in a very hard to qualify alternative parts and looking for different logistics routes, but really doing it in a way so that the quality remains very, very high, because what's so important is that we deliver for our customers with the high standard we have in GE Healthcare, so that they can take care of patients accordingly.

Steven Winoker:

That's good to hear. Helmut, another topic that's top of mind for investors is the impact of inflation. Why don't you speak to the counter measures the team is taking to address that specifically.

Helmut Zodi:

Obviously, inflation is in everybody's minds. When we look at consumer price or purchase price indexes, they are at all times high and we monitor those were carefully. But what is really first and foremost important is that we deliver for our customers. We want to be sure that raised price makes sense for our customers, makes sense for us. But what we obviously are doing, we've put a very diligent management system in place. We monitor pricing on an ongoing basis and we are going to be in prices where again it make sense and where we can get price, which again is very, very important as we walk through this. But equally important is where can we control our costs? So I think there's a lot of opportunity as Kieran also said how we can improve our cost position, how we can improve profitability. So focusing on what we can manage, I think with our customer and what we can control in our own cost base, I think is very, very important. And then together, I would say, increase prices where it makes sense.

Steven Winoker:

And, Helmut, are there any specific areas where you're seeing that inflation?

Helmut Zodi:

I think again, it's around the chips. So it's very close related, I would say to where we have developed supply challenges. So again, chip prices, resin, logistics, when you think about the cost of a container across the world, in logistics cost is very, very different than it was one or two years ago. So these are the biggest items really, I think that we are facing, and again, working with our suppliers, obviously very, very closely, because we want to be sure that for healthcare supplies are prioritized and we don't get price coaching with our suppliers on this one. So working very close, I think is very, very important with all our partners and customers through.

Steven Winoker:

Thank you. Let's talk about the outlook for financial results this year and next. What are you and the team expecting for top line growth, operating margin expansion, free cash flow?

Helmut Zodi:

Yep. So I think we are really quite happy with the performance and first and foremost, all of the growth remains very strong, which is the key indicator for demand. So we've just reported in Q3 double-digit order growth, which is really quite exciting. When we look at revenue growth for the year, we are obviously impacted by the supply challenges we discussed earlier. And we are really looking for in a low single growth on the top line for this year. Our margin expansion has been strong throughout the year and we're looking something just below around a hundred basis points of margin expansion for this year. And on cash flow I feel really comfortable because cash flow, I would say is really the key for us to reinvest back into the business and we will maintain about a hundred percent free cash flow conversion in a per hour guidance for this year.

When we look into next year, it's actually quite a similar picture. We really expect revenue to pick up given that there's significant amount of backlog. So we're looking at mid-single-digit top-line growth. We, again, looking at margin expansion, similar as we've seen this year, 25, 75 basis points, margining expansion. And continued in a growth on free cash flow with more than a hundred percent free cash flow conversion as we go into 2022. But as I said, the most important measure's really our top line. All the growth is strong and we are looking at all the growth very, very closely as we manage the business every day.

Steven Winoker:

Great. And do you feel GE Healthcare is investing enough for future growth? This is a question I get from investors quite frequently across my team with Carolyn. And what do you think is the tradeoff they ask often between margin expansion and strategic investment. How do you answer that one?

Helmut Zodi:

Yeah, I think it's a tradeoff and Kieran talked about capital allocation, which we spend a lot of time as a management team on effectively doing this one. We will be in a situation, I think very soon, we will be spending more than a billion dollars in R&D as an organization, which I think is really important. So that investment into NPIs, into new product introduction. The investment into digital, the investment, I would say also in the resiliency of our supply chain, those items are extremely important for us. So I think we're putting a plan together as we go into next year and beyond to really ramp up on that investment.

And I feel comfortable that it's the right level of investment we are doing. At the same point in time, though, I would say we still have opportunity for productivity as an organization. And that relates to many areas where there's in SG&A in sales and marketing, maybe a little bit also in R&D of how we manage productivity across the portfolio. So it's a little bit of both, I would say, but clearly focused on the innovation and on the investment in R&D and innovation.

Steven Winoker:

That's help helpful Helmut. So it's really the ability to do both right, to invest. You're still able to drive margin expansion and that'll give you the growth that you need, and you create a virtuous cycle.

Kieran, as we round out the discussion today, let's talk about a key differentiator in your business, which is around the many digital capabilities you offer. You've talked about them off and on through this discussion, there continues to be a lot of focus on AI and digital at RSNA and this year. Is this adding to your bottom line and has the conversation changed and shifted over the past year?

Kieran Murphy:

So for sure, Steve, just to you last point, the conversation has definitely shifted over the past year. And what we are seeing is just a change in the game completely in how people think about digital. And I want to go back to the fundamentals. We're striving to be an enabler of precision health to do that you need a lot a skill and you need to be able to connect different parts of the workflow. And so we are uniquely connected as a company to engage in this digital transition and actually deliver and of course we have a proven track record of doing that. In fact, if you look today we've more than a billion dollars in sales in software, and that revenue is growing. I mentioned Air Recon DL, which kind of a machine learning technology applied to RMR business.

It completely sort of changed the attitudes towards that portfolio. During 2021, changed the growth rate and this has enhanced the portfolio. And in terms of our Edison applications, what we're seeing, just a great growth rate, increased threefold this year. And we've more than 25 Edison applications coming down the track that have been enabled in 2021. As I mentioned before, we are introducing the first AI enabled cloud-based PACS called true PACS, which is run on the AWS cloud. And again, that just enables better management of workflow for our radiologists and clinicians and allows this sort of multidisciplinary team work in a much better way.

And so I think then if you look at the sheer extent of our install base, I mentioned at the beginning and the fact that we have this reach to a billion patients every year, if we can deliver as part of this ecosystem, if we can deliver these AI applications, which we are doing now, taking the best of breeds from the ecosystem, and actually delivering that to clinicians where they need it at the bedside or in the surgery and clinic, this makes a huge change to the practice of medicine.

And of course, it's a huge differentiator for us in our hardware business, as well as these digital applications. And so what you said at the outset is right. This is kind of the battleground. In Edison, we've built a tremendous platform. We've got a super innovation cycle running here. We've proven that we can deliver these applications and deliver them either on the cloud, at the hospital or on a device. We've seen already the feedback from customers that these make a real difference to their ability to make decisions. And so I'm just extraordinarily excited about the opportunity that this can bring about to deliver precision healthcare, which is really... That's our mission in life.

Steven Winoker:

Kieran, Helmut, thank you so much for taking the time today to speak with me for investors. Just a terrific franchise in an important space, and it's going to make a great public company. I'm excited about it. Growth that's going to accelerate this technology, and people driven. Margin expansion that you're talking about and strong free cash flow conversion that allows us to keep reinvesting. So I just think it's a fantastic and good luck at the show. Thanks so much.

Kieran Murphy:

Thank you, Steve. All the best.