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EDITED TRANSCRIPT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Fourth Quarter 2021 General Electric Company Earnings Conference Call. (Operator Instructions) My name is Brandon, and I'll be your conference coordinator today. (Operator Instructions) As a reminder, this conference is being recorded. I would now like to turn the program over to your host for today's conference, Steve Winoker, Vice President of Investor Relations. Please proceed.

Steven Eric Winoker ***General Electric Company - VP of IR***

Thanks, Brandon. Welcome to GE's Fourth Quarter 2021 Earnings Call. I'm joined by Chairman and CEO, Larry Culp; and CFO, Carolina Dybeck Happe. Keep in mind that some of the statements we're making are forward-looking and are based on our best view of the world and our businesses as we see them today. As described in our SEC filings and on our website, those elements may change as the world changes.

Note that we plan to hold an investor event on March 10 in Greenville, South Carolina at our Power and Aviation plants to provide more in our 2022 outlook with an up-close look at our lean progress and innovation. We're covering a lot of ground today with the quarter, the year, our reporting changes and outlook. So we will run a little long. Appreciate your patience and we'll still make time at the end for Q&A.

One quick note, I've been getting a number of questions this morning on changes -- on the changes we're making and the relevance to consensus. Consensus is not comparable to our current numbers given the changes we're about to walk through, most notably Insurance, which was about $0.40 in '21. So, with that, I'll hand the call over to Larry.

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

Steve, thank you, and good morning, everyone. 2021 was an important year for GE. We successfully navigated a dynamic environment, delivering solid margin expansion, EPS growth and free cash flow. We focused our portfolio, significantly reduced debt and strengthened our operating performance through lean and decentralization. We've remained on track to achieve our long-term financial goals, and we're confident about where we stand today and where we're headed.

We entered 2022 with strength from this continued strategic, operational, and financial progress, thanks to the dedication and resilience of the entire GE team. We're seeing real opportunities for sustainable profitable growth from near-term improvements in our businesses, especially as Aviation recovers and our end markets strengthen. With our transformation accelerating and significant momentum in our businesses, we're playing more offense through both organic and inorganic growth opportunities, such as our recent Healthcare acquisitions.

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It's this momentum that allowed us to announce in November, one of the most important events in GE's history-creating 3 independent investment-grade industry leaders focused on critical global needs. We're supporting the recovery of the aviation industry today and creating a future of smarter, more sustainable and efficient flight. We're developing precision health care that personalizes diagnoses and treatments, and we're leading the energy transition to drive decarbonization.

These are big challenges, and our customers deserve and demand our best work. At GE, we're committed to creating value for all of our stakeholders and delivering on our purpose of building a world that works.

Turning to Slide 3. We materially strengthened our business in 2021, and our balance sheet is in solid shape. We took a large step in the fourth quarter with the close of the GECAS/AerCap transaction, focusing GE on our industrial core and creating an industry leader and strategic partner to airline customers. Using the proceeds, we reduced debt by $25 billion, and we're now able to transition to a simpler reporting structure. I'll address our 2021 performance versus our outlook on a prior basis for ease of comparison. Then we'll bridge these results to our simplified reporting, which we'll use going forward.

Let me briefly address the fourth quarter and Carolina will provide further insights. We made good progress in the quarter, 2 highlights of which were orders in Aviation and Healthcare, up 22% and 7%, respectively. But our top line results were pressured by 2 dynamics that we believe are temporary. First, persistent supply chain challenges. This was most acute in Healthcare, although the impact was felt in all businesses, and we're confident in our countermeasures that are underway, including both price and cost actions across GE. Second, we continue to drive commercial selectivity across the board with a particular focus in Power and Renewables. We're being more disciplined in the projects we choose to underwrite in the broader markets where we participate. This means lower volume with lower risk today but better margins and less risk over time.

Increased selectivity and supply chain headwinds each impacted revenue performance by about 3 to 4 points. Our focus on profitability and cash generation was evident this quarter. Industrial margins expanded 290 basis points organically, led by Aviation and Power Services. And we delivered $3.8 billion of Industrial free cash flow.

Now looking at the full year, orders were up 12% organically with services growth in all businesses and up 12% overall, supporting faster growth in 2022. Industrial revenue was down 2% organically. Increased selectivity and supply chain headwinds impacted performance by 3 to 4 points and 1 to 2 points, respectively. Total equipment revenue decreased 8% organically, while higher-margin services grew 4% organically, led by Power and Healthcare.

We ended the year with strong profitability and cash performance as margins, EPS and free cash flow all exceeded our full year outlook. Industrial margin expanded 390 basis points organically. Strong services growth, coupled with cost actions and restructuring benefits, drove improvements in 3 businesses, led by Aviation. This was offset by supply chain headwinds across the company, Renewable Energy performance and rising inflationary pressures.

Solid margin expansion helped drive adjusted EPS up significantly to $2.12. And we delivered Industrial free cash flow of $5.1 billion, driven by better earnings and disciplined working capital management. If you add back discontinued factoring, our business has generated $5.8 billion of free cash flow last year. Now I recognize there are several definitions this quarter as we transition to reporting that reflects a simpler GE. But let there be no doubt, $5.8 billion best represents our operating performance for the year. And this is the number from which we'll grow in 2022 and going forward.

Now given the impact of Renewables on our overall performance, I'd like to spend a moment talking through the business dynamics. Remember, we run this business by its parts: Offshore Wind, pre-revenue and growing; Grid Solutions, on its way to profitability; and while not a part of Renewables results today, there's Grid Software, a profitable part of Digital within Corporate. Our largest business, though, is Onshore Wind, which is where I'll focus.

First, demand will be there in Onshore Wind as a critical component of the energy transition. We have leading products and a strong services franchise, but we do face near-term challenges, some structural, but many within our control. In the U.S., we're the market

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leader and profitable. While internationally, we've experienced continued challenges that we're addressing related to new technology ramps. And we're managing through the U.S. production tax credit, or PTC, inflation and supply chain issues.

So what are we doing? Scott Strazik is now leading our energy businesses, and he'll run the same operational playbook he did at Gas Power. We're being more selective. It's okay not to compete everywhere, and we're looking closer at the margins we underwrite on deals with some early evidence of increased margins on our 2021 orders. Our teams are also implementing price increases to help offset inflation and are laser focused on supply chain improvements and lower costs.

We're making progress operationally. Turbine availability is increasing across the fleet. Our field teams are enhancing the customer experience with better design and testing and quicker responses to field issues. Core services was up double digits in 2021, and we expect growth to continue. Using lean, the team lowered overall inventory by more than $300 million at year end. We do have work to do, and we're on it. With Scott and Pat Byrne now full-time leading onshore at the helm, we believe this will be a growth business that delivers high single-digit margins over time.

Overall, our performance at GE was strong in 2021, underpinned by rising demand in Aviation and Healthcare. Our bottom line focus is paying off and enabling us to reinvest in growth. This sets us up well to deliver high revenue growth, margin expansion and better free cash flow in the year ahead.

Moving to Slide 4. GE today is operating from a position of strength. Lean principles are helping our teams increase their focus on customers, eliminating waste and driving continuous improvement. This is leading to sustainable, impactful improvements in safety, quality, delivery and cost. One recent example is what our Gas Power team did to dramatically improve the 7F turbine outage experience for our North American customers. By standardizing crews, optimizing material flow and digitizing frontline field procedures, the team reduced outage cycle time by 30%, ultimately decreasing customer downtime. Our teams are scaling their learnings to more regions.

In this quarter, at PDx in Ireland, our team rearranged standard workflow and prep sequences in their main contrast media filling line, reducing turnaround time by 40%. This helps avoid unnecessary capital expenditures while significantly expanding our production capacity to reach more customers and ultimately more patients. These are just 2 of the many examples demonstrating the progress our businesses continue to make. Decentralization goes hand-in-hand with lean. We continue to drive decentralization at every turn, P&L by P&L. In each of our 3 go-forward companies, we'll carry that philosophy to drive better results.

First and foremost, we're driving organic growth through innovation. In Healthcare, for example, we've been investing in one of the fastest-growing Ultrasound subsegments, the handheld market. Portable ultrasound is expected to become standard-of-care over time as it enables quick insights from routine exams with greater mobile flexibility. We launched our Vscan Air, a pocket-sized wireless ultrasound last year, and it's already reaching patients in more than 70 countries, contributing to strong handheld ultrasound revenue growth in 2021.

And at Gas Power this quarter, Guangdong Energy ordered 2 9HA.01 gas turbines, which will be the first to burn hydrogen-blended with natural gas in Mainland China. We're also selectively complementing our organic growth with inorganic investments, becoming more active in the market as we've strengthened our financial position.

Recently, GE Digital acquired Opus One, a company with advanced interoperable software and renewable energy planning capabilities that are highly complementary with Digital's network management and optimization portfolio. Together, we'll help customers integrate distributed energy resources at scale. This builds on other bolt-ons we've done lately such as BK Medical to expand our competitive capabilities.

In addition to broadening momentum in our businesses, many of our end markets are improving. In Aviation, we're encouraged by our performance, which reflects our actions and a continued market recovery. While the current GE CFM departures are down 25% versus '19 levels, given recent volatility due to the Omicron variant, it wasn't a material impact in 2021. Shop visits once again were higher than we initially anticipated, and green time utilization continues to lessen. Along with our customers, GE remains confident in the recovery while actively monitoring the impact of travel restrictions.

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We're positioned to lead as the commercial aftermarket recovers and Military grows, supporting the industry today and sustainability for the long term. In Healthcare, order demand remained strong despite supply chain disruptions which we expect to be with us through at least the first half of next year or 2022. We're encouraged that government and private health systems are investing in products and services to support future capacity and improve quality of care. We're also continuing to invest to meet rising demand from hospital providers while managing costs through operational improvements.

The energy market remains dynamic. At Renewables, the PTC expired at year's end, and the uncertainty is impacting Onshore Wind demand. Based on Wood Mac's latest equipment and repower forecast, the U.S. market is expected to decline from 15 gigawatts of installations in '21 to approximately 10 gigawatts in 2022. We're monitoring policy proposals and see strong diverse interest in continuing tax credit for wind. In Offshore Wind, demand continues to significantly increase around the world. We have over seven gigawatts of Haliade-X commitments, spanning across Europe, North America and now Asia, including our recent 1.7 gigawatt commitment with our partner, Mitsubishi, in Japan.

At Gas, while global gas generation was down slightly for the year, GE gas turbine megawatt hours grew high single digits, supporting stronger services and cash generation. We anticipate the '21 equipment market will be above 30 gigawatts. Overall, gas continues to be a reliable and economic source of power generation, and we see gas generation demand growing low single digits over the next decade.

Our Renewables and Power businesses, including Digital and Grid, are playing a critical role in solving the trilemma of affordable, reliable and sustainable energy to meet increasing energy demand and support customers in achieving their net zero ambitions. GE operates in mission-critical markets, each with global reach, profitably growing backlogs and sizable installed bases. Aftermarket services, which make up roughly 80% of our more than $400 billion backlog and more than half our revenue keep us close to our customers on a daily basis.

So I hope that you can see that we're running GE better with a focus on driving innovation, sustainability and growth in '22 and longer term. With that, I'll turn it over to Carolina for further insights on our results.

Carolina Dybeck Happe ***General Electric Company - Senior VP & CFO***

Thanks, Larry. We're continuing to make GE a focused, simpler and stronger high-tech industrial company. Closing the GECAS transaction was a significant milestone that helped us reduce gross debt by $87 billion since the end of 2018 and created an opportunity for us to make reporting changes to substantially simplify our financials and enhance transparency. This quarter, we moved from a 3-column reporting format, which showed GE Industrial separately from our financial services operations to a simpler 1-column format. This means we rolled the remainder of Capital, including EFS and run-off insurance into Corporate. As we shared before, to provide a clearer view of our core performance, our results will exclude run-off insurance from adjusted revenue, profit and free cash flow.

Let me outline what this means. Looking at the EPS and cash flow bridges provided at the right-hand side, starting with adjusted EPS of $2.12 in the prior 3-column format. Now ex run-off insurance, adjusted EPS is $1.71 in the 1-column format.

Looking at free cash flow, there were a couple more puts and takes. Starting with the prior 3-column format or what we called Industrial, adding back the cash impact of discontinued factoring gets us to $5.8 billion. Transitioning to the 1-column format and the impact of legacy Capital, which is largely interest expense and derivatives ex run-off insurance, and we arrived at $2.6 billion of free cash flow ex discontinued factoring.

Importantly, we expect the $3.2 billion legacy impact on cash flow to be close to $0.5 billion in 2022. This is driven by the significant debt reduction, causing lower interest expense and lower derivatives impact. For ease of comparison, we've provided detailed walks, including quarterly financials on our IR website. Stepping back, after this transition quarter, our new simplified financials reflect the strategic actions we've taken to further focus on our industrial core.

Turning to Slide 6. I'll speak to all figures on the 1-column reporting format and an organic basis, unless otherwise noted. Starting with orders. This quarter, we saw strength in Aviation and Healthcare. We're growing more profitable areas like services, which was up 7%.

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Meanwhile, equipment was down, driven by large order timing at Renewables, including the PTC and Power. As we've mentioned, we're being more selective in the commercial deals we're pursuing. For the year, equipment and services orders were both up 12% organically, with services growing in all businesses. We're confident this builds revenue momentum heading into '22.

While adjusted revenue was down this quarter, services was a bright spot, up double digits with growth in all businesses. We're managing through various market and operational dynamics, including supply chain challenges in all businesses, especially Healthcare as well as the continued impact of increased selectivity. Examples here include lower turnkey scope at Power, pursuing deals at the right margins and the exit of new build coal. For the year, these dynamics play through with equipment down and services up.

This quarter, adjusted margins expanded 210 basis points, largely driven by Aviation Services. For the year, we achieved 400 basis points of margin expansion, driven by services growth, cost productivity, non-repeat of COVID contract charges and more than $1 billion of restructuring savings. At the macro level, inflation pressure continues.

Finally, adjusted EPS was up significantly this quarter and for the year, primarily driven by margin expansion. In all, we're pleased with our orders, margins and earnings performance this year while we continue to drive profitable top line growth in the year ahead. Strengthening our cash generation through improved working capital management and linearity has been a major focus of our transformation. This will ultimately drive more consistent, sustainable and higher cash flow. Thanks to the focus and discipline of our team, we generated $3.7 billion of free cash flow this quarter, mainly driven by earnings and working capital. This was down $2.1 billion year-over-year ex discontinued factoring. In addition to improved linearity throughout the year, the decline was primarily driven by the timing of Onshore Wind North America orders due to PTC and Healthcare supply chain constraints.

As you know, we stopped factoring this year. The fourth quarter impact was roughly $2 billion, bringing the full year adjustment to approximately $5.1 billion. Working capital was the biggest driver of our free cash flow this quarter and focused on 2 key dynamics. Receivables were a source of cash, mainly driven by continued operational rigor. For example, this quarter, daily management has improved DSO in 3 of our 4 businesses, with total company down DSO of 12 days for the full year. On inventory, we reduced 0.5 billion, mainly from Renewables. This was due to seasonally higher deliveries and more rigorous material management driven by lean as we adjust for the 2022 market demand. We have more to do, but we're confident this will be a source of cash in '22.

For the year, free cash flow was $1.9 billion or $2.6 billion ex discontinued factoring. As previously discussed, the consolidation to 1 column resulted in a negative impact of $3.2 billion, mostly from interest and derivatives. When you add back the impact of discontinued factoring, we generated $5.8 billion of Industrial free cash flow in '21. As Larry said earlier, we believe this best represents our operating performance for the year, and this is the number which we will grow from in '22 and going forward.

Allowance and discount payments or AD&A were net zero this quarter, which is $200 million better than we anticipated due to delayed aircraft deliveries. This resulted in total year '21 AD&A flow of a positive $500 million, flat year-over-year.

Let's take a look at free cash flow by business for the year, ex factoring all periods. Aviation delivered an impressive $4.6 billion, up $2.6 billion. This was driven by services strength aligning with the market recovery, improved working capital, including strong customer collections and timing of customer allowance payments. Healthcare delivered $2.7 billion, which was roughly flat ex BioPharma. Higher earnings were offset by working capital pressure linked to supply chain constraints. Renewables was negative $1.2 billion versus breakeven last year. We saw a decline in the U.S. equipment orders due to PTC. The lower down payments drove a $1.5 billion of progress burn, while inventory and receivables substantially improved.

Total Power generated $1.2 billion, up $600 million, mainly driven by improved earnings and working capital at Gas Power, including substantial progress payments for Aeroderivative orders and backlog growth. This was partially offset by the impact of new build coal, which was about $500 million negative. Overall, our returns are driving working capital improvements, which coupled with higher earnings, will continue to drive measurable free cash flow growth in '22.

Turning to Slide 8. We've made substantial progress strengthening our long-term financial position. On leverage, our rating agency-aligned net debt-to-EBITDA was 5.4x in '21, improving from our estimate of approximately 6x, driven by higher debt reduction.

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Using a market-aligned measure, which includes bonds, preferreds and cash, as you can see on the slide, we ended '21 at 3.3x and expect to be around 2x at the end of '22. We expect our leverage to continue to decrease with a clear focus on improving operations and thereby EBITDA. Additionally, we have significant sources available, growing free cash flow, cash on hand of $16 billion and our stakes in AerCap and Baker Hughes, totaling $13 billion.

We've continued to de-risk and actively manage our pension. We decreased our after-tax deficit by $8 billion, ending the year at $12 billion, driven by strong asset returns and a favorable interest rate environment. Going forward, the strength of our balance sheet positions us well to create 3 independent investment grade and industry-leading companies and enables us to invest for growth.

Moving to our business results, which I'll also speak to on an organic basis. First, on Aviation. Our strong results reflect our underlying business fundamentals and a recovery in commercial market. For the quarter, orders grew double digits. Both Commercial Engines and services were up substantially again year-over-year. Military orders were down, largely due to a tough comp when we had large wins on F404 and F414 last year, but demand remains strong. Revenue was up. Commercial Services grew significantly. Shop visits was up over 40% again year-over-year and mid-single digits sequentially. Overall scope improved sequentially. MRO purchases were seasonally higher in the fourth quarter. And as usual, we expect activity to decline significantly in the first quarter.

Commercial Engines was down double digits. The driver here were twofold. First, mix continues to shift to more NPI units, specifically LEAP, with lower production rates on GEnx. Second, we're navigating continued supply chain and labor availability challenges. Military was also down as output challenges continue, but we are seeing significantly higher first-time yields in the areas where we have fully implemented lean and sustainable process improvements. It's taking more time to realize the process benefits across all production lines. We'll see more tangible and visible progress, particularly through the second half of '22.

Segment margin expanded significantly year-over-year and sequentially. This was primarily driven by Commercial Services growth and favorable Commercial Engines mix. For the year, while Aviation revenue was slightly below our expectations, margin expanded to 13.5% reported. This leverage was supported by solid services as shop visits increased 10% year-over-year, and we reduced operational costs.

Looking at '22, given our strong fourth quarter margin, a moment on Aviation in the first quarter. We expect margins closer to mid-teens, driven by seasonal decreases in MRO buying behavior and the new engine ramp. Broadly speaking, we continue to evaluate and manage the impact of Omicron and we're confident in the long-term fundamentals of this business.

Moving to Healthcare. Looking at our performance, market momentum continues to drive strong demand, despite the industry-wide supply chain constraints. For the quarter, orders were up high single digits, both year-over-year and compared to '19 levels. This was driven by high single-digit growth in Healthcare Systems and low single-digit growth in PDx. Revenue was down with a mid-single-digit decline in Healthcare Systems. This more than offset the low single-digit growth at PDx. Service revenue increased low single digits. Industry-wide semiconductor, resin, parts and labor shortages continued across all modalities. Absent these shortages, meaning if we were able to fill all orders, we estimate that organic revenue growth would have been about 7 to 8 points higher in the fourth quarter or year-over-year a growth of 4% and about 3 to 4 points higher for the full year or growth of mid-single digits.

Supply chain challenges are expected to continue at least through the first half of '22, which we're actively managing. We are confident that these factors are temporary and the business should return to long-term sustainable growth. We've seen elective procedures holding through the year-end. While Omicron is having a more recent impact on procedure volumes, it is still too early to quantify, but we're encouraged to see hospitals better managing routine procedures along with COVID cases.

Segment margin declined year-over-year, largely driven by supply chain issues and inflation. Also recall that the fourth quarter was a difficult comp to 2020 as revenue began to rebound significantly from COVID lows. This was partially offset by productivity and higher PDx volume. In addition, we're seeing evidence of lean-driven operational improvement, including Health care finance, where our team is lean to reduce the quarter close process to 5 days down from 10 days just 2 years ago.

For the year, Healthcare delivered strong performance. We proactively managed sourcing and logistics as well as qualifying new parts, for example, to partially mitigate supply chain impact. Orders were up double digits with strength in HCS and PDx. Revenue was up low

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single digits and margins expanded with 70 basis points. Overall, this strength has enabled us to increase our recent organic and inorganic investments. We continue to reinvest launching a significant number of exciting new products in MR, CT, X-ray, Hand-held Ultrasound, Interventional and Digital. The innovation we deliver extends beyond clinical capabilities. We also always consider how can we help customers make the most of their investments whether that's through efficient digital upgrades at AI, such as our AIR Recon DL, or leveraging a platform like Revolution Apex CT to scale existing solutions without significant hardware changes.

And on the inorganic side, we completed the acquisition of BK Medical in December, adding fast-growing surgical visualization assets to our $3 billion ultrasound business. Looking forward, Healthcare is well positioned for continued profitable growth, targeting 25 to 75 bps of margin expansion as we prepare to stand up the business as an independent company.

Turning to Renewables. As Larry said, we're focused on improving our performance in '22 and '23. Looking at the quarter, orders were down double digits, driven largely by PTC uncertainty, delaying investments in the U.S. Onshore equipment. Offshore was also down slightly despite several large orders, including Dogger Bank C this quarter. Revenue declined mid-single digits, driven by lower equipment deliveries at Onshore and continued project selectivity at Grid. Offshore was also lower, driven by project timing. Services partially offset these declines as Repower revenue nearly doubled, even ex-repower, Onshore services grew double-digits for the year.

Segment margin declined over 500 basis points, largely due to Onshore and Grid. Onshore margins decline were negative, driven by our International business. We continue to experience challenge related to our new technology ramp as well as project execution and lower margins on older deals in the backlog, which will run off over the next couple of years.

In the U.S., margins improved. This was due to continued productivity and higher repower sales, partially offset by lower volume. At Grid, cost actions were more than offset by continued volume declines, largely driven by selectivity and project costs. While both supply chain and inflation impacts were limited this quarter, rising inflation will be a bigger impact in 2022 as we have previously flagged.

So for the year, we delivered double-digit order growth driven by Offshore, while revenue and margin both declined. Long term, we are firmly positioned to lead the energy transition, building on advanced technologies like the Haliade-X, which we'll begin delivering in '22.

Moving to Power. The team delivered strong performance this year, driven by operational improvements, especially at Gas Power. For the quarter, orders were down driven by Gas Power offsetting Steam growth. Gas declined, facing a tough comp and some customer timing changes. This quarter, we booked 4 HA units, some of which will run on hydrogen-blended natural gas. We see continued momentum on our HA with more than 20 tech selections for the year, which will likely manifest in orders in '22 and '23.

Steam orders were up across equipment and services, driven by the nuclear part of the Steam business. Revenue was down. Equipment was down due to fewer unit shipments, reduced turnkey scope at Gas and Steam's continued exit of new build coal. We're navigating supply chain constraints, which significantly impacted deliveries this quarter. Services was up. Gas was up double digits with both CSA and transactional volume growth.

One reminder, due to the aeroderivative joint venture with Baker being deconsolidated effective November 1, Gas Services revenue no longer includes the sales from the joint venture to Baker Hughes or about $0.5 billion of lower reported annual revenue. Steam services was down on continued selectivity. Margins expanded year-over-year and were up sequentially, largely driven by Gas Power services. All businesses delivered positive margins this quarter.

For the year, orders were up low single digits. Gas orders were about flat with services offsetting equipment. We remain selective with disciplined underwriting. Margin in our Gas equipment backlog increased by 2 points. And due to selectivity, 80% of our heavy-duty unit orders were equipment-only in scope. Power revenue was down 4%. Services saw double-digit growth led by Gas, while equipment was down with turnkey revenue about $1 billion lower year-over-year. Steam's coal equipment backlog also ended below $1 billion and Power Conversion grew double digits. Margins improved more than 300 basis points. Gas has stabilized, achieving high single-digit margins and Power Conversion achieved low single-digit margins, reflecting operational improvement through the year.

Looking at '22, we see opportunities to expand margins and improve free cash flow as lean becomes further embedded and Steam

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continues to exit new build coal. At Gas, equipment revenue will increase driven by Aeroderivative growth and heavy-duty normalizing. HA commissioned units will almost double by year-end versus 2020, supporting future services and cash growth. We expect total Power to achieve high single-digit margins in 2023.

Now closing with Corporate. As we've discussed, we're driving leaner processes and decentralization to reduce functional and operational costs. Compared to our outlook on the prior reporting basis, adjusted corporate costs was less than $1 billion in '21, down 30%. Adjusted capital net income was negative $350 million, better than our most recent guide of negative $500 million. As we've mentioned earlier, on our 1-column basis, Capital is now part of Corporate. So for the year, adjusted Corporate cost was $1.2 billion with functions and operations continuing to improve.

I'm encouraged at Digital with double-digit order growth in the fourth quarter and exciting innovations such as autonomous tuning software. This applies AI to continuously optimize any gas turbine to operate with the ideal combustion and reduce emissions and fuel consumption.

At Insurance, which is included -- excluded from our organic results as this is a run-off business, net income was approximately $450 million. This was up significantly, driven primarily by strong investment results and favorable claim experience in our LTC portfolio, partially offset by higher paid claims in our Life portfolio.

Consistent with prior years, we will finalize our annual statutory cash flow test in the first quarter. We currently anticipate that this will be in line with our permitted practice requirements. In discontinued operations, we have our run-off Polish BPH mortgage portfolio with a current gross balance of $2.4 billion. This quarter, we recorded charges of about $200 million, mainly driven by more adverse results in the ongoing litigation with borrowers. This brings the total estimate of losses in connection with this litigation to approximately $800 million.

In all, this quarter marked a strong close to 2021. As you can see, lean and decentralization are not just operational levers. They are becoming embedded in our culture and in the business. These operational improvements drove margin expansion, EPS growth and free cash flow generation for the year, and we are continuing to improve. Our strong performance is enabling us to play more offense and drive sustainable, long-term profitable growth.

Now Larry, back to you.

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

Carolina, thanks. Turning the page to 2022. We're planning to provide more detail during our March investor event that Steve referenced. But today, let me share our company overview.

Looking at Slide 10, we're expecting organic revenue growth in the high single-digit range; organic margin expansion of 150 basis points or more; adjusted EPS of $2.80 to $3.50 a share; and a range of $5.5 billion to $6.5 billion for free cash flow. There are a number of key assumptions underpinning our plan for the year.

Let me start with Aviation. The continued commercial market recovery will again be one of the most critical factors to delivering our '22 outlook. Starting with the market, we're currently planning for improved GE CFM departures, which we expect to average down about 10% off '19 levels and total year shop visits to be up about 20% year-over-year. We expect revenue will increase more than 20% driven by strong worldwide shop visit growth and the ramp of LEAP engine deliveries. Margins will expand despite Commercial mix pressure as LEAP engine deliveries increase while we increase our investment in new technology.

Looking across our other segments. At Healthcare, we see low to mid-single-digit revenue growth driven by our commercial efforts and new product launches, tempered by continued supply chain challenges through at least the first half. We're targeting solid margin expansion this year inclusive of more than $1 billion of R&D spend.

In Renewables, we've discussed in detail how we're driving operational improvement today in a smaller Onshore Wind market. This

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better execution, along with Offshore Wind growth will help us deliver low single-digit revenue growth and improved profitability.

In Power, continued services strength will drive low single-digit revenue growth while we continue to increase selectivity and exit new build coal. We're on a path towards high single-digit margins in '23. We'll discuss cash more on the next slide, but across each business, we're driving operational improvements that in turn will deliver higher cash flow for the company. Better earnings and working capital management, especially inventory will enable us to grow free cash flow in 2022. For the first quarter, though, we expect free cash flow to be negative.

In aggregate, our substantial backlog and large services installed base give us confidence in our ability to deliver on these commitments. We're focused on delivering profitable growth and stronger cash generation, enabling us to reinvest in growth and play more offense.

Moving to Slide 11. Our strong $5.8 billion of free cash performance in '21 sets us up well to deliver $5.5 billion to $6.5 billion of free cash in '22.

Looking at the year-over-year dynamics. Following last year's significant debt reduction actions, legacy Capital outflows will be dramatically lower, down to $0.5 billion. We expect earnings will continue to grow driven by revenue growth and margin expansion. Excluding the Capital impact, this drives the bulk of the year-over-year improvement. We expect working capital to be a source with continued lean efforts offsetting volume growth. We see opportunity to improve inventory turns as we resolve supply chain constraints.

At Renewables, we expect a higher impact from Onshore progress collections resulting from down payments on new orders and fewer deliveries in '22. And as both gas and aircraft engine utilization increases, we expect CSA billings to increase as well. We anticipate an AD&A outflow of $0.5 billion or a year-over-year negative impact of $1 billion, as our customers plan for higher deliveries in '22. We expect a limited drag from other cash flows, including growth investments supported by higher CapEx.

Some color by business compared to '21 free cash flow, excluding the impact of discontinued factoring. We expect Aviation will be slightly down, driven by the AD&A headwinds I mentioned a moment ago, while Healthcare, Renewables and Power all improved year-over-year. This positive trajectory gives us conviction in achieving high single-digit margins or greater than $7 billion of free cash flow in '23 with today's portfolio of businesses.

Closing on Slide 12. Since our announcement in November, we've received very encouraging feedback. Our customers are excited. In hundreds of conversations, they've indicated that the new structure will help us better serve their needs. There's also a lot of excitement within the company. Our teams are highly motivated. They're sharpening their focus and picking up the pace. This makes me even more confident in what we'll deliver this year. And our investors are also very supportive and see the value creation opportunity ahead. We have 3 terrific businesses that are leaders in their respective industries. And independently, they will be able to attract an even broader investor base with distinct sector-specific investment propositions.

During the transition, it's critical that our employees remain focused on serving our customers and driving daily business performance. While nearly all of the company remains fully dedicated to running the business, we've established a dedicated Separation Management Office led by Jen VanBelle and the senior leadership team. They are focused on detailed work stream planning and execution to deliver on each business' critical value drivers, ranging from optimizing their operating model to their capital structures, armed with best-in-class talent and board governance starting with Healthcare.

We're also naming leadership for these independent companies. Pete Arduini started as the Healthcare CEO earlier this month. He's already deeply engaged with our team and customers and has started meeting with investors and analysts, including at recent conferences, where the focus has been on technology and growth. And we're attracting new talent who are excited to be part of this, including Scott Reese, who will lead our Digital business, which will be part of the go-forward energy businesses.

So, we've hit the ground running to launch 3 outstanding businesses at scale in places the world needs and wants GE at its best. Each business will be focused and accountable with the agility to respond faster to customer needs, and there will be more opportunities for employees, management teams, boards and investors who increasingly want to be part of dedicated industries and missions. And these

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businesses, each with a well-capitalized balance sheet, will enjoy greater capital allocation and strategic flexibility to invest in growth.

It's still early in the process, and we look forward to updating you as we move forward. More broadly, this is the next phase of building a world that works. GE is exceptionally well positioned to create long-term growth and value in our 3 critical global needs, shaping the future of flight, delivering precision health care and leading the energy transition. I'm proud of the work our teams are doing to enable a more sustainable, healthier, cleaner and connected future for all. And we look forward to seeing as many of you as can make it to Greenville, South Carolina in March for our Outlook event.

Steven Eric Winoker ***General Electric Company - VP of IR***

(Operator Instructions) Brandon, can you please open the line?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) From Morgan Stanley, we have Josh Pokrzywinski.

Joshua Charles Pokrzywinski ***Morgan Stanley, Research Division - Equity Analyst***

Larry, I guess a question on Aviation. So it doesn't seem like there's been as much volatility related to Omicron. You said shop visits were better in the fourth quarter. And I think you even kind of reestablished that '23 return to peak revenue. Are we just sort of at a point where either the age of the fleet or the green time situation says that things can move around, but we're talking by a month or 2, not a year or 2 at this point. Like what is sort of driving this apparent decoupling or what appears to be decoupling in shop visits versus kind of some volatility in air traffic?

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

Well, Josh, I think that's a pretty good summary in so much as we saw through the course of last summer and early fall, right, folks want to get back in the air. A lot of activity. We knew we would see a slight lag. But through the course of the year, right, our inductions and in turn, our shop visits, increased sequentially at any step along the way.

There is a little bit of noise here, I think, with the new variant. But I think you're spot on and our customers have worn through a good bit of the green time capacity that they had as they prepare for what I think many of us expect to be improved conditions before too long here in '22 and then going into '23. Everybody wants to be ready. And I think that's more or less what you see, not only in our results in 2021 but is inherent in what we've shared relative to our outlook for 2022. So there may be some timing here or there in a part of the world or with a particular airline. But I think you're spot on, we're talking months, not years.

Operator

From Melius Research, we have Scott Davis.

Scott Reed Davis ***Melius Research LLC - Founding Partner, Chairman, CEO & Research Analyst of Multi-Industry Research***

Larry, can you give us some scenarios or at least your view on given kind of the stability of the businesses, any sense of whether you may pull forward the timing of the breakup a bit or perhaps some variables that could pull you one way or another on that decision?

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

Scott, it's really been, what, 77 days since we announced the spins. I tend to use that framing as opposed to something that has a sadder context like breakup, right? We're excited about what we're doing. I think we really think that when you look at the year that Healthcare had operationally, they're in a very good position, getting better every day. Clearly, these supply chain challenges held back revenue in the second half with 800 to 900 basis points. But all in, we simply have to go through the work, right, over the next year to prepare this business to be independent.

And I think if you could just snap your fingers operationally, that would be -- that would take less time, but there's a lot of legal and structural financial systems and the rest that we need to work through. So net-net, the plan of record remains today early '23. If we can

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get that work done more quickly, rest assured, I think we'd be motivated and keen to do that. But I think for today's purposes, the update is really that the logic and the rationale around greater accountability, better alignment, smarter capital allocation holds. The feedback across the board has been strong and supportive. So, we're heads down. We're doing the work. And before too long, we're going to have an outstanding independent GE Healthcare under Pete and company's leadership that I think we're all going to be quite excited and proud of.

Operator

From AllianceBernstein, we have Brendan Luecke.

Brendan John Luecke ***Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst***

On the Renewable side, I'm wondering if we are entering a world of, say, prolonged or persistent inflation, what type of countermeasures are you taking in Wind, in the Grid business maybe around hedging or price escalators for contracts? Any color you can offer there?

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

Sure. Brendan, I would say that in many respects, we're going to do 3 things in the face of inflation. We're not doing them in reaction to these inflationary pressures that we see, but the inflationary pressures make progress all the more critical. I'd say first, as you know, we have been reducing our fixed cost structure in a number of ways through restructuring and normal course work in Onshore Wind and in Grid, in particular, within Renewables over the last several years. That's 1 reason that Grid's on the cusp of being breakeven. That's not the target, but it is a waypoint towards better margins in that regard. And there's some work that we can do certainly in Grid and in Wind going forward.

On the material cost side of things, we certainly can do more to make sure that we're not only designing in better, more robust cost structures given the inflationary pressures and the price pressures in the industry, but we've retooled our procurement team in that business as well. And we're just trying to make sure that we are working with our suppliers as smartly as we can to get the best combination of quality, delivery and cost possible.

So, we're working both of those cost leverage while at the same time, making sure that we are pushing price where we can. We were encouraged by the progress we saw in the upfront order price activity in the back half, particularly in Onshore Wind. There is more to do there. And rest assured coming into '22, the team, both here in the U.S. and across the world is hard at that work.

And that dovetails admittedly a little bit into the selectivity that we talked about earlier in our prepared remarks, not that it's a reaction to inflation per se. But by being more selective, more disciplined in what we sign up for, being clear about the segments and the geographies that we like versus not given our footprint and capabilities, that will help, I think, drive margin expansion and frankly, in turn, better cash performance here as well.

So, there's a lot to do here, and we could go on. But I think it's important, Brendan, not to lose sight of the fact that the progress we're making in many respects is hidden a bit, given the downturn in the U.S. market, our best market given the PTC lapsing. But that said, when you look medium to long term, we continue to be big believers in the demand environment for Onshore Wind, and we think we're well positioned to be an important part of that going forward.

Operator

From RBC Capital Markets, we have Deane Dray.

Deane Michael Dray ***RBC Capital Markets, Research Division - MD of Multi-Industry & Electrical Equipment & Analyst***

I'd like to circle back on the broader impact of the supply chain disruptions on the company overall. I know in Healthcare, you sized, I think, it was 3 to 4 percentage points of growth. What would it be for the total company? And have you seen instances of any cancellations out of backlog?

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

Deane, I think that if you look at the total company impact in the quarter, we were down, what, 3% from a revenue perspective. You probably -- if you were to adjust for supply chain and selectivity the way I penciled it out, you're probably in the mid-single-digit range in terms of revenue growth. Now I don't like doing that as you well know, right, that helps understand what's happening from an underlying perspective. But again, we didn't see those pressures strictly constraining Healthcare. We saw that really across the board, but it was most acute in Healthcare.

And that's why I think it's important to look past or look through the revenue number here in the fourth quarter. Never happy to be down, but I certainly applaud the business' efforts at being more selective. The supply chain issues are what they are. We're not alone in that regard. But when you look at those dynamics, couple that with the 12% increase we saw for the full year in terms of orders, that is why I think we've got the optimism and the conviction that we do relative to the high single-digit organic growth figure in the outlook.

Operator

From Vertical Research Partners, we have Jeff Sprague.

Jeffrey Todd Sprague ***Vertical Research Partners, LLC - Founder & Managing Partner***

I just wanted to kind of understand a little bit more what you're thinking on kind of normalized cash flow. And the nature of my question is this. We're looking at somewhere around $3 billion in net income this year and $6 billion in free cash flow, right? And 2022 free cash flow already has the benefit of the legacy capital swing in the results. And working capital is negative $9 billion at year-end. So, it's just -- it's very difficult to see how we bridge even further from this net income number to over $7 billion in free cash flow in 2023. I know there's a lot of adjustments going on and the like, but if there's any way you could provide some context between thinking about where adjusted net income is, how that correlates to adjusted free cash flow, and what maybe are the key adjustments we need to think about?

Carolina Dybeck Happe ***General Electric Company - Senior VP & CFO***

Jeff, of course, maybe starting with sort of the guide for 2022. Yes, we have a high cash conversion in 2022. And if you take our EPS guide, the midpoint of that is $3.15, right? If you just compare that with '21 to '22, that's actually at the higher end of the range. It's actually a doubling of EPS. But if we start with the midpoint being $3.15, that's basically the equivalent of roughly net income of, say, $3.5 billion. You add back a D&A of just below $3 billion.

Then we talked about working capital, as you mentioned. So in 2021, we had positive flows of about $2 billion of working capital ex all factoring. And as Larry said this morning, we also expect that to continue to be a good source, so you can expect to have almost $3 billion of positive working capital in the number of the midpoint of our guide for 2022.

Then AD&A is going to be negative about $0.5 billion of flow in 2022, so you put that back. And then you have the CapEx. And we mentioned earlier today that we expect to increase CapEx. So it was $1.4 billion in '21, so you jack that up a bit for 2022. And then you have some sort of restructuring and pension payments as usual. And that gets you to the $6 billion of free cash flow, the midpoint of our guide. So that's how you get from the mid EPS to the midpoint of our free cash flow.

And when you talk about the working capital part. Well, yes, we saw good improvement in 2021, but there is still significant opportunity to do more. I mean, our inventory turns are on 2.7 at the end of the year in '21, and we expect that to continue to improve next year, especially with supply chain easing a bit through the half of the year. We saw strong improvement in 2021, but also expect that to continue to improve in 2022. And then you have sort of the arbitrage between CapEx and D&A with CapEx being lower.

But overall, I would say that we are, of course, clearly focused on growing earnings, as we have talked to you before. So, although we see working capital being a strong bridge in the next couple of years, we expect conversion to normalize over time. I would say probably still elevated with above 100%, but on a much higher earnings base. And then over time, EPS and free cash flow will be much closer to each other.

Operator

From UBS, we have Markus Mittermaier.

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Markus M. H. Mittermaier ***UBS Investment Bank, Research Division - Head & US Equity Research Analyst of Americas Electrical Equipment and Multi Industry Research***

Thanks for the clarification on free cash flow just now, very helpful. That was the #1 question we got this morning. But maybe I can bubble up a little bit to a high-level question on delevering. You basically said that you're going to end '22 at 2x. You said earlier in Q4 that target for '23 is under 1x. So what I'm wondering given sort of the discussion among investors around deal limbo in the stock, how should we think about capital deployment here over the next, say, 6 to 9 months given that it would appear that you have quite some capacity for some capital deployment, be it M&A, be it dividend, be it buyback. I was just thinking around how you develop those equity stories going forward, Larry. Some thoughts around that would be helpful.

Carolina Dybeck Happe ***General Electric Company - Senior VP & CFO***

Markus, let me start. Happy to help with clearing up the cash ones. I'm sure we'll get many more questions on cash. But going forward, it's going to be much simpler. So, on the deleveraging, yes, we've made tremendous progress on our debt and leverage, took out more than $50 billion in 2021. And to your point, we are expecting 2x by year-end 2022.

I would say and stress that our capital allocation plan for 2022 includes playing offense. And with that, we mean organic, investing in R&D and commercial activities. And you heard us talk about an increased CapEx, but it also includes inorganic actions. And you saw BK Medical and Opus One, so I think you can expect to see more where that comes from. And at the same time, we're working to make sure that each stand-alone company has an operating model that maximizes shareholder value. So overall, we are really excited about the opportunities we have to strategically deploy capital as we go forward.

Operator

From Citigroup, we have Andy Kaplowitz.

Andrew Alec Kaplowitz ***Citigroup Inc., Research Division - MD and U.S. Industrial Sector Head***

Maybe just stepping back. We know you've talked about how GE has a number of longer-cycled businesses, which has allowed you navigate in the inflationary environment. But can you give us more color into the price versus cost dynamic in your businesses? And specifically, when do you think we see peak pressure on price versus cost, for instance, in Renewables? And given, for instance, steel has started to roll, does that help that business as you go into the second half of '22?

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

Andy, I would say that if you look at '21, price/cost was ever so slight negative for us. And I think as we look at this outlook for '22, the same holds. It will be -- it will have a different constitution, I think, this year because there are places, given the longer cycle nature of certain businesses, Renewables certainly amongst them and certain commodities, and you touch on steel appropriately, right? We're going to see a little bit more headwind, I think, just given our cycling through the P&L in '22 than we did in '21. That said, right, the teams are much further along with respect to both some of the procurement and the value engineering work that helps us offset some of those pressures from a cost perspective as well as some of the price actions that we're taking.

I think we clearly saw through the course of '21 in the shorter cycle business is Healthcare perhaps being the best example, where that inflationary pressure hit first, and we began to see some of the positive effect from our pricing work as well take root. It will be a little bit different as the long-cycle businesses kick in, right, both the bigger ticket, longer-cycle pieces of Healthcare, but also in Power and Renewables, Aviation as well to a certain degree.

So, I wish it weren't what it is, but as we all know, it's probably as tough an operating environment as we've seen in decades in that regard. Again, it is what it is. We need to work hard both on the cost and the price aspects, which rest assured the teams are doing as we speak.

Operator

From JPMorgan, we have Steve Tusa.

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Charles Stephen Tusa ***JPMorgan Chase & Co, Research Division - MD***

Thanks for all the extra disclosure. Just 2 kind of specific questions. Can you give us kind of a little bit more directional guidance on first quarter free cash? I think you said negative. And will there be any adjustments in that?

And then just thinking about the receivables dynamics, will you still be like selling receivables, just kind of holding the balance at close to 0? Or will there still be activity on receivable sales in the enterprise on-book, off-book JVs wherever in 2022?

Carolina Dybeck Happe ***General Electric Company - Senior VP & CFO***

Steve, so let me start with talking about the first quarter. So, we expect to see the typical seasonality with the first quarter. And basically, we expect it to be negative on the free cash flow in the first quarter. I would say the majority of the businesses are up year-over-year on cash, while Renewables is in a tougher spot because of the purchases made through the second half of last year, and we don't expect to see big progress payments in the first quarter. So that's why we overall end on a negative in the first quarter.

And when it comes to receivables, I'm obviously speaking for the GE numbers and the GE activity that we have in our numbers and there, we won't continue with factoring. We basically have, I would say, less than $100 million still that is running off in 2022, but no more new activities.

Operator

From Wolfe Research, we have Nigel Coe.

Nigel Edward Coe ***Wolfe Research, LLC - MD & Senior Research Analyst***

I want to go back to the free cash flow. And obviously, the working capital benefits, that's again, we've seen a lot of questions on this. So, the way to think about this would be the working capital benefits are bridging us to significant EBITDA expansion over the next couple of years. But just wondering, you alluded to improving dynamics in inventory turns. Just wondering if you got any targets around that over the next couple of years? And then just maybe give us a little bit of help in terms of CapEx, what could CapEx kind of get to? I know that the D part of the D&A is $1.8 billion. Is that a good target CapEx? And then any help on restructuring -- cash restructuring in 2023 would be helpful.

Carolina Dybeck Happe ***General Electric Company - Senior VP & CFO***

So Nigel, let me talk about that. We'll obviously talk much more about this at outlook. So, I won't give all the detail here and now. I don't want to spoil that for our outlook and all of you in Carolina. If we look at working capital then specifically, I would say that even if we've seen improvements in 2022, we took down 12 days on the receivables, but there is still more as I see it that we can improve. There are different pockets and sort of different areas have different structures, but there's still improvement to do there. And it's about $300 million per day as we improve, right?

On inventory turns, a bit of the improvement that we have made is hidden by the fact that supply chain challenges sort of got stronger and stronger. And that's why we have some WIP. We are on 2.7x -- turns now. I mean there is a best-in-class that are a couple of turns better. So clearly more to do there. And 1 turn here is equivalent of $4 billion to $5 billion, right? So, there's a lot of money in improving there.

But I think it's going to be important to remember that as we grow as a business, there's a working capital need by a growing company, and that's why it's going to be so important to look at the underlying KPIs like DSOs and turns to see what the real improvement is on processes. And that's why we're going to continue to work with that and also continue to share that with you.

On the CapEx side, so the $1.4 billion last year, well, in 2021, and we are expecting that to grow. And yes, it is to be compared with the $1.8 billion. Where that goes over time, I think it's too early to tell. We've talked about how to manage CapEx in a more effective way and also making sure that the capital allocation is done in a shareholder value-maximizing situation. So, we'll come back with you on more on that. But overall, still much more to do on working capital, even if we're proud of the accomplishments we did in 2021.

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Operator

From Deutsche Bank, we have Nicole DeBlase.

Nicole Sheree DeBlase ***Deutsche Bank AG, Research Division - Director & Lead Analyst***

Can we just talk a little bit about going back to the cadence of results in 2022? I know you guys have spent some time giving us some color on free cash flow. But it's obviously going to be a pretty unusual year with respect to revenue and perhaps margin expansion as well. So any thoughts that you could provide on 1Q or first half versus second half organic and margin expansion would be super helpful.

Carolina Dybeck Happe ***General Electric Company - Senior VP & CFO***

So Nicole, as I understand it, you're talking a bit about the seasonality, right? So if we look at -- if you compare '21 to 2020, of course, they are sort of special years. But if you look at that, you can see that the seasonality overall in the business, you still have lower volumes in the first half versus the second half. You have Aviation usually growing through the year. In Renewables, we're expecting first half to have lower Onshore Wind deliveries. Power, we would expect the outages as usual to be more second half-loaded. And I would say on Healthcare, it's more the supply chain constraints that make us expect the second half to be stronger than the first half. So sort of that is how the business is moving. And we talked about the first quarter, so I won't go back to that again. So overall, I would say operationally, improving linearity is super important for us, and we're really happy to see the progress we did in 2021 and we expect to continue to improve in 2022.

Operator

From Barclays, we have Julian Mitchell.

Julian C.H. Mitchell ***Barclays Bank PLC, Research Division - Research Analyst***

Maybe just on the cash flow. Just trying to understand on your free cash flow, will we be able to sort of read that off the 10Q once you publish that, say, for Q1? Or will there still be a sort of massive of adjustments and maybe call out what the main ones are to get from a sort of published free cash and a cash flow statement in a filing to get to your sort of $6 billion-ish number? And maybe just any thoughts on sort of separation costs' cash flow impact in 2022? I assume that the ex out of the free cash flow guide, but maybe just any clarity on that, please?

Carolina Dybeck Happe ***General Electric Company - Senior VP & CFO***

So Julian, yes, you will be able to follow the cash flow and the different numbers that we have in the K. I would say, though, that $5.8 billion is the number to look at as what we achieved operationally for 2021. So that is our jumping off point. But you will be able to see what it looked like on the different pieces. So, no worries about that. And to your second question about separation costs, you're absolutely right. You will see that separately, and it will be adjusted out of earnings.

Steven Eric Winoker ***General Electric Company - VP of IR***

Larry, any final comments?

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

Sure, Steve. This was an incredibly important year for GE. I'm proud of how our team continued to execute for our customers, and we're excited about the work that lies ahead. I just want to thank all of our employees and our partners for their incredible efforts and our investors for their continued support. We appreciate your interest today, your investment in our company and the time you shared with us this morning. Steve and the IR team stand ready to assist as you consider GE in your investment processes. Thank you.

Operator

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

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