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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the General Electric Investor Update and 2021 Outlook 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 Investor Communications***

Thanks, Brandon. Good morning, all, and welcome to GE's investor call and our transaction. I'm first joined by our Chairman and CEO, Larry Culp, and Chief Financial Officer, Carolina Dybeck Happe. We'll spend about 15 minutes discussing the transaction we've just announced, then we'll move to a brief Q&A. Around 8:30, we'll shift to the Outlook portion of this call, when we'll be joined by our business leaders.

Before we start, I'd like to remind you that the press release and presentation are available on our website. Note 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 can change as the world changes.

With that, I'll hand the call over to Larry.

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

Steve, thank you. Good morning, everyone, and thanks for joining us. As many of you may know by now, this morning, we announced an exciting combination of our GECAS or GE Capital Aviation Services business with AerCap. So for purposes of our program this morning,

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we have a bit of a double header for you. What we'll do is we'll have, as Steve just outlined, a brief discussion about this exciting transaction. And then we'll turn to the regularly scheduled programming, which has our CEOs talking through our 2021 outlook.

So let's dive in. As you can see on the slide, this deal marks a real transformation of GE into a more focused, simpler and stronger industrial company with leading positions in Power, Renewable Energy, Aviation and Healthcare. This dramatically simplifies GE in a number of ways relative to the reporting that I think investors have been looking for. And we also have an opportunity to strengthen the company on a go-forward basis.

The transaction itself is one we are truly excited about. AerCap is an excellent partner for our exceptional GECAS team. This combination creates an industry-leading aviation lessor with deep domain expertise, a strong financial profile and a better ability to serve customers through industry cycles. At the same time, this transaction will create real value for GE shareholders. We'll receive a total consideration worth more than $30 billion, which includes $24 billion of cash and a 46% owner stake -- ownership stake valued at approximately $6 billion and another $1 billion in AerCap notes and/or cash. And we have the flexibility to monetize the stake as the aviation industry recovers. We'll use the transaction proceeds to significantly reduce debt and risk, building on our multiyear efforts to solidify our financial position. Carolina will take you through the details shortly. After closing, importantly, we will have reduced our debt by more than $70 billion since the end of 2018.

If we go to Slide 4, the meaningful progress we've made on our strategic priorities make this the right time to further accelerate our transformation. We've strengthened our Industrial businesses, building an outstanding team, improving our operational execution and optimizing our cost structure. One clear example of this progress is in Gas Power, where we delivered positive free cash flow 1 year ahead of our commitment due to our cost measures and operational improvements. You'll hear more through the morning directly from our business leaders on our outlook call about how we're running GE differently today.

We've also further improved our financial position. We ended last year with about $37 billion in total cash. Through a series of actions, we've reduced near-term liquidity needs by almost $11 billion through 2024. Over the last 2 years, we've reduced debt by $30 billion and continue to derisk and actively manage our pension and run-off insurance business. Reflecting continued stable performance in Insurance, last week, we announced a $2 billion contribution in line with our expectations. In all, I'm truly proud of what our team has accomplished. And we intend to build on this momentum in 2021.

Let's go to Slide 5. It's this strong foundation that allows us to execute a strategic transaction like this today. Post close, GE will be focused wholly on our Industrial core as evidenced by our $73 billion revenue split between our 4 segments, with Aviation remaining the largest. Now more than ever, I'm genuinely excited about our future. We're leading in some of the most important markets and tackling the world's biggest problems across our strategic opportunities, the energy transition, Precision Health and the future of flight.

With nearly $400 billion in backlog -- in service and equipment backlog, we have the scale to make a real difference. About 80% of our backlog and roughly half of our revenue is in services. This is a significant strength and source of recurring revenue. This is all possible due to our ongoing investment in innovation. We have leading technology platforms such as the HA turbine, Haliade-X offshore wind turbine, our GE9X engine, and all of this is supported by our robust new product strategy. For example, our Healthcare team just last year delivered more than 40 NPIs.

As you know, underpinning this transformation is our lean and decentralization work. As we improve safety, quality, delivery and cost as well as shift decision-making and accountability closer to our customers, we're seeing better results, both operational and financial. Stepping back, I'm confident we can deliver high single-digit cash margins while building a world that works.

So on Slide 6, let me share with you why we think this deal is so compelling for both companies, our customers and GE shareholders. Combined GECAS and AerCap will create one of the leading franchises in the aviation leasing sector, with approximately 3,200 assets across aircraft, engines and helicopters geared towards new technology and narrow-body aircraft. The combined company will better serve customers and meet ever-shifting demand around the world. These 2 teams, both GECAS and AerCap, have decades of experience and domain expertise. Together, they have a robust pool of expert talent and leadership. And I'm excited that we're partnering with their CEO, Gus Kelly. Our combined company will benefit from a stronger financial profile with a broader revenue base, stronger cash flows,

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and greater customer diversification. This will provide balance sheet strength and flexibility, enabling the company to invest in growth while serving customers through industry cycles.

By bringing together these complementary franchises, we'll create strategic and financial value for both companies and their stakeholders, including our airline customers and aerospace OEMs globally.

So with that, I'll hand it over to Carolina to provide more detail.

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

Thanks, Larry. Let me walk you through the transaction details on Slide 7. GE will receive a total consideration valued at more than $30 billion today. This includes $24 billion of cash, 46% ownership stake in the combined company valued at approximately $6 billion currently and $1 billion in AerCap notes and/or cash. We're transferring $34 billion of net assets, including $4 billion of non-debt liabilities. AerCap will assume our current purchase obligations as well.

In connection with signing, GE will record an approximate noncash book loss of $3 billion. This is based on AerCap stock price as of March 9. From a governance perspective, GE will be entitled to nominate 2 directors to the newly created seats on AerCap's board. We expect the transaction to close in 9 to 12 months, subject to the approval by AerCap shareholders, regulatory approvals, and other customary conditions. So by combining GECAS with AerCap, we will not only receive substantial cash, but will also retain a large stake in a stronger combined company. This gives us a strong upside potential with flexibility to monetize as the aviation industry recovers.

Looking at Slide 8, the actions we're taking to substantially reduce GE Capital will make GE a more focused and simpler industrial company. For context, from 2018 to 2020, we reduced GE Capital assets from $86 billion to $68 billion. Upon close, we expect to transfer GECAS assets to AerCap and liquidate the majority of our on-book factoring. This results in $21 billion of remaining GE Capital assets ex Insurance, including our Energy Financial Services portfolio focused on supporting our Power and Renewable business and cash and our AerCap stake, which will be used to further reduce debt. At signing, we would move GECAS to discontinued operations. At close, the remaining capital assets will be transferred to the Industrial balance sheet and will be reported in Corporate.

The transaction will also move us from 3-column reporting to one set of financials for GE. Overall, this will substantially simplify GE financials and enhance transparency.

Moving to Slide 9. We continue on our path toward a well-capitalized company. You'll recall that over the last 2 years, we reduced debt and factoring by $37 billion. Now we continue to build on our significant deleveraging progress. With this transaction, we will have reduced debt by more than $70 billion since the end of 2018.

Let me provide some color. We start with the $37 billion actions in 2019 and '20. We ended 2020 with Industrial debt of $49 billion. Post close, we'll consolidate $52 billion of capital debt plus off-balance sheet factoring of $3 billion into Industrial. Before this announcement, we already had substantial resources to delever, including total cash of $37 billion and the expected 2021 free cash flow. As described, we'll also receive $24 billion of cash proceeds at transaction close. We'll use these cash sources to initially reduce debt by approximately $30 billion. This includes about $25 billion of debt and $5 billion of factoring reduction. We will pay a market price for the bonds we decide to repurchase. Reducing factoring will enable a greater focus on Industrial core operations and reduce go-forward minimum cash needs. We also anticipate additional debt reduction of about $4 billion in 2021, primarily from debt maturities. Despite the initial increased Industrial debt following the transaction, we expect our leverage to be neutral in 2021, driven by debt reduction actions and improved EBITDA.

Looking at Slide 10. Following these actions, we start with $70 billion of consolidated debt. We have multiple paths to reach our leverage target of less than 2.5x net debt to EBITDA, such as further reducing debt by at least $25 billion as well as significantly improving earnings. We have ample sources to reduce debt, including our existing cash, our equity stakes in Baker Hughes and AerCap and the free cash flow our businesses will generate. This will bring our gross debt to less than $45 billion, with net debt in the range of $33 billion to $37 billion. This creates a clear path to reach our Industrial leverage target.

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In summary, we're pleased that this transaction will accelerate our multiyear journey to reduce debt while significantly de-risking GE for the long term. With that, I'll pass it back to Larry for closing comments.

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

Carolina, thank you. Just to wrap up on Slide 11. I hope what you see here this morning is a truly tremendous catalyst in the journey that we're on to transform GE. I'm incredibly proud of the progress this team is making to strengthen our financial position, our operations and our culture. And it really is from this foundation that the time today is right for us to position GE as a more focused, simpler and stronger industrial company and one with meaningful purpose that reflects the critical missions we have across our 3 big strategic opportunities. We'll achieve this through a compelling transaction between excellent proven partners, creating a combined company that we'll own nearly half of, that will be better positioned to create value for customers over time. We're confident in the upside from this combination. And with the cash we're receiving, plus other sources of liquidity, we're poised to significantly de-risk GE and simplify our business and financial profile, putting us on stronger footing to focus more on innovation and growth going forward.

Steve, with that, over to you.

QUESTIONS AND ANSWERS

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

Great. Before we open the line, we've allotted just 15 minutes to pause for Q&A ahead of moving to outlook and focus on questions regarding the transaction. So if you could hold your outlook-related questions until after we go through outlook. (Operator Instructions) Brandon, can you please open the line?

Operator

(Operator Instructions) And from Bank of America, we have Andrew Obin.

Andrew Burris Obin ***BofA Securities, Research Division - MD***

Just a question on -- congratulations. Just what's the logic -- one of the questions we got from people, the logic of doing the deal at the bottom of the cycle. And yes, you are getting equity participation in the Newco. Can you just give us the background, the history of how this deal came together?

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

Sure. Sure, Andrew. One of the first people I met when I joined GE and began to get my arms around the businesses was Gus Kelly, the AerCap CEO. So we've had a dialogue ongoing for some time. Clearly, things got a little bit more serious here of late. But for a transaction like this to come together, you really need 3 dynamics, I think, to come into play. One, we needed to be in a position where we had a strong enough foundation to consider a move like this. And I think with the operational improvements we've been making, the deleveraging to boot, we're in that position today.

Clearly, to put together a merger like this, you need an outstanding partner. I really think Gus and his team, the AerCap business, we have a partner for our GECAS team that makes a ton of sense, both strategically, operationally and ultimately, financially. And we're excited to be half -- nearly half owners of the combined company going forward. But you also need the markets, right, to be supportive. And as you see from the bridge financing commitments and the like, the markets are supportive of this combination at this point in time.

Andrew, if we were lacking any one of those 3 considerations, we wouldn't have this introduction to our outlook call today. But we do, fortunately. We're excited about it and we're moving forward. And as the industry recovers, that equity stake that we have in the combined business, undoubtedly, will be worth more than it is today. We would have never sold GECAS for cash at this point in the cycle. Fortunately, that's really not what we're doing today. We're putting GECAS together with an important partner creating, I think, more value for the GE shareholder over time.

Operator

From RBC Capital Markets, we have Deane Gray.

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

Congratulations.

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

Thanks, Deane.

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

Just one question. Is there any negative commercial impact on the Aviation business in not having its GECAS partners' presence in the market that was typically a reliable buyer of new engines? So how does that dynamic change?

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

Deane, I would say 2 things. One is I think you see in the press releases, both ours and AerCap's, the GE Aviation relationship is important and will continue as we move forward. You would expect that amongst industry leaders. But I think that as we've thought about how we go about simplifying the customer -- or how we go about simplifying GE, really, since I was on the Board well before I was in this chair, we've really studied that question. We would never do anything to harm the incredibly important and valuable GE Aviation franchise. So as we've studied that question over time, we came to a conclusion, obviously, witnessed today's announcement, that GE Aviation with a relationship with AerCap will be just fine. And I think the wonderful franchise we have out there in Evendale will continue to be strong and is also poised, as you'll hear from John a little bit later, for the industry recovery.

Operator

From Wolfe Research, we have Nigel Coe.

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

Congratulations on the deal.

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

Thanks, Nigel.

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

Maybe if you can just talk about how you kind of thought about regulatory risks when you're combining number one, number two. I get it's a very fragmented market, but maybe just address that. And then any synergies that we'll discuss in terms of the merger would be helpful as well.

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

Sure. Nigel, I think what we've said this morning is we think it could take up to a year to go through the regulatory processes around the world. Clearly, both management teams and both boards looked at that question through the course of diligence. As you referenced in your question, right, this is a fragmented market, the world over. New entrants, both recent and potentially emerging, are out there. So I think we have confidence that we'll get through the regulatory process. We don't want to prejudge that, of course. The regulators need to do the work that they need to do. We'll facilitate that as best we can. But we would fully expect to close this transaction. And we'll be excited about it.

I mean there are a host of synergies. I'll let Gus speak to the details in terms of some of that. But we're excited again to be a 46% equity holder in the combined company, more importantly, what this does to catalyze the transformation of the rest of GE. So that's good all the way around, both in isolation around the transaction and where we're taking the company on a go-forward basis.

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***

Larry, you mentioned, obviously, de-risking a lot recently. And with this move, I wonder what does this transaction really mean for the rest of GE Capital? If I move into Industrial, but clearly, long-term care, maybe alongside tension is -- are the 2 issues, but maybe going forward, keep some sort of nonoperating volatility. So how do you think about those pieces? Particularly, long-term care, there's a lot of M&A going on in that space that you see. How do you think about the risk after this year?

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

Right. Well, Markus, as Carolina, I think, highlighted in her remarks, as GECAS goes into discontinued operations, once we close, what remains of GE Capital will really be merged into Corporate. It is, as you say, largely the run-off insurance obligations but also some important Corporate activity, not only part of our treasury function, but our EFS, our Energy Financial Services team, critical to helping Power and Renewables do what they do in the face of the energy transition.

I think with respect to risk, I don't think the risks in and around Insurance change one bit. We will manage them as we have, I think, effectively and well. We will continue to report and disclose on those liabilities in the same way as we have. And as I know you've written, to the extent that more capital flows into the long-term care space, to the extent people see us as a much stronger potential counterparty than we were just a couple of years ago, we would entertain those conversations. But in the near term, those liabilities are ours, and we'll continue to manage them smartly and safely as long as they are.

Operator

From Barclays, we have Julian Mitchell.

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

I just wanted to circle back to Slide 9, I think. Carolina, you talked about that $5 billion of factoring reduction, I think, within that overall sort of $30 billion figure. How should we think about factoring unwind as a sort of cash drain or cash claim beyond 2021? I think I've seen in the other deck that there was the exclusion of that factoring item from the free cash guide for this year. But sort of interested in the medium-term outlook perhaps for that factoring aspect.

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

Yes. So, talking about factoring then, we have taken a decision that we will reduce factoring significantly. We have a balance of $7 billion today, and we're going down to around $2 billion. There will be a one-off effect of that on cash flow between $4 billion to $5 billion. And what we will do is that we will adjust that out of our free cash flow number. So therefore, our guidance stands on $2.5 billion to $4.5 billion for 2021.

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

And I think the beauty of the moment here is you've seen us whittle that down over time quietly, but consistently. And what we're able to do, I think, in anticipation of the combination of the 2 businesses is go ahead and just, frankly, knock just about all of the rest of that out in combination to the dealing with the GECAS debt. So, it's a moment where we're going to take a big step, as the slide suggests, toward that $70 billion overall debt reduction effort.

Operator

From Goldman Sachs, we have Joe Ritchie.

Joseph Alfred Ritchie ***Goldman Sachs Group, Inc., Research Division - VP & Lead Multi-Industry Analyst***

Congratulations.

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

Thanks, Joe.

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Joseph Alfred Ritchie ***Goldman Sachs Group, Inc., Research Division - VP & Lead Multi-Industry Analyst***

So Larry, I'm just curious, when you think about GE Capital going forward, specifically around the cash flow that GECAS used to provide, can GE Capital basically run then net neutral on a go-forward basis? And then as we kind of think about the debt reduction on Slide 10, if you guys can maybe parse out the -- like how much you expect to come from pension reduction versus other debt reduction at this point?

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

Joe, I would say just, yes, I think as we look at GE post-closing, what remains relative to the capital operations will really not be, if you will, P&L oriented. We've got Insurance which is going to be in a -- will continue to be in a run-off state. EFS will continue to support Power and Renewables as part of their business. And we'll bring the rest of the Corporate activities together. Going to the single-column reporting allows us to report GE more simply. And you really won't see a separate GE balance sheet or P&L as you have. Again, the disclosures around some of the details, particularly in Insurance will be intact. Carolina, you want to speak to the rest of that road map?

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

Yes. And if you look at the road map and you're referencing the Slide 10 that we showed, right? I just would like to say that we're talking about getting to a leverage level of 2.5x net debt to EBITDA. And in the slide, I showed that $25 billion of debt reduction, right? That's one part of it. Exactly how that split will look like, we'll work through and decide based on economics, risk, leverage, but also focusing a lot on EBITDA improvement.

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

Brandon, why don't we take one more question and then go over to Outlook?

Operator

From Melius Research, we have Scott Davis.

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

Congrats on the deal.

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

Thanks, Scott.

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

Larry, you talked a little bit about EFS. But what is the role of EFS? Could you be more explicit? Is it to finance wind farms and stuff like that? Is there still finance some larger power plants? So what's kind of the role going forward in that business?

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

Scott, as you well know, be it Power, be it Renewables, the life cycle in these projects are often measured in years. So there are a number of different roles that EFS has quite effectively played all through the development of a new gas plant, a new wind farm. We don't have the balance sheet that we once did, clearly. So part of what EFS does is work with other financing partners to bring them in to help bring these projects to fruition. So it's a myriad of different value-added contributions that they make through that development cycle. And we're keen to have them continue to do that, be it working with an ECA, be it working with other developers, third parties, particularly around renewables who want to invest in these projects. They really work with Jérôme, Scott, Dan, and their teams to bring all of the players together so that these projects take form.

Operator

Thank you. And that's all the time we have for this Q&A session. We will now move into our 2021 Investor Outlook presentation.

PRESENTATION

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Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

(presentation)

I'm excited to turn to GE's outlook call. Now for those of you signing on just now, I'm Steve Winoker, Investor Relations at GE. While we're virtual today, we look forward to being together face-to-face next year.

I'm joined by Larry Culp, Chairman and CEO; Carolina Dybeck Happe, GE's CFO; our business CEOs, Scott Strazik of Gas Power; Dan Janki of Power Portfolio; Jérôme Pécresse of Renewable Energy; John Slattery of Aviation; Russell Stokes of Aviation Services; Kieran Murphy of Healthcare; Pat Byrne from Digital; as well as Jen VanBelle, GE Treasurer and Capital CEO; and Vic Abate, GE Chief Technology Officer.

With that, I'll hand the call over to Larry.

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

Okay. Steve, thanks again. As Steve indicated, we're moving to part 2 of our agenda. When we put this date on the calendar, we didn't plan to have the morning play out the way that it did. But frankly, what a wonderful way to kick things off for this outlook call. What I'll do is provide an overview of what you can expect from us in 2021; I'll hand it over to Carolina, who will discuss the consolidated financials; and then our leaders will go through their respective businesses. And we've left plenty of time, rest assured, for Q&A at the end of the formal presentations.

So if we go to Slide 5. GE is a global company serving customers in Power, Renewable Energy, Aviation and Healthcare. These are mission-critical businesses, each with global reach, growing backlogs and sizable installed bases. Our backlog and revenue are geared strongly toward aftermarket services, which make up roughly 80% of our backlog and nearly half our revenue. This is a significant source of recurring revenue for us and services keep us close to our customers. And as we'll get into shortly, each of these businesses is rising to meet important global challenges. Once we're together with our customers, we know we can make a real difference.

Today, I hope you'll see what I see, the opportunity and promise in a more industrial-focused GE, accelerated by the combination of GECAS with AerCap, which we just outlined in the earlier session.

On Slide 6, you'll see that this news this morning is really only possible because of the strong foundation we've built, which really starts with having the best team, many of whom you'll meet or be reintroduced to here over the next couple of hours. First, I'm incredibly proud and grateful for how this team is persevering through the pandemic. Their grit, their determination makes me excited about the opportunities that lie ahead.

Our team is committed to 3 leadership behaviors: humility, transparency and focus. These behaviors, when paired with moving our center of gravity toward the businesses and away from Corporate, are enabling our teams closest to the customer to serve them well. We recently wrapped up our first quarter operating reviews, and I was just incredibly encouraged with how lean is taking root with real operational and financial impact. We're well down that path, but still so much to do, and I'll get into more of this shortly.

From a deleveraging perspective, we've made tremendous progress. And as we shared on the earlier segment, post the AerCap transaction, we'll bring our total debt reduction to more than $70 billion over the last 3 years. So as we look to 2021, we really believe momentum is building across our company.

Clearly, the pandemic is still very much with us, and I think our guidance reflects this momentum. We expect to deliver revenue growth, margin expansion and free cash flow growth. But we are shifting toward more offense to fortify our competitive positions globally by focusing more on strategy or commercial work and our technology investments. And we do all of this with an eye towards organic growth first, selling and marketing those products and services we have today, evolving our offerings through our new product introductions and, over time, investing in market-backed, customer-driven R&D.

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So as you look out long term, we're focused on delivering value for our customers and our shareholders. We'll do this by sustaining and accelerating our lean work. Our improvements in working capital thus far, I think, are a proof point in this regard. Our lean efforts better position us to capture opportunities in our end markets where we are leading the energy transition to drive decarbonization; precision health that's more integrated, more personalized; and certainly, the future of smarter, more efficient flight. Those are the reasons GE exists.

In turn, we're confident we'll unlock further upside potential in terms of growth, cash generation and profit and over time, deliver high single-digit free cash flow margins over the next few years. All in, we're clearly on a positive trajectory in 2021.

We have on Slide 7 here is really a framework for our lean transformation, one that we think is accelerating. It's important to know lean is not an initiative. It's a way of thinking. It's a way of working, that in its core revolves around problem-solving and continuous improvement to drive value for customers. We're implementing a standardized lean operating model designed to drive lean across the business with the highest impact possible. We've built this foundation by establishing our KPO, or our Kaizen Promotion Office, and naming lean leaders across our businesses. We've also introduced the principles of problem-solving, standard work and daily management. And again, given what I saw on the first quarter operating reviews, we're picking up the pace and really accelerating this across GE.

So while lean adoption is broadening, there's still work to do. There's still opportunities in front of us before lean is truly embedded in our culture, change the work first, affect the culture over time. So let me just share with you a little bit how this is playing out with our internal discussions. At the start, our teams really wrestled with the core lean principles around prioritization focus. We introduced Hoshin Kanri, which is a wonderful way to implement and execute on strategic breakthroughs, breakthrough and new capabilities that are implemented across technologies, markets, and businesses in the GE portfolio. A year on, our leaders are applying lean to their day-to-day decision-making, and Hoshin Kanri is driving breakthroughs deeper and at scale across the businesses. Again, in our first quarter operating reviews, you could see that the teams are seeing themselves the impact of that work. And you'll see a few of these examples through the course of the morning. And I think these lean programs really are driving the improved financial results that you see in the business.

So that lean mindset we talk about is taking hold. It's still early. We're just a couple of years in, but I'm optimistic. And as our momentum continues to build, driving that impact across the business, it's important to realize that it's a journey, probably one with no finish line. It is early days. But we're working diligently to improve safety, quality, delivery and cost while making sure that we've got high-quality growth while driving better productivity, all the while developing our ability to uncover more opportunities to serve our customers more intimately around the problems that matter.

I think our lean acceleration is probably most visible at the business level. And I think you'll see in each of our business presentations today our CEOs developing their own command of lean and changing the way their businesses work.

If we go to Slide 8 here, you've heard us talk about shifting the center of gravity from Corporate to the businesses, decentralization may be a better way to summarize it. Let me just unpack what all of that means. First, we're not just talking about our reported segments. Rather, we have now nearly 30 Tier 2 and 3 P&Ls under those segments. We're moving decision-making closer to the customer, empowering our teams in those P&Ls so that they can have real impact. And by that, we also gained greater visibility business-by-business into their talent, their strategies, their budgets and their operating plans. These reviews and discussions are conducted in a vigorous and integrated fashion, centered first around our operational KPIs, our financials and then our Hoshin Kanri breakthroughs.

Taken together, this process increases operational accountability and I think improves our prospects for the future. I think we're already seeing the benefits of both the cultural and the organizational shift. That's probably most acute in Power. This is one of the earliest decentralization moves we took. We broke that segment into 4 P&Ls, removed in effect the headquarters layer, and began managing these businesses from the bottom up. In 2020, we saw signs of progress - notably, Gas Power achieved free cash flow in a positive way, a year ahead of schedule.

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And as you'll see in Scott's presentation, we're far from finished. You'll also see a host of examples this morning that demonstrate this is not just a reporting convention but a fundamental shift in how we're running GE. This includes Corporate, which looks much different today with a focus on strategy, capital allocation, research, talent and governance. To this end, we've transferred certain shared service responsibilities and related third-party contracts back into the businesses. This empowers our businesses to control these costs. I'm confident that as we manage each P&L better, GE as a whole is going to be a stronger performer.

On Slide 9, you'll see that we've outlined our total company targets, which are unchanged since the fourth quarter earnings call back in January. The key assumptions underpinning our plan are also largely the same. With the closing of the GECAS-AerCap transaction, we will, however, consolidate the GE Capital balance sheet into Industrial, simplifying our reporting, again, single column. In addition, we're making a decision to discontinue the majority of our factoring programs. We talked about that a moment ago. We will exclude the onetime impact of this decision from our reported free cash flow this year. And despite the continued macro uncertainty and the ongoing pressure in the commercial aviation market, we think we're on a positive trajectory.

So with that, I'll hand it over to Carolina to provide a little bit more insight on our financials. Carolina?

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

Thanks, Larry. Before we discuss GE's outlook, let me cover a few details about the GECAS and AerCap combination. At signing, we will move GECAS to discontinued ops. And at closing, the remaining capital assets will be transferred to the Industrial balance sheet and will be reported in Corporate. With this action, we will transition from three column reporting to one set of financials, enhancing transparency. Consistent with our goal to simplify GE as part of our transformation, our Board is also planning to recommend the shareholders approve a reverse stock split. This would decrease the number of shares outstanding to a number that's much more typical of companies with comparable market capitalization. We'll share more information in our proxy, which will be filed this week.

As we look at 2021, we maintain the outlook we shared with you on our fourth earnings call. Overall, our results will still be challenged by the pandemic's impact on Aviation, but we see continued improvement.

On Slide 11, we have our adjusted EPS walk from 2020 to 2021. A few call-outs, important for context. We've re-baselined 2020 for items that don't repeat. This includes BioPharma and COVID-19 ventilator sales. That adjusts the starting point to negative $0.04. From here, we expect Industrial earnings to improve by $0.19 to $0.27. Excluding the impact of the preferred dividend expense, roughly half of this improvement is core earnings growth. This is driven by our low single-digit organic growth and margin expansion, largely from services and cost-out. The remaining improvement comes from lower noncash charges primarily in Aviation, and we expect GE Capital to be flat to up $0.02. So for '21, we expect adjusted EPS will be in the range of $0.15 to $0.25.

To be clear, this guide accounts for the foregone earnings from GECAS, which will be moved to discontinued ops and the impact of reduced factoring across Industrial and Capital. In my first year as CFO, I've seen tremendous progress in our journey to become better operators. We've deepened our focus on cash flow, and we've used lean to improve not only cost, but also speed, quality and scale. Our actions are driving improved cash generation and margin expansion, as you'll hear from our businesses today. Before we get into the specifics, the work here excludes the one-time impact of discontinuing the majority of our factoring programs in 2021.

So looking at our free cash flow expectations, similar to EPS, we've re-baselined 2020. This adjusts our starting point to about breakeven. As I mentioned, we expect earnings growth across businesses supported by the organic growth, including services and continued cost-out. This will contribute about 1/3 of our cash improvement. The remaining 2/3 will be the net of working capital improvements and some offsetting headwinds.

In working capital, we're improving on our operational processes, and we're seeing traction in lower receivables and inventory. We also benefit from the nonrepeat of certain items from last year, such as Aviation payables outflow in '20. Offsetting this, we expect some pressure from higher legacy legal payments and elevated restructuring costs and an increase in AD&A. We know that working capital dynamics have been a key focus for investors. So let me provide further perspectives on flows within 2021.

Receivables will be a source of cash this year, excluding the impact of the onetime factoring reduction. Daily rigor in billings and

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collections will reduce DSOs, which have been elevated during COVID-19. Inventory will be a source of cash. We have significant opportunity to improve turns through lean. Examples include moving from push to pull and using Kanban, and you'll hear more of that from our businesses. Payables will be use of cash due to pressure from lower inputs. Current contract assets will be a source of cash, driven by utilization on Aviation CSA fleets, which we expect to improve in the second half. Progress will be a source of cash this year. This is primarily driven by Offshore Wind orders, partially offset by Aviation headwinds.

Stepping back, our cash actions are paying off. I'm confident we're focused on the right areas: operational cash drivers that improve working capital, increasing the frequency of our operating rhythms and more linear cash flow generation throughout the quarters and the year.

Moving to Slide 13. This will be an important year as we work toward our goal: high single-digit free cash flow margin. Let me provide some color on how we plan to achieve this. A lift in earnings will drive most of the improvement, a function of profitable top line growth with a bias towards services and margin expansion as we cut costs. Despite some natural working capital requirement to support growth, we expect to fund much of this through continued working capital improvement as lean takes hold. And we'll see a natural benefit from spending less on restructuring, legal, and pension.

Looking at segment dynamics. In Power, we expect continued improvement in Gas, driven by service volume growth and cost-out... and in Power Portfolio as we complete significant restructuring related to Steam. In Renewables, we expect profitable growth in Onshore Wind through services growth and cost-out. And as we start to see revenue growth from the Haliade-X in Offshore, that will drive margin expansion and cash. In Aviation, we expect to return to '19 free cash flow levels as the market recovers. By then, organic growth in services, cost-out, and Military growth will help offset headwinds from the introduction of new engines. In Healthcare, we will continue to invest in profitable growth and our lean progress supports working capital improvement. We expect cash flow conversion to normalize to 90% to 100%. And in Corporate, we continue to improve costs. In the near term, we see further opportunities to improve working capital. Over time, sustainable free cash flow generation will mainly come from profitable organic growth combined with higher margins, and longer-term efficient capital deployment.

Turning to our balance sheet. With the GECAS deal, we continue on our path toward a well-capitalized company. Since the end of 2018, we've reduced total debt by $37 billion. Now we'll build on our significant deleveraging progress using the transaction proceeds and existing cash to initially reduce debt by approximately $30 billion in '21 for a total reduction of more than $70 billion in 3 years. And we have significant additional sources to delever, including existing cash, our equity stakes in Baker Hughes and AerCap and the free cash flow our businesses will generate.

So over time, we expect to reduce debt and pension by an incremental $25 billion beyond the $70 billion I just described. This reduction, combined with the significantly improved earnings, creates a clear path to reach our Industrial leverage target. We will evaluate deleveraging actions across a range of measures, including deleveraging impact, economics, risk mitigation and our target capital structure. However, we will continue to maintain a high cash balance through this period of uncertainty.

I'll now pass it to Larry to kick off our business updates.

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

Carolina, thank you. We've talked a good bit about our transformation work the last couple of years. As you'll hear from the businesses today, we are making real progress. And I think you've also probably noticed that we've been more public lately about our role in the energy transition. And before Scott, Dan and Jérôme take you through that, I'd like to frame what that means for us.

Today, roughly 1 billion people around the world lack access to reliable power. And energy demand, we know, is only increasing. GE is committed to helping customers and governments meet this demand while reducing greenhouse gas emissions. GE's long history of innovation, our global scale and our industry expertise uniquely position us to address the trilemma of sustainability, reliability and affordability.

Currently, the power sector accounts for more than 40% of global carbon emissions. Global electricity demand is forecasted to grow by

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nearly 50% between now and 2040. While that growth is heavily concentrated in emerging and developing economies, where access to affordable reliable power is vital to economic growth, the entire world must accelerate its pace of decarbonization. At GE, we're working with our customers to transition to a more sustainable and diversified mix of generation technologies that offer both reliability and affordability. We're leading in renewables with a #1 position in U.S. Onshore Wind for 2 years running. This is the fastest-growing source of new power generation capacity, but also reshaping the infrastructure built over the last 100 years, and that won't happen overnight. Gas will play a vital complementary role in decarbonizing at scale while providing a flexible, dependable energy source. And a modernized physical and digital grid not only will improve resiliency, but also further efforts to decarbonize. And advanced nuclear technologies will enable low-carbon flexible capacity. Our technology, our expertise across these key sectors enables us to lead, along with our customers, in creating a more sustainable future.

So with that, I'll turn it over to Scott.

Scott L. Strazik *General Electric Company - Senior VP & CEO of Gas Power*

Thank you, Larry. GE Power is a combination of the Gas Power business I lead and the Power Portfolio business that Dan leads.

Starting with Gas Power. We are entering the third year of our turnaround with progress in key areas like fixed costs, an improved equipment backlog, and returning the business to positive cash flow. In '21, we see the acceleration of lean driving measurable progress in services, variable cost productivity, and working capital. Together, as these operational improvements take hold and with the critical role gas will play in the energy transition, we see Gas Power as a valuable business for the long term.

Power Portfolio is also undergoing a multi-year turnaround as Steam Power exits the new unit coal business and we drive progress across the rest of the portfolio. Across GE Power, we are embracing a more decentralized operating model and running our businesses better, and we are positioned to lead in the energy transition.

Turning to the outlook for Power. In '21, we expect revenue to be down, margins to expand, and free cash flow to be roughly flat with growth in Gas Power offset by Power Portfolio. In Gas Power, revenue will be down with lower turnkey scope, partially offset by growth in services. The business is positioned to deliver high single-digit margins, driven by services growth in both variable and fixed cost productivity. Free cash flow will improve with earnings growth and better working capital.

In Power Portfolio, we expect lower revenue and cash driven by new unit coal, partially offset by sequential improvements in Power Conversion and Nuclear. In '22, we are planning revenue to be about flat with margins expanding and improved free cash flow.

Next, I'll go into more detail on cash. In '20, cash flow in the total Power segment broke even, with Gas Power positive 1 year ahead of schedule, offset by Power Portfolio. Looking at '21, we anticipate Power to be about flat, with Gas Power up and Power Portfolio down. In Gas Power, we've implemented daily management of collections and disbursements, and we are seeing real benefit as our in-quarter peak usage comes down substantially. In '22, we expect 90% free cash flow conversion, as non-operational cash headwinds embedded in our '21 forecast drop off significantly.

In Power Portfolio, each of the businesses are improving working capital in '21, but this will be more than offset by costs from restructuring, legal settlements, and project closeouts. These headwinds are expected to reduce in '22.

On the next page, we thought it would be helpful to discuss our business model in more detail. Starting with equipment, our goal is to build the installed base in the most profitable, risk-adjusted manner, positioning us to service the fleet over the long term. The equipment segment remains very competitive, especially where there is visibility to high utilization. We evaluate each transaction on a life-cycle basis, inclusive of project risk and the services annuity.

On Services, our installed base provides approximately 50% of the world's gas power generation. We go-to-market through 2 primary channels, with roughly half of the business contractual and half transactional. In contractual, our focus is maintaining utilization of the fleet while building backlog for the future. This is a valuable asset for us and our customers in a stable business.

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In transactional, the scope and timing of customer needs are more variable. This is a part of our business that we need to continue to earn in the field every day, and one where we see opportunity to perform better. Upgrade programs improve asset performance and extend life for both contractual and transactional customers. With the largest gas turbine installed base in the world, we are positioned to create value both in the near and long term.

Now, I'll go to more detail on the equipment business. Our proven H technology provides reliable baseload generation to replace coal. The U.S. has led our orders book taking advantage of low gas prices. That said, the fourth quarter was an inflection point for us as Asia eclipsed the U.S. with the largest order book as the region gains access to more LNG. In Taiwan, we have 17 units on contract with only 2 running to date. All 17 will be commissioned by mid-decade. In China, we recently commissioned our first 9H in country and have 3 more on order. These are the largest H markets. We are also building H plants today in Poland, Greece and Israel, replacing approximately 4 gigawatts of coal in these countries. We are investing in the smaller end of our portfolio with our aero product line that provides flexible, reliable and, at times, mobile solutions to complement renewables. The right side illustrates improving mix of our equipment revenue profile.

In '21, we forecast revenue will be lower, but we will ship roughly the same number of heavy-duty gas turbines as '20 with lower turnkey scope. This is a better risk/return equation while still adding to the installed base for services. Our teams are positioned to enable margin accretion through daily management of the factories and field as well as strategic investments in value engineering and systems architecture.

Next, I'll talk to you about Services. After a tough '20 impacted by COVID, we have forecasted an inflection point with revenue growth in '21. In contractual, we see stable billings in '21 and an increase in outages driving top line growth. Cash will outpace revenue in '22. in transactional, we ended the year with a stronger backlog, driving high confidence in our ability to grow. We are also encouraged with our progress in the factories and field leveraging lean to better serve our customers. And I'd like to share 2 examples with you.

In '20, our factories worked on improving on-time delivery of outage parts by 25 points. We are now expanding that focus to support field services. In a recent Kaizen event, our Hungary team updated the packaging and presentation of parts, leading to a 50% reduction in prep and install time during the outage.

For our operators in the field, we're focused on standard work. To minimize oversight and quality misses, we are redeploying thousand-page procedures to digital tools, which will be readily accessible on the turbine deck. These are small examples individually, but add up towards servicing the fleet substantially better.

On my last page, I want to come back to the critical role of gas in the energy transition. On average, gas plant emissions are half that of coal and for HAs, just a third of coal. In the U.S., the power sector has reduced its carbon emissions by 33% since '07, largely driven by coal-to-gas switching.

Coal still provides 37% of the world's power generation. With the projected growth of LNG, gas is positioned to be a catalyst for faster decarbonization and a force multiplier for Renewables growth. This is playing out in the U.S. right now, and we expect it to accelerate in the rest of the world.

Moving to the right. We have more than 6 million operating hours in hydrogen and hydrogen-like fuels. Our HA turbines can run at 50% to 60% hydrogen mix today, with a modest investment to get to 100%. And the first hydrogen blend HA is expected to go COD by December '21 at the Long Ridge terminal in Ohio. Post combustion, GE's combined cycle engineering strength positions us well to integrate carbon capture into the thermal cycle. We're continuing to invest and partner to advance the economics of this technology as it can offer the greatest near-term impact at scale. Climate change is an urgent global priority, and GE is positioned to lead.

In closing, 2020 was a challenging year, but I am proud of how our team responded. As a business, we are still early in our turnaround, but we have made substantial progress. We are excited about the opportunities ahead, leveraging the principles of lean to be a better partner for our customers, improve our performance and lead in the energy transition.

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Now I'll pass it on to Dan.

Daniel Charles Janki ***General Electric Company - Senior VP and President & CEO of Power Portfolio***

Thank you, Scott. Now turning to Slide 25. The decentralization strategy really comes to life inside Power Portfolio. We run as 3 distinct businesses, each with their own strategic and operating priorities.

So first, Steam Power, the largest business. We're pursuing the exit of the new unit coal business. We'll continue to focus on delivering turbine islands for the nuclear market and servicing our nuclear and coal customers.

Next, Power Conversion. The team is really performing well as they embed lean in their day-to-day operations. 2021 is going to mark a return to both growth and profitability.

Last, GE Hitachi Nuclear, a stable, focused service business. Team is driving outage and fuel productivity for our nuclear customers. Here, we're also supporting the energy transition through the development of small modular reactors and next-generation fuel. We recently won key U.S. Department of Energy Awards, including one for the Natrium reactor with our partner, TerraPower. We earned strong support from our utility customers about our latest technologies. This business has stable sales, high single-digit margins and good cash conversion.

Now as we flip to Slide 26, let me provide a little more context on Steam Power. Last fall, we announced our intent to exit the new unit coal business. Team is working closely with our customers to execute on that committed backlog. The chart on the top shows how Steam will reduce that backlog over the next two years. The project closeout, legal settlements and restructuring actions will have a significant cash impact in 2021 of approximately $600 million to $700 million. The 2022 cash impact will be lower. We expect Steam will enter 2023 about $3 billion of revenue and positive margins and free cash flow, predominantly a Service and Nuclear new build business. While certainly, this is a multi-year process, the team is executing well.

Next, Slide 27. Power Conversion. Third year of continuous improvement. We've optimized our operations through lean, we've redefined our market focus, we've streamlined the manufacturing footprint, and we've reduced the cost structure by over $120 million. This has led to almost a 40-point improvement in margins from 2018 to 2020.

Lean is improving our operational performance. Last year, Russell shared how our motors factory in Brazil was leveraging lean principles to improve both quality and on-time delivery, and how they were starting to apply those to our France operation. On the right side of this slide, you can see how the France team improved on-time delivery by 50 points and increased inventory turns by 4 turns. When you step back, Power Conversion improved factory on-time delivery by 10 points and inventory turns by over 3 turns this past year. And as you can see here, there's more to come in 2021.

They are now taking these lean management practices to our commercial processes, focused on things like segmentation, account management, that bid-to-quote cycle. We expect the business to deliver revenue growth and a return to profitability in '21.

So with that, I'll now hand it over to Jérôme.

Jerome X. Pecresse ***General Electric Company - Senior VP and President & CEO of Renewable Energy***

Thanks, Dan. You heard Larry, Scott and Dan speak to the global energy transition. It is accelerating almost everywhere in the world. At Renewable Energy, with our unique portfolio of complementary assets and technologies, anchored in our long successful history in the wind industry, we are in the exciting position to address two of the biggest challenges ahead: continuing to bring down the cost of renewable energy and allowing, at the same time, higher and higher renewable penetration into the grid. We will do this by executing to our operational road maps and by unlocking our full innovation potential.

We are a leader in the onshore and offshore wind industry, and we'll develop larger and more competitive wind turbine platforms while leveraging our repower upgrades, services, and digital offerings to generate additional value from our fleet, the third largest in the world.

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Day after day, we are also improving our Grid business, which is playing at a critical juncture of the global energy transition. With hardware, automation controls and software, GE's Grid offering can and will play an instrumental role in the necessary adaptation of the grid to the challenges of the future. Finally, we will combine all these technologies with storage, batteries and hydro, in order to create groundbreaking integrated solutions that will enable longer duration renewables and reduce variability of green energy. By doing all this, we will help countries across the world meet their decarbonization goals faster and more affordably. We are leveraging the energy transition to create a profitable growth engine for GE.

And let me highlight a few important topics in this context. We remain focused on operational execution for safety, quality, on-time delivery and competitive costs. Accelerating lean is driving this. We continue to run our businesses with clear operational priorities. Our Onshore Wind business held the #1 position in the U.S. for the second year in 2020. We are also making progress globally, improving profitability and execution. Offshore Wind continues to experience strong market tailwinds. We have made a strong entry due to the Haliade-X and we are now building on that momentum. We are also executing our turnaround in Grid as well as in the smaller Hydro business.

In all, Renewable Energy growing backlog stands today at an all-time high of $30 million with better margins, but we have more to do to improve operationally all our businesses segments and build profitable global positions.

On Slide 30, you can now see our outlook for continued improvement across the different operating dynamics. Starting on the left, in 2021, we expect revenues to be up mid-single digits organically versus previous year; segment margin to improve significantly, but remain negative post restructuring; and free cash flow to be better and positive. Underpinning this better performance, we expect at Onshore Wind continued momentum, supported by a strong backlog and positive margins. At Offshore Wind, securing more multi-year commitments while executing our last 6-Megawatt turbine project. At Grid and Hydro, continued progress during what will be year 2 of a 3-year turnaround as we improve diesel activity, cost-out, and project execution. Across the portfolio, we are rationalizing SG&A, and this is not at the expense of continued funding for important technology initiatives.

Moving to the right. In 2022 and beyond, we expect revenues to be up mid-single digits, positive segment margins and continued free cash flow improvement. We believe this will be driven by the following factors: at Onshore Wind, growth in profitable international markets, led by our Cypress turbine platform; at Offshore Wind, executing on our commitments on a path to breakeven profit and positive free cash flow by 2022; getting to breakeven profit at our turnaround, Grid by 2022 and Hydro by 2023; and also importantly, across the portfolio, leveraging digital, growing the penetration of higher-margin Service activities, while continuing to drive better productivity across all businesses.

As I just mentioned, 2021 free cash flow will be positive, which is an important milestone and is explained by the following trends. First, we will improve profitability from organic growth and operational execution. Second, there are a few positive working capital dynamics at play. As lean takes hold, we are improving our inventory management, creating a more efficient regional warehouse system, leveraging full inventory, resulting in significant sustainable reductions of that metric and overcoming the entire linearity challenges that we referred to last year, if you remember, in our North America Onshore Wind business. Third, Offshore Wind is also expected to contribute with significant progress collections. All these dynamics will help us to fund legacy settlements, restructuring and some Capex projects in Offshore Wind. With this improvement, we are building the path to sustainable, profitable free cash flow.

Moving to Onshore Wind and starting with the U.S., our home market. Installs, we are more than 17 Gigawatt in 2020, driven by developers taking advantage of the PTC. We generally have a more positive outlook than third-party forecast for the U.S. market. It is expected to decrease in 2021 and then stabilize around 11 Gigawatts over 2022, 2023, which is a good level when you compare it to the last 10 years. Beyond 2023, we expect a rebound, driven by favorable climate policy associated with the Biden administration decarbonization efforts; advanced technology, resulting in more competitive levelized cost of electricity; more transmission projects as required to connect wind resource to load centers; and increased volumes of corporate power purchase agreements.

Outside the U.S., we also expect full growth. Europe and the Middle East are expected to reach approximately 20 Gigawatt in 2021. In Europe, 6 countries are expected to be above 1 Gigawatt per year, driven by bold renewable energy policies. And in Asia, to pick only two countries, Vietnam is growing fast. It wins capacity as it is phasing out feed-in tariffs, and Australia is expected to have a record year in

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2021. Finally, Latin America, we expect a dynamic auction-driven market.

When it comes to our operations, we are making continuous improvements. In 2020, supported by our colleagues in EFS, we delivered an all-time record volume in the U.S. as the PTC cycle peaked. Our customers recognized us for seamless execution, and I want here to thank my U.S. team for this stellar performance.

At our blade subsidiary, LM Wind Power, we are leveraging technology, productivity initiatives and supply chain efficiencies. For example, we have identified $30 million in cost savings from cross-functional kaizen events, and we are actively every day transferring manufacturing best practices across our 14 plants. In services, we are planning for growth on our global installed base of 50,000 turbines fully, which we actively deploy there. We are optimizing our operations, having last year reduced inventory by about 20% and improved variable cost productivity by more than 6%. For 2021, about 80% of our Offshore Wind revenue is built into our backlog, and we are focused on driving profitable growth outside the U.S. By 2023, we expect mid-single-digit margins and solid free cash flow conversion with a target of high single-digit margins over time.

Now Offshore Wind. Since we spoke a year ago, our Haliade-X, the most powerful offshore turbine in operation today, has already had a great customer reception. First, as you can see, Offshore Wind is a booming market, with momentum accelerating globally and just about every industry forecast exceeding the last one. We expect a compound annual market growth rate of more than 20% for the next 10 years, growing the installed base from 36 Gigawatt to 200 Gigawatt or more. In addition to the established European market, we see momentum building in the U.S. and in Asia.

Second, the Haliade-X platform was designed from the start to evolve with this market. We built in capacity to generate even more output as we tested the machine. The Haliade-X was successfully certified on schedule at both 12 then 13 Megawatt. And this certification is important because it provides independent validation that the turbine can perform as designed, and it also enabled our customers to arrange financing for that project.

Third, we have established strong market credibility and customer confidence. We now have 5.7 Gigawatt of disclosed customer commitment from industry leaders in Europe and in the U.S., and our global deal pipeline keeps growing. We will begin execution with the first phase of Dogger Bank in 2022 in the U.K.

Considering that market growth and our future commitments, we are well aware that de-risking execution is critical. In addition to rigorous technology and component testing, our team is benchmarking industry valuated models for installation and for commissioning, and we are doing all this with a strong focus on staffing and project process rigor. Stepping back, we have a clear path to $3 billion of Offshore Wind revenues in 2024.

Turning now to Grid. This business is set to play a key role in the energy transition. We are delivering here complete solutions to help solve our customers' toughest power system challenges for greener, larger, more resilient and more reliable grid, which will also enable us to accelerate renewable growth. We are harnessing the power of our technologies, including our digital services, automation, products and project capabilities and green gas from switchgears. These solutions are all creating significant customer value. As mentioned previously, we expect over the next few years, the green market to grow faster due to a more rapid energy transition and the support of government stimulus packages across the world.

In line with what Larry explained, we are now managing this business as 6 P&Ls, consistently with GE's broader centralization efforts. This is helping us to improve profitability. We plan to achieve breakeven operating profit and positive free cash flow by 2022. And as we execute this turnaround, I would like to highlight the meaningful progress with the new leadership team made in 2020.

We have decreased our exposure to turnkey projects while focusing on higher-margin technologies in automation and digital services. We improved our cost competitiveness by resizing our industrial footprint to 19 sites from more than 30 a few years ago, lowering SG&A by 8% in a year, and improving working capital. With daily management, we collected past dues and managed to reduce average DSO by more than 10% in 2020, getting closer to our renewable average of 60 days.

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I will share one example out of many of improved operational execution of our Waynesboro facility. Here, the average time to manufacture an Instrument Transformers used to range from 60 to 90 days. Applying lean, we have reduced lead time by more than 20%, delivering better performance for our customers.

Finally, before I wrap up, I will highlight how we are leveraging innovation across our Renewable businesses. Innovation is critical for us to compete in the market and also to help deploy renewable energy at a faster pace. Leveraging our Renewable Energy teams, but also other GE businesses and our Global Research Center, we are driving innovation on both individual technologies and integrated systems to create a unique competitive advantage.

Let's look at 3 examples on Slide 35. The renewable industry has exceeded expectations in decreasing the cost of electricity, and we have played our part. But this is only the beginning. We will keep building larger and more efficient turbines. For example, in Offshore Wind, our developing superconducting generator, which is based on an existing GE Healthcare magnet technology platform, just received U.S. Department of Energy funding and could offer in the future great advantages to reduce the weight of the next-generation turbines and potentially eliminate the use of reverse materials. Second, we are also developing highly disruptive manufacturing techniques for wind towers and blade tips using additive technology, which we look across our businesses as a key cost-reduction lever. Partnering with global leaders, we are developing optimized 3D-printed concrete towers for wind, which will reduce substantially total delivered product costs. We are also developing 3D-printed wind turbine blade tips. The first have been tested by independent lab and will be flown on a Cypress prototype later this year.

Finally, in our Hybrid business, we are combining different renewable energy sources with one another and with our storage solutions to provide higher capacity factors to reach baseload capability. We are developing here specific tools and proprietary control systems to optimize these solutions for performance and for longer battery life. We see a high potential in this space as an important enabler of the energy transition. This constant innovation is very exciting for the future of our business and will help us deliver to our customers and our shareholders better competitiveness, performance, quality and sustainability.

Let me now hand it back to Larry.

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

Jérôme, thanks. Scott, Dan, thank you as well. I hope what you heard and saw through those 3 presentations is that the progress that we're making both in Power and Renewables is real. All 3 leaders are out in front in their businesses, listening to those closest to the work to drive safety improvements and obviously serve customers better. GE is positioned to lead in the energy transition. As you saw, we have an enviable position in Renewables, especially in Onshore and Offshore Wind. We know the Grid is going to be particularly important as we work through a different generation mix, with digital at the center of this. And Gas is going to have an important role to play for decades to come. So as we strengthen these businesses, we're very excited about the opportunity ahead to make a more meaningful impact on the world's ability to decarbonize.

So with that, we're going to turn it over to Aviation. John Slattery joined us this past summer, obviously, a tumultuous time in the aviation industry. But we couldn't be happier to have John on the team and in the cockpit at Aviation. So John, over to you.

John Stephen Slattery ***General Electric Company - Senior VP and President & CEO of GE Aviation***

Thank you, Larry. Well, before I get into our business, I would just like to take a quick moment to reference the earlier remarks on the combination of GECAS with AerCap. Of course, we've always had an amazing relationship with Greg and his team at GECAS. And we've also already had a great relationship with Gus and his team over at AerCap. So my team and I, we're very excited for the future of the newly combined business. All of our lessors play a key role in the ecosystem of commercial aviation. So we're pleased to count on all of them, as collectively, we deliver those solutions for the airlines today and in the future.

So turning to our business. Aviation plays a meaningful role in the world. It connects families, economies, and ideas. Yet it's no secret that COVID-19 has been the most taxing time in our industry's history. At GE Aviation, we've supported our global customers throughout the pandemic, helping them manage their fleets and maintenance plans as they sought to conserve cash. Our diversified portfolio has enabled us to weather the pandemic. And along with our customers, we lead the market recovery with the youngest fleet in the industry.

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Our differentiated aftermarket offerings will support both our airlines and lessor customers as they return to flight. And Russell will discuss that in a little more detail shortly.

And we have a great Military business, positioned for growth not only on our existing platforms, but also on the new platforms we're developing. In 2020, the reality of the commercial market forced us to take swift and difficult actions to right-size our cost structure. But rest assured, we're prepared for the inevitable uptick in demand as it materializes. We've implemented a lean operating cadence right across the business, focused on safety, quality, delivery and cost. And despite these unprecedented challenges, our team remains committed to the industry's bold sustainable goals. Our team really is very energized about the next generation of technological advances that literally will shape the future of flight.

So turning to the financial outlook. Our results will continue to be paced by the recovery in the commercial air travel market. Our 2021 guidance assumes air travel begins to recover in the second half of this year. Of course, that's dependent on progress with the inoculation programs and governments collaborating on international border openings. But aggregating those factors, we forecast departures to be up year-over-year by roughly 20%, backloaded in the second half of this year. We're closely watching forward booking rates, and we're encouraged by some of the recent activity that we've seen over in the U.K. as they announced their road map out of the lockdown.

Our 2021 expectations are for low single-digit revenue growth based on the following assumptions: our shop visits remain roughly flat, our original equipment businesses are aligned to the latest airframer production rates, and our Military business will grow high single digits as we work through those execution issues that gated our growth in 2020. Margins will expand to low double digits, driven by the nonrepeat of those COVID-related charges we had to take last year and a net tailwind of $500 million from our 2020 cost actions.

Free cash flow is expected to be up. I'll go into a little more detail on that shortly. Looking at 2022, we expect the pace of recovery to accelerate as those narrow-bodies reach departure levels of about 90% of what we experienced in 2019. However, we do expect the widebody departures to lag, returning to those 2019 levels sometime in 2024. So in summary, we expect revenue, margin and free cash will all continue to improve in 2022. So free cash flow will be up in 2021 compared to nearly breakeven in 2020, paced by earnings growth. We expect free cash flow to be greater than -- conversion to be greater than 100% in 2021. We see significant improvements in working capital as we also accelerate our lean journey here at GE Aviation.

And let me just give you one quick example. At our Greenville, South Carolina Turbine Air Foils facility, one product line that used the lean tools such as value stream maps and 7-ways analysis to improve part flow and implement pull. Well, they experienced a 40% reduction in lead times and a 60% reduction in WIP.

In 2021, we expect accounts receivable favorability due to the improvement in days sales outstanding, as Carolina referenced in her opening remarks and a reduction in inventory levels as commercial demand returns and military hardware fulfillment improves. Other CFOA is primarily driven by discount payments. Again, Carolina referenced that in her opening remarks. It's in line with the aircraft deliveries. We expect to pay out higher discounts this year as airframers catch up on the undelivered aircraft from last year.

So turning now to frame out our commercial equipment and services businesses together, with a large, diverse business and has a long tail. Our portfolio with legacy and next-generation offerings across all commercial segments, so regional, narrow-body and widebody, well that sets us apart from the competition. As the graph on the left shows, 90% of our commercial backlog is derived from our Services business, comprising a mix of both long-term rate per flight hour agreements and long-term materials agreements. The Services backlog in 2020 was resilient despite the impact of COVID. As travel recovers and utilization accelerates, we expect to capture much of that delayed spending. We built the industry's largest installed base, with nearly 38,000 engines. And we also look to earn our customers' business every single day with our track record of safety, engine reliability and performance characteristics.

As the 777X enters into service, the renewal of our commercial portfolio will be complete. The GE9X builds off the success of the GE90, just as the LEAP and the GEnx did off the CFM56 and the CF6 before. As production increases, we expect to return to net growth in our installed base. That's underpinned by our win rates of nearly 60% on the A320neo and now approaching 70% on Boeing 787, as well as our sole-source position on the 737 MAX, the C919 and the 777x that I just mentioned. The opportunity to service the industry's largest installed base of commercial engines is a fundamental strength of our business model, as Russell will now explain in a little more detail.

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Russell?

Russell T. Stokes ***General Electric Company - President & CEO of GE Aviation Services and Chairman of GE Power Portfolio***

Thanks, John. The chart on the right illustrates the dynamics of new engine production and the services opportunity over the life of an engine. We have a young fleet. More than 60% of the GE and CFM engines have not yet had their second shop visit, which just highlights the value they're going to generate for decades to come. We provide a differentiated set of services that allows us to tailor our approach for each and every customer. This is accomplished through a series of offerings that range from long-term customized service agreements, or CSAs, to time and material overhauls as well as a full range of material solutions that include new parts, component repair and use serviceable material, or USM.

This mix of offerings allows us to successfully compete by providing the cost of ownership and performance our customers desire at every point in the engine life cycle. For example, in the early stage of an engine's life, the appetite for CSAs is relatively greater as is the preference for using new OEM materials. As the engine enters midlife, customers may desire time and material overhauls from a wider variety of providers, along with an increased demand for component repair. In later stages of an engine's life, lighter work scopes are more common, and the appetite for both component repair and USM increases. Essentially, as an engine progresses through its life, we enable the shop visit dynamics to evolve as well.

So on the next slide, you'll see that we expect shop visits to be roughly flat this year with the profile that varies across quarters. We forecast first quarter shop visits to be down around 40% due to a tough comp. Now recognizing that maintenance activity trails utilization, our base case for industry recovery assume shop visit growth in the range of 30% per quarter for 2Q and beyond, with a steeper ramp coming next year. We expect shop visits to return to 2019 levels in 2023, predicated on the assumptions that you heard John just mentioned a couple of moments ago.

The nature of shop visits has remained stable as we're seeing tailored but robust work scopes internally. However, we do realize that some airlines are conserving cash by spreading utilization across their fleets, deferring maintenance through what is called green time. This green time has contributed to a decrease in shop visits in the interim, and it's factored into our recovery profile as we go forward. We estimate operators will utilize green time until demand recovery reaches approximately 90% of 2019 utilization levels, which for narrow-bodies we expect to occur in the middle of next year.

Another key factor we're monitoring is retirements. 2020 retirements were below 2019 levels, and we're expecting the same in the first half of this year with a potential uptick in the second half and into next year. Retirements are a leading indicator of USM availability, which can lag by 4 to 6 months. Our team consistently monitor the supply of assets entering the market. Our knowledge of targeted engines and how they were flown allows us to procure the right USM for sale through our material offerings, time and material overhauls or through consumption within CSAs. Now with all these dynamics impacting customers, we've clearly been focused on developing enhanced market intelligence tools at the global, regional and airline levels. These new tools allow us to have more robust conversations with our customers, ensuring that we are maximizing the opportunity today while anticipating demand as the recovery accelerates. And as the market recovers, we will be ready.

I have seen the power of lean firsthand through the work we did in Power Conversion and Power Portfolio, as you heard Dan mentioned earlier. In Aviation Services, through the implementation of standard work and shift pattern changes, we were already able to improve engine on-time delivery in our overhaul shops by more than 30 points in 2020. I know we have more potential that we can unlock in the months ahead. John, back to you for Military.

John Stephen Slattery ***General Electric Company - Senior VP and President & CEO of GE Aviation***

Thanks, Russell. So turning to our military business, which is led by Tony Mathis. GE and CFM are the leading global providers of military propulsion, with 26,000 engines in service across rotorcraft, combat and tanker transports. The business' core products remain in high demand. In 2021 and beyond, we expect high single-digit revenue growth for this segment. In 2020, this growth tested our supply chain output with delivery issues, and those impacted our financial performance last year. Again, using lean, the business is getting to the root causes and driving improvements across the entire value stream. Last week, the supply chain team in Lynn, Massachusetts facility, where they conducted a weeklong Kaizen event. The team identified countless examples of improvements in process, culture, and

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collaboration. The dedication of the team to simplify where the work is done and reduce the lead times and fix those single points of failure, whilst all the time focusing on safety, it was quite impressive. The team had real progress, making employees' lives easier whilst delivering for the customer, and so leading to tangible financial results for the company.

Our challenge now, of course, is to maintain that momentum. These lean practices should directly improve our results, not only in 2021, but continue into 2022. And as they overcome these challenges, the military team expects to maintain high single-digit revenue growth through the middle of this decade, supported by wins on the F-15EX fighter, the T901 rotorcraft engine, the CH-53K heavy-lift helicopter and, of course, the T-7A trainer.

And finally, looking ahead, GE can and will build a more sustainable future of flight. Our team embraces the industry's aggressive goal of halving carbon emissions by 2050. Hitting that target requires a combination of advanced technology, operational efficiency and the use of sustainable aviation fuels, or SAF. GE has been heavily involved in SAF testing for many years, including powering the industry's very first 100% SAF flight in 2018. By the way, that was on a commercial widebody aircraft. Today, all current GE and CFM engines are all -- can already operate with blended SAF without any hardware modifications.

Driving greater fuel efficiency has always defined our technological evolution here at GE Aviation. This year, we'll spend a total of $1.8 billion on R&D efforts, a level consistent with 2020. And partnering with GE Research, we plan to also demonstrate our hybrid electric capabilities on a regional airliner by the middle of this decade. And as for the next narrow-body aircraft, we will develop and mature technologies to deliver greater than 20% fuel efficiency compared to the LEAP. And looking even farther into the future, where we're positioning ourselves to lead the technology revolution, with innovations like liquid hydrogen where we can draw today from our experiences and the learnings from our colleagues over at GE Power.

GE and CFM are committed to sustainability. It's our noble cause. Meeting this challenge motivates our employees. It serves both our customers and our planet. And indeed, it's good for business.

Thank you. With that, Larry, back to you.

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

John, Russell, thank you. Clearly, what you saw with respect to the lean effort is fundamental to the story that we're writing at Aviation and how we're running that business differently. I had an opportunity last summer to go to Greenville. I was with John, albeit virtually, at Lynn last Friday. And those outcomes that he referenced are real-world examples of what we're doing to run the company differently and with an eye toward delivering better for customers and shareholders.

When we think about our services business, which provides strong recurring revenue, Aviation is clearly the one that matters most as the Aviation recovery takes hold. As Russell indicated, we have a tremendous opportunity to service the industry's largest installed base of engines. And I'm confident that we're positioned to win while driving that more sustainable future of flight.

So let me turn it over to Kieran Murphy, our Healthcare CEO, for an update on what's happening in his world. Kieran?

Kieran P. Murphy *GE Healthcare Inc. - President & CEO*

Thanks, Larry. Our business is a world-class health care systems and pharmaceutical diagnostics franchise, with 47,000 employees serving customers in over 140 countries around the world. We have a strong supply chain with 38 plants and an unrivaled services business, with 9,000 field service engineers supporting our installed base of over 4 million units. Our purpose of improving lives in the moments that matter has never been clearer than in 2020, an incredibly challenging year for our customers. COVID-19 accelerated the need to improve health care access and enable more precise diagnosis and treatment. It changed the trajectory of telemedicine so that physicians could work remotely and more safely.

Leveraging our global scale and reach, we addressed these needs with great urgency, overcame manufacturing and logistical challenges and delivered with speed and innovation. Just to give you some examples. We partnered with governments, hospital systems and local communities to fulfill COVID-driven demand for products like Ventilators, Monitors, CT, and Mobile X-ray units. We teamed up with Ford

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to deliver 50,000 ventilators for the U.S. government, and we quadrupled production of our own ventilators to meet unprecedented global demand. When hospitals needed more imaging capacity, we designed "CT in a box", so clinicians could treat critically ill patients with greater safety outside of the hospital. And we delivered digital solutions with AI and analytics to align with the shift to telemedicine and remote working. I'm proud of our teams who work tirelessly to help our customers and their patients.

Turning to the next slide. I'm also very proud of the strong performance we delivered in 2020. We grew revenue organically, expanded margins, and we improved our cash performance. In 2021, this momentum continues as market fundamentals are strong and improving. We're expecting low single-digit to mid-single-digit revenue growth, driven by improved commercial execution and steady services growth, both in support of our installed base and by expanding our digital solutions. We are seeing procedure volumes increasing, contributing to the rebound of our Pharmaceutical Diagnostics business and we see sequential market growth in Imaging and Ultrasound.

We're confident in the ongoing recovery here as the vaccine rollout accelerates. Our Services business continues to be a robust growth engine. Here, we're focused on delivering an unparalleled customer experience and leveraging our installed base to upgrade systems with analytics for clinical and productivity improvements. We are increasing our R&D investment to drive leading innovation across digital, AI and our platform, Edison. At the same time, we continue to drive margin expansion through continued variable cost productivity and structural cost-out. Our implementation of lean has contributed to operational improvements and free cash flow growth, a point I'll come back to shortly.

Looking ahead to 2022 and beyond, we continue to see low- to mid-single-digit growth, supported by our growing digital and AI solutions as well as hardware innovation. We see many opportunities for continued value creation in this business.

And so on the next slide, I'll dive deeper into cash flow. In 2020, we delivered over 120% free cash flow conversion, and we are expecting higher than 100% conversion in 2021 and beyond. This is an increase from prior guidance of 85% to 95% conversion. The key driver of this change is continued improvement in working capital. And we expect to improve inventory turns materially as we leverage lean tools across all of our global facilities and factories. And the benefit here, of course, doesn't stop at just cash flow, it improves customer satisfaction and employee morale. Very importantly, this increased cash flow is not at the expense of investment. We are increasing Capex and other investments to drive our top priorities - innovation and growth.

On the next slide, I want to talk about innovation. Creating the future of health care is about enabling precision health - more integrated, more efficient, and more personalized care. Making this a reality requires the integration of clinical medicine and data science and applying advanced analytics and AI across each point of the patient journey. We continue to make industry-leading breakthroughs with our new product introductions, NPIs. And of course, we're also enhancing our existing products with upgraded software and AI to enhance workflow and patient management.

I want to share 2 examples where we've delighted our customers with these innovative approaches. In 2020, we introduced a great new product in our MR business, AIR Recon DL. This is truly a breakthrough, leveraging deep learning image reconstruction technology. What that means is you get a much sharper image, but in a third of the scan time. And as you can imagine, that delivers real productivity. But equally importantly, it makes life better for the clinician and for the patient.

I'd also like to highlight a recent launch of our Mural Solution, part of our Life Care Solutions business. What Mural does is aggregate patient-specific data from disparate sources such as monitors, labs and IV pumps and places that data in front of the care team regardless of their location. And thanks to Edison architecture, we can scale that across the hospital or the health system, meaning clinicians can observe multiple patients and adhere to hospital care protocols.

Now I'd like to spend some time on how Healthcare is deploying lean. A powerful example of this can be seen at our MR manufacturing plants -- plant in Florence, South Carolina. We immersed ourselves for a week working on lean techniques with the team on the ground. And through lean, we identified bottlenecks and obstacles to on-time delivery. And what was quite extraordinary this year is seeing how implementing Kanban and working with suppliers to reduce lead times paid off. We improved on-time delivery rate by more than 90% and reduced inventory at the plant by over 20%, and we have more to go. The result is improved margins, better cash flow, and it doesn't

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just apply to manufacturing. Our product development teams are using lean methods to solve for better design and improve quality.

Coupled with our decentralization efforts and the creation of strategic business units, running our business with lean is making our teams more focused and more accountable. And lastly, looking to the future, I'm excited about the AI and machine learning technologies we're launching that are breaking new ground and highly relevant to our customers. In 2020, we launched more than 40 NPIs across Imaging, Ultrasound, Life Care Solutions and PDx. With the Prismatic Sensors acquisition, we've invested in new Photon Counting technology development to keep us at the cutting edge of CT imaging. We continue to explore new investment opportunities, organic and inorganic, that support our vision of growth and delivering precision health. In 2021, we are planning more than 70 NPIs across our portfolio as we continue to focus on investment in innovation and customer experience.

Our Edison ecosystem allows us to deploy applications right where clinicians want them in their workflow, adding clinical decision support, enabling faster throughput and addressing physician burnout. We expect our Edison power blocks to increase more than threefold in 2021.

And to close, I'm proud of the way we've delivered for our customers in what was an incredibly difficult year. While we drove strong financial performance in 2020, we still see room for significant value creation through innovation with opportunities to improve growth rates, expand margin and increase cash flow in 2021 and beyond.

I'll pass it back to you now, Larry.

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

Kieran, thank you. And I echo your thanks to the entire team for an outstanding performance as we have all battled through COVID-19. As you heard Kieran highlight, there are a lot of good things happening in Healthcare as we focus on bringing the vision of precision health to reality. I hope you took away from his remarks that this is a strong business that can become even stronger, a function of our global scale and reach, combined with our lean activity. And we'll continue to innovate, driving investments in intelligent space systems that prioritize customer and patient experiences.

So we're going to turn it over to GE Capital, and I'll turn it over to Jen VanBelle. Most of you know Jen as GE's Treasurer, leading our deleveraging efforts in the last few years. In January, we expanded her role to include being the CEO of GE Capital. Jen, over to you.

Jennifer B. VanBelle *General Electric Company - Senior VP, Treasurer & CEO of GE Capital*

Thank you, Larry. Turning to GE Capital. As announced, we are on a path to derisk the company further with the combination of GECAS with AerCap. During 2021, we'll prepare GECAS for this transition while continuing to navigate commercial aviation market pressures. We will continue to remain active in the market, providing key financing for our customers and originating accretive transactions for our balance sheet. In addition, as Carolina explained, we plan to eliminate the majority of our factoring activity. And as a result of these actions, we will decrease assets from about $68 billion to approximately $21 billion post transaction. As mentioned, GECAS will be moved to discontinued ops this quarter.

For GE Capital overall, we expect a continuing earnings loss of $500 million to $700 million in 2021, which is better than the $800 million loss in 2020. In 2023 and beyond, we expect GE Capital's remaining portfolio to be neutral to positive to GE's earnings as we simplify and right-size GE Capital's infrastructure, continue to deliver positive insurance earnings and reduce interest expense through debt reduction.

Going forward, we have clear priorities, supporting Industrial growth through strategic use of GE's balance sheet and third-party financing capabilities and actively managing risks within our run-off portfolios. Starting with EFS. Our team is continuing to create value for our Renewables and Gas Power businesses through strong capabilities and market presence in financing solutions for capital-intensive energy infrastructure projects. EFS enabled approximately $8 billion of orders in 2020 through strong global partnerships. Approximately half was done through third-party financing for customers, including $2.4 billion of export credit agency financing across 16 different deals in 10 jurisdictions. EFS will continue to be a strategic platform for our businesses in capturing pipeline opportunity, driving growth, and leading the energy transition.

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Now turning to Insurance. Our focus continues to be on minimizing risk. Our performance remains stable and in line with the 2017 rebuilt claim cost curves. In February, we completed our cash flow test and funded $2 billion in reserves in line with expectations. While we're still monitoring the impact of COVID-19, to date we have seen higher policy terminations and lower claims in our long-term care block, partially offset by higher life claims due to higher mortality. The Insurance team remains very focused on driving premium rate increases, modernizing and optimizing claim management, leveraging data science, and working to improve individual's wellness and behavior opportunities. We continue to explore ways to enhance our investment portfolio with a reinvestment strategy to drive asset turns relative to our long-duration liabilities while also diversifying risk.

Following the close of the GECAS-AerCap transaction, GE Capital will be reported as part of Corporate to increase simplification and focus. So with that, I'll turn it over to Pat.

Patrick J. Byrne ***General Electric Company - CEO of Digital Business***

Okay. Thanks very much, Jen. We have 2 distinct opportunities to create value with digital, with both leveraging our deep domain expertise in key markets. First, our GE Digital business is focused on software and service solutions for end customers. And second, our teams are deploying digital technologies to improve operational performance within GE businesses.

Starting with GE Digital, now a $1 billion business with over 40% recurring revenue and growing profitably. Over the last year, we've expanded margins and improved cash flows by applying lean principles. Going forward, we expect mid-single-digit growth in 2021. We've realigned Digital's operating structure from a single platform to one focused on vertical market solutions: Grid, Power Generation, Oil and Gas, Manufacturing and Aviation. And consistent with our broader decentralization efforts, this go-to-market strategy moves us closer to our customers.

As we refocus digital to drive impact, the energy transition represents our largest market opportunity. Jérôme spoke earlier about the Grid Automation business within Renewables. And this is a key partner with our grid software business. Together, they represent more than $1 billion and a leadership position in modernizing the grid. We're well positioned to win in this market as we accelerate innovation to support customers' efficiency and decarbonization efforts.

The electric grid is undergoing significant changes due to increased renewables penetration and increasing demands for resilience. Through digital improvements to the grid, GE is making a big impact here. Over 40% of the world's electricity is touched by our software on its journey from generation to consumption. We're seeing increased demand for real-time data on energy production and consumption in the grid. We're responding with digital innovation, for example, with our Advanced Distribution Management System where we've combined distribution management with outage management systems. This improves how customers are recovering from Grid disruptions. For example, at Stedin, a leading distribution system based in the Netherlands, we're providing industrial software solutions to forecast power flow. This allows us to manage increasing renewable energy generation levels. Our solutions provide stable renewable power to customers while reducing carbon and costs, all in support of the energy transition.

On the next slide, digital is also supporting GE's businesses from manufacturing to services in support of our operational transformation. We're harnessing the combination of digital and lean to improve our own operations and create value for customers. For example, within our Renewable Service business, we're deploying our digital technologies and data to facilitate next-generation digital inspections on wind turbines. We're using AI-assisted digital inspection software to predict potential blade failures. Through this technology, we avoid severe issues and enable safer, more effective service delivery. Early detection of emerging issues is driving transactional service growth while increasing productivity and lowering warranty and service costs.

We're also increasing the accuracy and reach of inspections since they are based on automated digital techniques, while creating a more efficient repair process. We've applied lean tools to determine the highest value work and new process flows in service delivery, and these have helped us further reduce cycle time and expand the use of digital in these operations.

We're now deploying these capabilities in the field, training inspectors in Latin America and North America, and this has allowed us to double inspection effectiveness.

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As I move to the next slide, I'm pivoting to summarize our lean work at GE as part of my other responsibility of GE, of leading lean transformation. The common theme in each of the business presentations you saw earlier on lean is to increase the value for our customers, for our shareholders, and employees through better problem-solving and waste elimination.

In 2020, we trained hundreds of teams and thousands of employees on structured problem solving, and we applied it to real business problems. This is how we are building lean practitioners in all parts of the company.

In 2021, we are running our nearly 30 P&Ls and executing strategies with our core lean toolkit. As Larry mentioned, it's early, we're already seeing the benefit. You heard several examples of this in the business presentations today. We've shown lean at work in every part of GE. Our frontline teams are driving improvements in safety, quality, delivery, and cost as daily practitioners of the lean tools.

As we continue to scale across our plants and with our P&Ls, millions of dollars in cost and inventory reduction and margin improvement will become hundreds of millions at scale. I'm really excited by the impact our teams will have in 2021 as we accelerate our lean transformation.

Now over to you, Vic.

Victor R. Abate ***General Electric Company - Senior VP & CTO***

Pat, thank you, and I'm excited to talk about GE Research. Our strategy is developing technology to differentiate our businesses by investing in R&D for the longer term. We pivoted our research center towards a more contemporized model that's externally facing and market tested, enabling us to double our externally funded research, as you can see on this chart.

Our focus is aligned with GE and the science and technology priorities of the U.S. government, targeting areas in energy, health care, and flight. Over the past 2 years, we've secured over $500 million in government grants, positioning us well for future innovation, collaboration, and growth.

In support of the energy transition, which we've heard a lot about today, we've recently secured a $20 million Department of Energy grant for the development of the world's largest and highest power density offshore wind turbine, which utilizes superconducting generator technology. We also won a $14 million DARPA grant to utilize advanced additive manufacturing technology in conjunction with solid sorbents to remove water molecules from the air. This innovative technology platform is now being leveraged in $1 million DOE grant to capture and remove carbon directly from the atmosphere.

So with this model, our business units can more cost effectively drive their advanced technology and disruptive agendas in the near-, mid- and far-field time horizons, really a strategic advantage in our long-cycle, high-tech industries. This is visible as well in the future of flight, where you heard from John, where we're applying robotics and advanced material coatings, aimed at increasing time on wing in today's fleet, but we're also working with NASA and RPE to develop and demonstrate hybrid electric flight. Technology, we believe, will support the aviation industry's mission to decarbonize.

Well beyond the more obvious financial benefit, this strategy has transformed GE Research into a market-tested model for ideas and innovation. And it's also placing us at the center of many of the world's most technically advanced use cases and challenges. Leveraging our multidisciplinary research lab and our leading industrial business units, I believe, GE is poised to bring the best of these technical advancements to market at scale.

So with that, I'll turn it back to you, Larry.

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

Vic, thank you. And Pat and Jen, thanks as well. Before we go to Q&A, let me just wrap up here, appreciate you staying with us for the entire presentation, with just a few closing thoughts.

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Thanks to an exceptional team, we have built a strong foundation that is supporting continuous and I think lasting improvements at GE. By sustaining and building on these efforts, we're better serving our customers, and we're strengthening our company with a deep focus as you've heard throughout the morning on safety, quality, delivery, and cost.

As we scale lean across the organization, we're embedding humility, transparency, and focus in everything that we do. I'm proud of the progress we're making. We have momentum, and we intend to build on it.

I'm confident in our ability to unlock the upside potential at GE and deliver value for the long term as we focus on sustainable improvements in growth, cash and profit, which, in turn, will lead to high single-digit cash flow margins at GE over time. And with the GECAS announcement this morning, we're on a path toward a more focused, simpler and stronger GE. We're excited about the strategic opportunities in front of us to lead in the energy transition, to help our customers deliver precision health, and to define the future of flight as we rise to the challenge of building a world that works.

Thanks again for joining us this morning, and we will go to Q&A.

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

Great. (Operator Instructions) So Brandon, please open the line.

QUESTIONS AND ANSWERS

Operator

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

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

Larry, I guess, one thing that stood out on Aviation, both on the slides and some of your commentary, is this notion of deferral. So I appreciate the shop visit chart that you put in there, showing, I guess, a rough return to '19 levels in 2023. If that chart went a few more years out, would we essentially see kind of the -- that shop visits that were scooped out of '20 and '21 be added on? Or is the expectation that we sort of stay at those levels? Because I guess pre-COVID, you would have sort of stabilized there. Is the expectation now that you can go higher post '23 with those deferrals?

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

Hey, Josh, before we hand it off to Larry on that question, we've got Russell on the phone. So why don't we actually go to Russell first, who's the expert in this, and then we'll go to Larry.

Russell T. Stokes ***General Electric Company - President & CEO of GE Aviation Services and Chairman of GE Power Portfolio***

Hey, Josh, thanks for your question. The dynamic that you're referring to has been, I'd say, really kind of happened associated with a couple of different things, one of which, as I mentioned, is this green time phenomenon, where given the available capacity that our customers have and their relative fleets and a lesser level of demand, they've been able to defer shop visits by moving assets around inside their fleet, not flying older assets that might be ready for shop visits right now and utilizing younger assets that may have shop visits out into the future.

What you're starting to hit on, though, is as we look out beyond '23, we do think that this is going to continue to ramp as those engines that were deferred, assuming you get back to the same demand levels that you were at the beginning of 2019, that they are going to need to refresh those assets to be able to utilize them to support their customers and their respective growth. And so we do see it increasing after 2023. And then we expect that it will level out towards the back end of the decade. But that dynamic that you're seeing, we are seeing as well.

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

Hey, John, anything to add on your side?

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John Stephen Slattery ***General Electric Company - Senior VP and President & CEO of GE Aviation***

Yes. Just complementing what, Steve, what Russell said. Just to help frame it out, we expect the narrow-body departure levels to get back to 2019 levels by 2023. Widebodies, as I mentioned in my opening remarks, will come in a year later in 2024.

But Russell chatted a lot about the green time phenomenon. Green time kind of goes away when airlines get to about 90% or even 85% utilization, which, in fact, on the narrow-body side, could happen even 12 months earlier. So you could see narrow-body departures at 2019 levels, 90% of those levels by 2023.

So I think the other part of what we would say, Josh, is -- and both Russell and I hinted at this, we're certainly planning for the uptick as it's coming back, notwithstanding the right-sizing that the organization has gone through to bring those costs down, certainly last year and the ruthless reality of the market. But whether it's the long lead time items - bearings, castings, forgings - or the softer lead time items on human capital, we're ready for the uptick even if it happens in 2022 or as we start to see it potentially even at the second half of this year.

Operator

From Deutsche Bank, we have Nicole DeBlase.

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

So I guess maybe focusing on 1Q. We're pretty deep into the quarter at this point. So I guess any comments you guys would have on how things are trending relative to your expectations? And in particular, as we think about the full year free cash flow guidance, 1Q, keep in mind, 1Q is typically like a quarter of pretty substantial cash burn. So any commentary around how 1Q cash flow is shaping up relative to normal levels of cash burn?

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

Sure. Carolina will take that.

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

Nicole, yes, you're right. With our seasonality, we usually had a big cash burn in the first quarter. And if you look at first quarter of 2020, that was certainly the case.

What we see in first quarter of 2021 is that we see significant improvement, but we still expect it to be down. And we do expect to see similar seasonality in 2021, as we would have -- we have a stronger second half and specifically, fourth quarter. So we expect to see that while continuing to improve our seasonality and work on that.

Operator

From Vertical Research, we have Jeff Sprague.

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

Maybe just kind of picking up on cash flow from a different angle. Carolina, you talked about the kind of pulling down on book factoring, but you're not going to 0. And it sounds like there's some off-book dynamics that might be happening. So can you just clarify where you're headed for factoring? Is it going to net 0 looking out some years in the future?

And maybe just as a second part of that question, I appreciate the segment level cash flow forecast. Can you give us a view of what the Corporate cash outflow will be in 2021 as part of the guidance?

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

Okay. I almost forgot the first question now.

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

Factoring.

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

Yes. Speaking of factoring, what I mentioned in my remarks is that today, we have a book of around $7 billion of factoring. Out of that, we are actively taking down $5 billion, and that -- most of that is on book.

And your comment on the cash flow is that what you will see is when we do that in that quarter, you'll see a significant decrease in cash flow. But we will show that separately, and we will adjust it out of our free cash flow number.

And when you talk about it longer term, I would say there is a level of factoring that is effective and efficient for our businesses. And sort of being on the level of $2 billion, that is what we see now, is an effective level for us going forward. But we'll continue to evaluate that as we go.

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

And before we go to the Corporate cash question, Jen, any color you'd like to add?

Jennifer B. VanBelle ***General Electric Company - Senior VP, Treasurer & CEO of GE Capital***

I would just -- I agree with Carolina on the $2 billion remaining factoring. It's an efficient form of alternative funding. It's inexpensive, particularly in trade receivable securitization structures.

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

And Carolina, on the cash -- Corporate cash comment?

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

So on Corporate, we do expect to continue to reduce our cost in Corporate slightly in 2021. And then you have some puts and takes in that, which will also show through in the cash flow.

Operator

From JPMorgan, we have Steve Tusa.

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

So you guys mentioned that, I guess, you said $4 billion to $5 billion from unwinding the receivables here. So I guess like the reported cash is going to be negative. How much of a -- I guess, for the adjusted number, how much of the -- of a positive will then that kind of adjusted receivables number actually be? And then when you look out to kind of the -- I guess, we're using an adjusted working capital number now, when we look out to kind of 2022, how do you see working capital trending on an adjusted basis in 2022?

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

Steve, I have to admit, I'm not sure I follow all of that, but I think what we're reiterating today from a free cash perspective for the full year is the $2.5 billion, $4.5 billion range that we talked about. In concert with the AerCap transaction, we've got a number of debt reduction moves that we're going to make, particularly as we go to single column reporting. And that really is what triggers the factoring -- the additional factoring reduction that we talked about, Carolina and Jen talked about a moment ago. We will pull that out because it is, again, onetime in nature is this once-in-a-lifetime combination of the 2 balance sheets and the income statements come together. But on a go-forward basis, clearly, what we're doing from an operating perspective, as we've outlined and is incorporated in the guide, is really what I think people should focus on relative to our ability to drive cash over time.

Operator

From Ransom Research, we have Cliff Ransom.

Clifford F. Ransom ***Ransom Research, Inc. - Founder and President***

I'm having a small problem with my phone. Can you hear me, please?

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

We can hear you very clearly, Cliff.

Clifford F. Ransom ***Ransom Research, Inc. - Founder and President***

I'm in a positive case and ask you to comment on it. I'm obviously highly positive about the prospects of lean transformation at GE. And I know that some of those techniques were espoused by Jack and Jeff. But when they talked about it, it was always on tools. It was never on the full process.

I think that I -- from my purpose is I think GE's real implementation to May of '19 when you had your President's Kaizen at Power. You didn't really complete your management transitions until the beginning of 2020, at which point the world got whacked by the plague.

So the question, sorry for the long-winded intro, is that as always the case with lean transformation, the benefits of cultural change and for over a series of years, can you share with us your impression of what GE would look like had you not put the power of the Chairman and CEO behind this transformation? What would we be facing today had you not done that? Not irrespective of the plague, but what kinds of concrete guidance can you give us?

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

Cliff, as you know, I'm not good with hypotheticals. All I know is from the first time I had the opportunity to get in close to the business, there was ample opportunity in every conceivable way for lean principles to drive better performance and ultimately, transform the culture. We've got a number of things going on. I think what you heard referenced through the course of the morning, I think, is evidence that some of the early work that did start perhaps, in many respects, with that Kaizen we had with many of the people on the call here back a couple of years ago in Greenville.

But interestingly, as we sounded the lean siren, there were a lot of people across the organization who, I think, are high-quality lean practitioners who came running looking to help. So part of what you see, I think, in the remarks this morning is evidenced that, that is really gathering momentum.

It's early. But if you had an opportunity to spend February the way I did, putting aside this morning's little project for a moment, I mean, the operating reviews really just bled wonderful examples of real lean. Not lean in terms of a PowerPoint, not lean in terms of Kaizen counts, but teams getting in close to the work, driving improvement, identifying problems, trystorming and ultimately having impact. As you all know, Cliff, this is a long journey in front of us, but I'm encouraged by the gathering momentum.

Operator

From Oppenheimer, we have Christopher Glynn.

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

Chris? Chris? Brandon, why don't we come back to him?

Operator

Sure. From G Research, we have Justin Bergner.

Justin Laurence Bergner ***G. Research, LLC - VP***

Just to start. On the gross debt bridge at the end of 2021, I was trying to sort of think about it from an inflows and outflows point of view. And $24 billion coming in from GECAS and $30 billion going out for debt reduction; $4 billion for debt maturities, other; and I assume $2 billion for insurance. That would suggest that cash would go down by $12 billion, which is what your '21 post close of $25 billion of cash versus the $37 billion, including the capital cash at year-end '20.

But aren't you going to also have $2.5 billion to $4.5 billion of free cash flow? So why wouldn't your cash position or debt position look better at year-end '21? Am I missing something?

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

Carolina here. Yes, there are a couple of puts and takes into this. What we also have into this is the cash that we would use to buy back the debt. And the market price of that is also included and some other smaller ups and downs because this is including our whole 2021 guidance, where we talked about $2.5 billion to $4.5 billion positive. And this is assuming the mid-range of that.

Operator

And from Oppenheimer, we have Christopher Glynn.

Christopher D. Glynn ***Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst***

Sorry about that. Corrected my mute situation. I have a question just generally on your view of long-term capital intensity, touching on a few things. Slide 14, you had $10 billion to $15 billion out-year cash balance. So wondering if that $10 billion is kind of a view of the reasonable floor level of cash to run the businesses. And if we should think about the path to discretionary cash is tied to reaching the 2.5x leverage?

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

Carolina here again. So you probably remember from the fourth quarter, we talked about that we have reduced the need of cash to run GE, and we're down to $13 billion. We do expect that with the actions that we're taking that will continue to decrease. But for this purpose, we've shown between $10 billion and $15 billion range.

Operator

From Bank of America, we have Andrew Obin.

Andrew Burris Obin ***BofA Securities, Research Division - MD***

Just a follow-up question, Larry. A lot of questions we're getting from people of you cleaning up the balance sheet. And how should we be thinking about you guys finally playing offense? At what leverage level do you start getting strategic flexibility to do something to start growing the company through capital redeployment?

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

Well, Andrew, I think when we use that term internally, we're really focused first and foremost on what we're doing organically. And we talked a little bit about that. You hopefully saw some good examples through the course of the morning's presentations.

I think part of what the transaction that we're announcing this morning really does is sets us on an accelerated path toward being a far better capitalized company, which then, in turn, will allow us to play offense from a capital allocation perspective. That's still, I think, a couple of years down the road, though. As you saw, as Kieran mentioned, we are in the market for some smaller investments. And we're excited we were able to do one with Prismatics in his business at the end of last year.

I think as we go forward, again, very focused on making sure we continue and see through the deleveraging commitments that we've made. But gradually, you're going to see us, I think, spend more time on an array of different capital allocation options to create value. I think I've said for some time that much of the work that we're doing here is really about creating those sorts of strategic options for us.

Today's news is, I think, incredibly important in that regard, not only in terms of marking an -- marking the transformation of our company into a focused industrial play, but also setting us on a path so that we've got a balance sheet where we can really entertain those questions as practical ones rather than as theoretical considerations. So we're excited about that. Stay tuned.

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***

One for Dan and Scott, if I may. Specifically on the restructuring within Steam Power, you highlighted that the total cash impact in '21 is somewhere in the range of $600 million to $700 million. What's the end game here? Sort of like is that fixed cost adjustments that you're doing? If so, how much of that do we get as a benefit on the other side here, 2022 and later?

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

Great. Let's go to Dan first. And then I guess, Markus, not sure that your second question was for Scott, but let's try to keep Markus in the queue here so we can get that question. Dan?

Daniel Charles Janki ***General Electric Company - Senior VP and President & CEO of Power Portfolio***

Yes. Markus, thank you. A couple of things there. First of all, let's talk about the 3 pieces of Power Portfolio. First, Nuclear, as I mentioned, high single digit, good cash conversion. Power Conversion, expected to be profitable this year. Cash will follow that performance.

So you really get back to the heart of your question, which is the Steam business and its investment as we exit the Coal business. And it's really split between those 3 elements.

We have restructuring. That's multiyear. We think that's over 2 years, '21, '22, based on the proposed plan. We're certainly in consultation over that now as we speak and going through that process.

And then you have the other 2 components, which are really legacy legal settlements related to Alstom that really get closed out substantially this year. And then the project close out is really the burn of the factoring -- not of the factoring, the progress collection, sorry, on the back end of executing those projects and the unwind of that. So you really enter 2023 with the Steam business, where you're approximately $3 billion when we expect it to be profitable and generate free cash flow.

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

Great. Markus, are you still connected?

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

Yes, I am. Yes, I am. No, it was really for Scott or Dan. It was not and.

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

That was it. That was it. Okay. Great. Great. Great. All right.

Operator

From Goldman Sachs, we have Joe Ritchie.

Joseph Alfred Ritchie ***Goldman Sachs Group, Inc., Research Division - VP & Lead Multi-Industry Analyst***

So my question is actually for Jerome. So just on the Renewables piece of the business, you talked about the Onshore piece being mid-single-digit margin, solid free cash flow conversion.

I guess 2-part question. Solid free cash flow conversion, like what does that actually mean? Is that -- are we talking about like 90% type conversion? And then as you think about your ramp in -- on the Offshore side of the business in 2024, what will the free cash flow look like for the offshore piece of the business?

Jerome X. Pecresse ***General Electric Company - Senior VP and President & CEO of Renewable Energy***

Thanks for the question. So for the Onshore Wind, I mean, strong simply means something like 100%. I mean, there is no reason that our Onshore Wind business at large can't get to 100% free cash flow conversion.

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I would just say with one note of caution, over a cycle. We have seen last year that you can have significant working capital swing from 1 year to the next depending on payables timing, when, for example, things like the PTC cycle are peaking. But I would say, over the next few years, 100% in average seems a good proxy for our Onshore Wind business.

For Offshore Wind, when we get to the kind of $2 billion, $3 billion run rate, I would say we get here to the same kind of conversion rate but with a strong lumpiness on payments. So that's why it's probably over a cycle here also that you need to look at it. I mean, you can have a year with big down payments for a few projects and then execute the following years.

Operator

From Morningstar, we have Joshua Aguilar.

Joshua Aguilar ***Morningstar Inc., Research Division - Equity Analyst***

Can you hear me?

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

Yes.

Joshua Aguilar ***Morningstar Inc., Research Division - Equity Analyst***

Can you hear me?

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

Yes, we can.

Joshua Aguilar ***Morningstar Inc., Research Division - Equity Analyst***

Okay. Great. I mean, I think first one, Larry, we've obviously seen the contractual term as part of your agreement. Does that preclude you from staying longer? And I was finding a general way to ask that.

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

Relative to my time with the company?

Joshua Aguilar ***Morningstar Inc., Research Division - Equity Analyst***

Yes, correct.

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

No, I serve at the Board's pleasure, and I was gratified that they wanted me to stay longer, witnessed the extension last summer. But I'm having a blast. We've got a lot to do, important work. It's a tremendous team. We're hard at it and hopefully will be for the foreseeable future.

Operator

From Wolfe Research, we have Nigel Coe.

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

So just on different terms, to pension and the leverage number. For the year-end '21, for Carolina, the year-end '21 number. I just want to confirm you're using the year-end 20 pension deficit calculation. So you're not baking in the rate changes since year-end.

And then I think the prefund you did in 4Q last year basically takes funding off the table until '23 in terms of [manage] funding. I'm just curious what the changes proposed in the stimulus plan, what that might do to your funding plans for the next 5, 10 years.

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

Yes. You're right. With the pre-funding we did last year, $2.5 billion, we are funded at least until 2023. And when it comes to regulatory changes going forward, we follow that closely, and then we will see how that will impact. Of course, interest rates impacts, but it impacts both the assets and the interest rates. So more to come, I will say.

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

Jen, do you have anything to add on this one on pension?

Jennifer B. VanBelle ***General Electric Company - Senior VP, Treasurer & CEO of GE Capital***

No. It was just same thing as Carolina just said. We haven't baked in any improvement in discount rate. It does include about $1 billion of improvement in the deficit as a result of our service costs coming down due to the pension freezes that we've implemented.

Operator

From Barclays, we have Julian Mitchell.

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

Maybe just a follow-up question on Aviation. I understood the commentary around those shop visits getting back to '19 levels in 2023. I mean, is that roughly when the free cash flow at Aviation could get back to those old peaks as well? Or do you think that's further out for some reason relating to working capital or something else perhaps? Just trying to understand what kind of slope of free cash flow improvement Aviation can get.

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

Julian, thanks for that. I think we're going to go to John for that one.

John Stephen Slattery ***General Electric Company - Senior VP and President & CEO of GE Aviation***

Look, I would -- Julian, I would say that we're confident of getting back to the $4 billion-plus free cash flow over time as the market recovers. And free cash flow will come back quicker than the op profit. So as we apply our lean to the working capital, and of course, the CSA billings are coming in ahead of shop visits.

The pace of the recovery in the aftermarket, singularly, that's going to be the biggest driver for free cash flow beyond 2022. We continue to be confident in our guidance that we will be at or above the historical norms for conversion. We -- this year alone, we're comfortable that will be in excess of 100%.

But this is a function of the market playing out -- the aftermarket playing out. So as we follow those trends, we're hopeful that those free cash flow numbers of $4 billion plus in the first instance before we ramp up beyond that, that they will follow the growth in those departures as we get back to those 2019 levels, hopefully, as I say, on the narrow-body side in 2023 and the widebody side a year later.

Steven Eric Winoker ***General Electric Company - VP of Investor Communications***

So everybody, we are at the bottom of the hour. I recognize there's a lot of material that was covered today, a lot of actions with GE. You can hear the team. We're all excited about this. I know it's going to take a while to work through these.

In IR, we are available to help you through that process. Please be patient with us, given the amount of inbounds that we're getting today. But over the course of the next few days, my team and I will endeavor to reach out and help all of you understand what's going on and why we're so excited about this.

So thank you for your time. Excited, hopefully, for next year in person, and I appreciate all the business leaders and Carolina, Jen, Larry, in the room with me, thank you very much. Everyone, have a great day.

Operator

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

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