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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the GE outlook. (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 Communications. Please go ahead, sir.

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

Thanks, Brandon. Good morning, all, and welcome to GE's Outlook Call. I'm joined by our Chairman and CEO, Larry Culp; CFO, Jamie Miller; GE Vice Chair and Aviation President and CEO, David Joyce; and Gas Power CEO, Scott Strazik.

Before we start, I'd like to remind you that the press release, presentation and supplemental have been available since earlier today on our investor website. Please note that some of the statements we're making today 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.

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

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

Steve, thanks. Good morning, everyone, and thank you for joining us. We've got a lot of ground to cover this morning, so let's go ahead and get started. Today, we'll take you through where we are and what you can expect from us in 2019.

First, let me tell you how I propose the outlook with our team. It's really been about getting into the granular operating detail with each of our businesses. Bottoms up, if you will. We will continue to share information about our company as we have a clear view of it. It's that simple. I think you've seen this in our recent communications, including a simpler 10-K that includes more detail and the Insurance Teach-in we held last week. That approach will continue today and going forward.

We are working diligently to return GE to a position of strength, and I am confident that we will do that. This is a team that is very mindful of where we are. We do not need any convincing that we can and should be better. We're determined to do the hard work of running this company differently over time. We have leading technologies in growing markets and will spend some time talking through the environment in those markets in a little bit.

Our vast and valuable installed base keeps us intimately involved with our customers. And let me assure you, having spent a lot of time with them, that our customers are rooting for GE. These relationships and the scale of the network GE has built around the world continues to be a unique competitive advantage.

We also face a number of challenges, and let me touch upon 2 of the largest. First, simply put, we have too much debt, and we need to reduce it thoughtfully and quickly. We have taken meaningful steps here, such as the recently announced Biopharma deal, which are putting GE on firmer financial footing. Second, at Power, as we described to you on our last earnings call, we understand the root causes of our underperformance in 2018. We continue to adjust to market realities, move past some nonoperational headwinds and improve on our execution issues.

It's clear that we have work to do. Some of it, including the day-in and day-out work of improving daily operations and how we manage cash, will take time to be reflected in our financial results. But it's work we can do. From the outside, it might be harder to see, but as someone who has spent the last 5.5 months conducting a dispassionate analysis into every corner of GE, it's as clear as day to me.

And I should add the story is not just about Power. I'm encouraged because we have leading products and technologies in each of our businesses, and we see an opportunity to manage them better. We have significant upside, especially on cash conversion over the long term. Last year, our 4 industrial businesses collectively yielded mid-single-digit cash on sales. Strong businesses like these can all be better cash generators. You'll hear about Aviation from David in a few minutes, but that is a business with solid cash flow yields. Healthcare, too. Both businesses are robust and where we should expect continued healthy cash flow conversion.

Make no mistake, though, even these businesses have an opportunity to drive higher cash flows over time. While Renewables is free cash flow negative this year, as I look at the underlying operations in the broader industry, there is no reason to believe that this business shouldn't yield much better cash returns longer term as we lead it out. Power is more challenging, but even there, we should expect significantly better cash yields over time as operational improvements take hold.

All in, I have confidence that our industrial businesses in aggregate should yield cash on sales more than double last year's levels over the long term. But there is a lot of ground to cover before we get there.

Before we turn to our 2019 plan, let's discuss our starting point for 2018, which incorporates the actions we've taken to date to create a simpler and more focused GE. Our goal today is for you to come away with an understanding what drives our outlook for this year. Some of the key assumptions for 2019 modeling purposes, including Transportation moving to discontinued operations in the first quarter; Biopharma, included as part of the Healthcare business for the full year with the separation not in the forecast; and BHGE consolidated for the full year. In addition to this, our segment reporting remains unchanged for now. We will continue to report total Power, comprising the Gas Power and Power portfolio businesses, together, and the realignment of Grid and Digital will be completed later this year. As these items change, we will provide updates to our outlook.

Turning to our 2019 expectations, you will find our high-level targets on left side. We'll provide more context as we go through today's presentation, but let me spend a moment on some of the key drivers and variables.

First, the drivers. Underpinning our plan is our execution in Power and its return to profitability, which Scott will speak to for Gas Power in a moment. We see continued strength in our Aviation and Healthcare businesses as well as some headwinds for Renewables between progress, JVs, and tariffs. And we have planned for the loss of earnings from dispositions.

In terms of the variables we are managing, we are improving our execution on projects, but we recognize some variability in the costs to deliver on them. The timing of transactions, including Biopharma, asset reductions at GE Capital and the sell-down of our BHGE stake, also create variability in our financials as does the pace and execution of our restructuring plans. And we continue to monitor our insurance reserves as part of our annual GAAP and stat testing process.

Let me add that as we give our forecast for the year with our large equipment-focused businesses, there is significant variability quarter-to-quarter, such as the timing of progress payments and project milestones. Combined with the decisions we are making on nonoperational matters, you should expect the variability to continue. And this is why we believe that our results are more meaningful to look at on an annual basis. That said, we have made assumptions for each of these items, and we are confident that we have captured the large operational and nonoperational drivers for the full year.

I'd also note that if you want to think about walking to GAAP EPS, we called out the 2 biggest components below the adjusted number: a restructuring expense of $0.22 to $0.25 and Industrial non-operating benefit cost of approximately $0.21 to $0.23. Of course, GAAP will likely be impacted significantly by some of the larger portfolio items we've called out, including our sale of Biopharma as well as the potential stake reductions in BHGE and Wabtec. Those large moves make adjusted EPS a better guidance metric to look at for this year in our opinions.

You'll also recall that 2018's first quarter Industrial free cash flow was negative $1.7 billion. In line with our commentary about 2019 being negative overall, we expect our first quarter to be down significantly versus 2018. This also holds true for EPS, which will be down significantly year-on-year. As we think about 2019 as a whole, we view it as a reset year. Importantly, we expect Industrial free cash flow to return to positive territory in 2020 and accelerate thereafter in 2021.

So just how do we make that happen? Our priorities remain the same: to improve our financial position and to strengthen our businesses. First, we are making our balance sheet healthier. We are measuring our progress through our stated leverage targets at both GE Industrial and GE Capital and expect to make significant progress against those targets by the end of 2020. We've already accelerated several portfolio actions, and we are committed to running the company with a higher cash balance and less reliance on short-term funding. That is priority #1, and we've made a lot of progress.

I have recently been spending the majority of my time on priority 2: strengthening the businesses, starting with Power. There are several actions we are taking across the businesses and at corporate, but it comes down to 3 guiding principles: first, put customers at the center of everything that we do; second, manage for operational performance first; third, set fewer and more impactful priorities. When Scott jumps in here shortly, you'll get more detail on what these principles mean in practice at Gas Power.

So with that backdrop, we expect significant improvement in Industrial free cash flows in 2020 that will take us positive for that year, GE Capital net income to be breakeven by 2021 and significantly lower corporate costs by 2021. All of our actions come back to our 2 main priorities, and in pursuit of those, we are making long-term decisions designed to reduce downside risk and increase upside optionality.

With that, I'll turn it over to Jamie to discuss our leverage and liquidity.

Jamie S. Miller ***General Electric Company - Senior VP & CFO***

Thanks, Larry. We remain committed to our financial policy of targeting a rating in the single A range and an Industrial leverage ratio of less than 2.5x net debt to EBITDA as well as maintaining a high cash balance. Deleveraging both GE Industrial and GE Capital is a top priority for the company, and we have significant sources to achieve our stated goals. These have different business models and capital structures, and therefore, we analyze their leverage separately.

Starting with GE Industrial. Our target for leverage remains at less than 2.5x net debt to EBITDA. We ended 2018 with net debt of $55 billion and have approximately $38 billion of sources available from the Biopharma sale as well as our stakes in Baker Hughes GE and Wabtec for deleveraging and derisking the balance sheet. Our known deleveraging actions are listed on the right-hand side of the page. In 2019 and 2020, we expect to pay down approximately $12 billion of the GE Capital intercompany debt as well as commercial paper and maturing long-term debt. We will also use some of the cash proceeds during 2019 and 2020 to support GE Capital, which we expect will be approximately $4 billion in 2019, and our current dividend payment. We expect to take further deleveraging actions to bring our ending net debt to less than $30 billion.

Along those lines, we are currently evaluating debt tenders, pension funding and other actions as alternatives. We will evaluate and prioritize based on economics, risk mitigation and achieving our optimal capital structure. As we execute the orderly sell-down of Baker Hughes GE and Wabtec as well as the Biopharma close anticipated in the fourth quarter of 2019, we will update you on those decisions as they unfold.

Next, at GE Capital, we evaluate our leverage and capital structure here separate from GE Industrial. We are targeting a debt-to-equity ratio of less than 4x, and we have a plan to reach this by the end of 2020. We ended 2018 with debt of $66 billion. We have more than $40 billion of sources, including our year-end 2018 cash of $15 billion, remaining asset reductions, the intercompany loan repayment from GE and 2019 estimated capital contributions from GE. These sources are intended to be used to fund approximately $25 billion of debt maturing in the next 2 years, the $1.5 billion WMC FIRREA settlement and approximately $2 billion of required annual statutory capital contributions to the insurance business. This results in a forecasted ending 2020 cash balance of at least $6 billion.

Beyond 2020, we anticipate funding any capital or liquidity requirements, including insurance requirements or strategic options, with a combination of GE Capital earnings, liquidity, additional asset sales, debt issuance and GE parent support. We also have no plans for long-term debt issuance until 2021 and no plans for commercial paper usage going forward.

Now I'll turn it back to Larry.

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

Thanks, Jamie. Before I ask Scott to provide an update on Gas Power, I'll give you an overview of our Power business and our expectations.

First, as I've said before, Power is in a serious turnaround mode. This is not going to be quick by any stretch. We pointed to 3 root causes of our performance on the fourth quarter earnings call. One, we were slow to embrace market realities, and as a result, we were slow to address our cost structure. Two, there are a number of nonoperational headwinds or what we call inheritance taxes that we need to pay off, legacy legal obligations, some of which are rooted in the Alstom acquisition. And three, execution. At Power, it has been undermanaged over the last couple of years.

While Scott will talk to our plan in Gas Power, please note that when we say Power, we're referring to both Gas Power and our Power Portfolio, which Russell Stokes runs. I'd talk to that business after Scott finishes. Both teams are focused on driving improvements on a daily basis, as well as our cash restructuring efforts. We are also working to improve pricing and execution of new projects from a commercial execution perspective, which Scott will address further.

Looking at 2019, we expect Power's revenue to be down high single digits versus last year, while the business returns to profitability with positive segment margins. This is largely driven by the HDGT new unit margin expansion and increased transactional services profitability. Free cash flow will be down from a negative $2.7 billion in 2018 due to progress collections headwinds, increased project costs and restructuring, which we will cover in more detail soon. While this is a multiyear journey, 2019 is a critical step.

And with that, I'll pass it to Scott.

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

Thanks, Larry. To start, the new unit gas market is substantially smaller today, stabilizing at 25 to 30 gigawatts per year. And despite the fact that total power generation is approximately flat in the developed world, gas power generation is growing in the developed world and globally as the existing installed base runs more because of coal and nuclear retirements and the need to levelize Renewables.

Clearly, the last 2 years have been very difficult for this business financially. What I want to emphasize is that we know how we got here. We acquired capacity on the wrong side of the market and need to rightsize this business for today's reality. The formation of a streamlined Gas Power business will be a catalyst to accelerate our progress here. We were distracted with the Alstom integration and Aero into our legacy Heavy-Duty Gas Turbine business. And that impacted our performance, especially with the transactional booking services. And we fundamentally undermanaged this business. And where that is most apparent is with our project execution and our ability to elevate risk quickly to fix them versus allowing small problems to grow into big problems. More importantly, we know how to fix these, and we're on early in a multiyear journey.

We are also underwriting the business financials with more conservative commercial assumptions. A year ago at this time, our equipment plan was less than 2/3 in backlog. Today, our equipment plan is 100% in backlog. We have the building blocks to move forward from here: largest installed base in the world; HA product strength, with 86 turbines ordered; track record of creating value for our customers, and we have to get back to our roots. We have a team I'm proud to lead, a team that can perform better than we have and also a team that is committed and focused on turning this business around. As Larry said, 2019 is a critical milestone as we gain confidence into 2020 and beyond.

On the markets at large, we are stabilizing at 25 to 30 gigawatts per year with puts and takes across the regions, more headwinds in the Middle East and stability in the Americas, for example. Our key objectives here: size the business for the new reality with $800 million of cost out the next 2 years and win the right deals with the right partners and execute. We reached for volume share in the past and have reset our underwriting expectations with a more disciplined approach, pulling the operations team closer to the front end of the business. We now have regional leaders that own commercial through project execution. In the past, those are 2 distinct organizations so the selling team would hand off to a distinct operations team. No more. The same regional leader that advocates for a deal owns the execution of the project.

We've centralized how we select EPC partners for greater accountability and visibility. We have added an explicit workout team for our tougher projects with an expectation to the regional teams to elevate risk sooner than later.

I give a number of examples here intentionally to reinforce that we intend to overmanage, not undermanage in project execution. We don't forecast anything close to perfection in our '19 or '20 budget in this regard, but we do expect substantial improvement off '18 in which we incurred greater than $1 billion in costs associated with project execution and our HA 9FB blade issue. On the right-hand side is a different market dynamic, with growth in power generation from Gas of about 2% per year over the last 5 years and projected going forward.

Key objectives. Daily management of our $54 billion CSA backlog. We have 700 CSA contracts with approximately 1,700 gas turbines. Planning out each and every outage 18 months in advance to deliver for our customers is in focus.

Cost productivity. We have a healthy pipeline of opportunities with high confidence to achieve $200 million to $300 million per year in net cost productivity. This productivity is important because we do have pricing pressures that we need to proactively manage across the fleet, and we intend to. The HA group upcoming, their first major outages start in the 2020s, and that will help.

Performing better on the transactional book. Last year was about regrounding ourselves in the fleet at large, how are the machines running and the timing of selling and servicing opportunities.

Better underwriting discipline. We changed the sales team incentive last year and saw 5 points of margin accretion on '18 orders versus '17. Now we are refocusing our fulfillment centers to deliver faster for our customers. We have more work to do here.

Finally, we will continue to be opportunistic on selling upgrades into the fleet, less F-class AGPs per output, more diverse set of solutions for customers navigating a complex power system.

So in summary, we are resizing the business for today's reality while resetting the operational expectations of the business substantially. We have 4 distinct profit pools within our $13 billion revenue businesses. Equipment has $3 billion in revenue, which we expect to remain flat with 40 to 45 Heavy-Duty Gas Turbines per year but expand margins after a tough 2018 in which we lost a substantial sum of money. The keys here include proactively daily management of the existing backlog and partner projects. We talked about a number of actions in the prior slide executing on the HA 9FB blade refleeting, which is on schedule and cost to date; and reinvigorating our focus on variable-cost productivity in which we see areas of opportunity.

Contractual services has $4 billion of revenue covering approximately 1,700 gas turbines in the fleet. We project reasonably flat revenue and margins going forward. Outages in '19 will be up 2% versus '18, and we expect HA outage mix will continue to grow and help us in 2020 and beyond.

Transactional services also has $4 billion in revenue but offer 5,600 Gas Turbine fleets, so substantially less dollars per GT versus contractual services. We believe we can grow this book and gain share. And we saw 5 points of margin expansion on '18 orders versus '17 and have approximately 40% of backlog secured for '19 at this point. This is an area of improvement for us, but it requires work every day with a customer base covering the fleet and executing in the field.

Finally, upgrades is a $2 billion revenue business. We have approximately 50% of our backlog secured for 2019. F-class upgrades are shrinking and represent approximately 1/3 of upgrades revenue today, but we see opportunities with the 13E2 fleet, GT26, more aero replacements and, as an example, major generator rewinds in the U.S. growing. So in summary, reasonably flat top line at $13 billion with improving margins as we execute better.

Last item for me. I know there have been questions on Gas Power's roughly $12 billion to $13 billion of costs and how much more we can remove. On Slide 17, our 2018 starting points for base costs is $3.6 billion when we combine equipment, services and the historical HQ organization. So this is still a very high number relative to our $13 billion in revenue. Listed on the right are broad-based categories that give us confidence that cost will come out. There was a lot of cost embedded in having 3 senior leadership teams. We're in the process of unwinding these teams. G&A duplication, substantial reduction in IT spend, lower indirect spend. As an example, we have high confidence in $40 million to $50 million reduction in rent over the next 2 years from consolidation, bringing together distinct regional teams from equipment and services to help reduce cost but also improve delivery with less handoffs.

While we are focused on base cost reduction, make no mistake that we are just as focused and expect more of ourselves in variable-cost productivity. The 3% is a start, but rest assured, we've told Larry we can improve this through sourcing, our ability to take waste out of our piping between our teams in the field servicing and supporting our customers and our global fulfillment centers.

In summary, $800 million in base cost reductions is not the end, but this is where we have plans, names, owners, milestones to track in place. On the other side of it, beyond a lower cost structure, we also see a simpler, faster business for us to better serve our customers with less layers, overlap, handoffs and waste. And we see a lot more we can do with our approximately $9 billion variable cost structure.

With that, I'm going to hand it back to Larry.

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

Scott, thanks. Beyond Gas, with the reorganization of our Power business, we'll have better line of sight into the 4 discrete Power Portfolio P&Ls: Grid, Steam, Power Conversion and Nuclear, which together represent approximately $11 billion in annual revenues. All of these businesses have meaningful profit improvement potential, and we are managing them from the bottoms up as a result of the reorganization.

Looking at the 2 biggest businesses here. At Grid, we expect continued growth and margin accretion. We recently announced that Grid is transitioning into Renewables as we believe there are significant revenue and cost synergies here. Looking at Steam, we are building out this franchise and see growth in the services market and margin expansion. We are expecting organic revenues and margins to be down in 2019 and up in 2020, with free cash flow down this year. Much of the cash pressure is driven by projects, restructuring and legal obligations, and we anticipate better free cash flow performance in both 2020 and 2021.

Turning to our free cash flows for Power, we want to provide you with more detail here than we have previously. As you know, we ended 2018 with a negative $2.7 billion, and we expect continued pressure in 2019 and 2020. You'll see a few of the drivers here. One is working capital, which includes progress collections and other working capital. Combined, the impact of progress significantly improves in 2020. Contract assets include headwinds from the runoff of the long-term receivables factoring program through 2021. And third, our other operating items, which includes project costs, restructuring, taxes and pension. While project costs improve in 2020, restructuring and pension continue at some level through 2020.

Taking a step back, my goal has been to run leaner, more empowered, accountable businesses that are in the best possible position to improve performance. And this includes cash performance. Let me give you an example at Power. We've been able to improve visibility to cash and collect it earlier by moving responsibility for collections closer to the customer relationship managers. In the fourth quarter of last year, where Power used to get just 35% of our cash in the first 2 months of the quarter, we were able to increase this to 50%. It's not lost on me, this is a small example. But these are the type of cash generation improvements that we are pushing Power and our other businesses to recognize and make as they will drive better cash flow performance for our company over time.

Again, 2019 will be a year of real change for Power, and this is a multiyear journey to positive free cash flow in 2021. But I'm encouraged by the progress the teams are making and their dedication to the vision that we have for transforming this business for the future.

Now I'll cover Renewables and Healthcare to round out our industrial businesses outlooks. Renewables is a strong long-term franchise. We finished 2018 as the #1 onshore OEM in the U.S. In 2019, we'll deliver a record number of units as we work through the peak of the U.S. PTC cycle. We will have double-digit revenue growth yet negative free cash flow due largely to the timing of progress collections. We expect some improvement in free cash flow in 2020 but still not at the levels of this year.

Margins are expected to be down year-over-year as the business basis drags from the Alstom JVs and legacy projects as well as U.S.-China tariffs and customer settlements. We are working hard to offset this with variable-cost productivity and cost out from delayering.

As we look to 2020 and 2021, we believe there is upside. We have a large backlog of projects to deliver and a healthy new product pipeline with double-digit returns over time coming out over the next 2 to 3 years in both onshore and offshore. Specifically, offshore is the fastest-growing energy segment and an area where we haven't been as active over time. We see this as a big opportunity.

Our Healthcare business is a leading global med tech company. It is very well positioned in precision health, which is driven by the relationship among imaging, monitoring, pharmaceutical diagnostics and digital, digital science and AI. In 2019, we are expecting mid-single-digit organic revenue growth, driven by stable performance in both the U.S. and Europe. Margins are expected to be in the high teens. Our free cash flow will be down versus 2018 due to the supply chain finance transition and the timing of compensation. Looking forward, we see further revenue growth, margin expansion and increased cash flow even with the exclusion of Biopharma.

Now I'll turn it over to David to take you through our Aviation business.

David Leon Joyce *General Electric Company - Vice Chair*

Thanks, Larry. Let's start with a quick perspective on our performance over the last 3 years. As you know, Aviation has been a strong business for GE with good leverage, compounded annual growth rate and operating profit of 11% on 8% growth in revenue. Over that same period, we've grown both our base of engines in airline service and our backlog. We continued the transition of our commercial engine portfolio, ramping both LEAP and the Passport engines. We've capitalized on the military demand and new product opportunities. We have improved our structural costs by 110 basis points while maintaining an op profit rate in the range of 20%. Performance that's been very consistent with our strategic imperatives.

And as we look out through '20, we see the trend continuing, led by strong market fundamentals depicted on this next page. Looking at the commercial market, traffic growth is estimated again up 6% for the next 2 years after growing 6.5% in '18. Freight traffic estimated to grow again in '19 and '20; very healthy airplane load factors across the networks at approximately 82%; and the cost of jet fuel, which is the largest variable cost for our airline customers, estimated to be deflationary in '19 and stable in '20, all these factors fueling healthy profits in the industry.

Switching to the military outlook. We'll benefit from the growth in the President's DoD base budget. We see an increase in science and technology spending as well as operations and maintenance. Additionally, internationally, defense spending is growing, anticipated to be up 6% both in '19 and again in '20.

Now with that backdrop, here is the outlook for Aviation. In '19, we project continued growth in commercial aftermarket; growth in military, equipment, services and development programs. And to support the military growth, we will continue the transition of engineering resources from company-funded to customer-funded programs. We'll use this to offset 180 basis points of mix pressure in the commercial engines.

In 2020, our LEAP volume will reach approximately 2,200 engines per year. We're forecasting continued growth in the commercial market and the military business, consistent with the strong industry fundamentals. And we'll use this strength to offset GE9X pressure as it enters into service by midyear.

Now let's break down by segment, starting with the commercial market. An unprecedented backlog of $211 billion, up 12% year-over-year; equipment up 13%; services up 12%. We see the installed base continuing to grow, reaching 40,000 by 2020. You've heard me mention this factoid before that 2 out of every 3 departures worldwide are powered by GE and our JV partner engines, a good proxy for parts and services growth.

A little further color on the aftermarket. We also forecast the continued growth in shop visits worldwide, achieving 5,500 per year by 2020. And our fleet in airline service is young with lots of service opportunity. 63% of our fleet has seen one shop visit or less.

Now let's take a look at the LEAP program specifically. But before we start, let me express our deepest condolences to the family and friends of all those lost in the tragic accident in Ethiopia. There is no more important imperative than getting to root cause and corrective action for the flying public. Their confidence in the safety of flight is the foundation of our entire industry, and we all take that responsibility as paramount.

Now let's talk about the status of LEAP. I'm very pleased with where we are today: over 1,200 engines in service at 100 operators across the 320neo family and the 737 MAX. Terrific product positioning. We're holding 58% win rate on the neos, 320s family and sole source on the 737 MAX and the COMAC C919, which is still in development. On the 320neo family, our airline customers are averaging 95% utilization, which is 8.4 points better than our competition. Now let me put this in perspective. The utilization advantage enables any of our airline customers to fly about 120 more flights per year per aircraft, carry 18,000 more passengers per aircraft per year and, on an average, an incremental $2.7 million in revenue per year per aircraft.

Now we're guiding production north of 1,800 engines this year. And remember, our first LEAP production engines just rolled off the line 3 years ago. We're on purchase order at Airbus now, and we'll be on purchase order at Boeing in the second quarter.

Our cost-out programs are ahead of our planned learning curve, and we project a breakeven on CM basis by 2021, considering all 3 airplane programs.

Just putting this in perspective, relative to the importance of this transition from CFM to LEAP, just a couple of facts. Today, 7 million people every day fly on an airplane powered by CFM. And in April this year, CFM will surpass 1 billion flight hours in airline service. CFM is of huge importance to both GE and the aviation industry and securing this transition to LEAP and successfully executing on the ramp secures the future of this business. The partnership between GE and Safran continues to deliver for the companies as well as the industry.

Now switching to the military segment. As I stated earlier, we see strong fundamentals in this market, both in the U.S. and internationally. And I'm pleased with both our current product position in terms of the installed fleet and the recent program wins. We're forecasting installed base will grow at about 2.5% per year through 2020, extending our industry-leading position. Sales growth forecasted at 10% compounded annually through 2025; engine and services, up 8% over that period; and science and technology development programs up 19%.

'18 was a productive year in the military business, and '19 has started strong. We won the competition for the next-generation helicopter engine powering the Apache and Black Hawk family. Recall today, this is powered by our T700, and winning this secures the future of our helicopter segment with a life-of-program opportunity exceeding $20 billion. We were also selected to power the new Air Force trainer with our F404 engine, an opportunity of $2.2 billion for the development program in engines, which could top $4 billion life-of-program with services.

Let me also point out the strength of our advanced technology programs aligned with the national defense strategy. This is growing from 8% of our military sales today to 15% of our military sales by the end of 2020.

Now I thought I'd finish with a discussion on engineering. Over the last decade, we've been in a heavy reinvestment cycle supporting the development and transition of our commercial engine portfolio. And this has been very successful. Our GEnx is the preferred power on the Boeing 787 Dreamliner. Our CFM LEAP is the preferred power on the 320neo, while maintaining sole source at Boeing and picking up a sole source at COMAC. Our GE9X is the sole source of the new 777X, which will fly this year and be in service in 2020, finishing the renewal of our family.

In this process, we've also created an incredible group of talented engineers, experienced in their craft that we can now redeploy on the opportunities in the military segment. A total of 1,000 engineers will be moved to military by year-end 2020. I think of this as an investment in intellectual capital, and the associated technical continuity is paying off, as evidenced by the win of the next-generation helicopter engine on the Apache and Black Hawk family, our T901, the Trainer for the Air Force and our contracts in advanced technology. Total engineering effort will be up 5% on the strength of the externally funded programs, which represents 8% of sales. When considered in addition to our global research partnership, I'm very confident in both the strength of our technologies and our product design capabilities as future program opportunities arise.

Now let me turn it over to Jamie now to take you through Capital, Corporate and our outlooks for installed, Industrial free cash flow and EPS.

Jamie S. Miller ***General Electric Company - Senior VP & CFO***

Thanks, David. We have been clear that our strategy is to make GE Capital smaller and simpler. We're leveraging strong assets while managing overall risks. Our 4 main components here are GECAS, which is a leader in Aviation finance, which is a very strong business with attractive returns and a team with deep domain expertise. We have our runoff Insurance portfolio being actively managed, which you heard in last week's teach-in; and a smaller strategic EFS and Industrial Finance business; and finally, all other continuing driven by corporate costs, excess debt and interest costs and preferreds.

As we discussed today, we're managing this business toward a couple of key metrics: net income breakeven by 2021, a debt-to-equity ratio of less than 4x by 2020, with a liquidity balance that covers approximately 12 months of forward maturities. We expect continued GE parent support with $4 billion in 2019 and less than that in 2020 to maintain adequate capital levels and support our required insurance statutory funding. We are continuing to evaluate all options to derisk this portfolio.

Turning to Corporate. You've heard us talk before about moving more activities from Corporate into the segments and fundamentally focusing Corporate on activities that support and enable the businesses. If a centralized function doesn't do this, that capability will be transferred to the businesses. These decentralized functions are ultimately run more efficiently and with greater accountability when decisions are made at the business. As a result, we see the value GE Corporate can provide for the businesses as ultimately focused around strategy, capital allocation, research, talent and governance. Our total Corporate headcount is already down 36% from 2017, and we have more transfers and actions underway. In 2019, we'll see costs up slightly year-on-year based on timing of cost actions and segment pushdowns of activity. By 2021, we expect those actions to bear fruit and retained corporate costs to come down by 1/3 or more.

We talked about 0 to negative $2 billion free cash flows for Industrial this year compared with $4.3 billion last year post-dispositions. Slide 32 provide some perspective for how we think about the year-on-year headwinds across GE that are baked into that range. If we pull out the impact of the GE Capital Supply Chain Finance program transition and the restructuring and contingency that impact multiple businesses, that we still see 3 of the 4 businesses down. Power is impacted by Alstom legal settlements, pension and other items. The Renewables drag is from the timing of the U.S. PTC cycle, where we had high progress collections in 2018 and are making deliveries on those collections in 2019. And Healthcare is impacted mostly by costs associated with prior separation activities as well as higher 2018 incentive compensation payments. Aviation is roughly flat year-on-year.

While we expect negative free cash flow in 2019, I'd like to underscore that we expect to cross well into positive territory in 2020 with further acceleration in 2021. Many of the headwinds we walked you through begin to reverse in 2020, most notably lower restructuring at

Corporate as well as less of an impact from the supply chain finance transition and Renewables progress collections. We expect meaningful growth in earnings at Power, with working capital a major driver. We also expect growth in Healthcare and Aviation as well as improvement at Corporate. Finally, the elevated restructuring profile at Corporate and Power should be materially lower by 2020 and 2021, respectively.

On Slide 33, we show the walk for 2019 EPS. And I'll start by noting that EPS is a financial result from our operational management and no longer the metric we manage to. However, we know that it's an important guidepost for our investor base. And with that, we expect adjusted EPS of $0.50 to $0.60, down versus $0.65 in 2018. While we have a slight benefit from operational execution, mainly Power returning to profitability and strength in Aviation, this is offset by portfolio dispositions, interest and tax and GE Capital changes. As we look out to 2020 and 2021, we expect EPS growth.

As Larry mentioned earlier, I would note that if you want to think about a walk to GAAP EPS, the biggest 2 components right now are called out: restructuring and nonoperating benefit costs. And as a reminder, GAAP EPS could include other impacts, such as any potential charge from the sell-down below 50% of Baker Hughes GE, any mark-to-market on our Wabtec holdings or disposition gains or losses. We believe that adjusted EPS is a better guidance metric to look at for this year.

Larry, I'll turn it back to you.

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

Jamie, thanks. Before we go to Q&A, let me leave you with a couple of thoughts. Our challenges are complex but clear. We understand them and are facing them head on as we execute against our 2 priorities of improving our financial position and strengthening the businesses.

Even as we get our house in order, we will continue to go on offense. We have some great businesses that are operating today from a position of real strength. We have incredible technology with a valuable installed base, a large backlog and recurring revenue streams. We have a global network of close customer relationships, an impressive local network and a highly respected brand. And most importantly, we have a dedicated team with grit, resilience and commitment. It's also evident to me that our businesses can be much better cash generators over time. And that's where I see the upside at GE.

But let me remind you, this is a game of inches every single day, and I want us to keep score together along the way. Our goals are aligned with yours. This year will be more about what we do than what we say. If there's one thing that I will say in closing, this is a year of intensity, of focus and transparency. We're committed to making sure of it for our employees, our customers and our shareowners.

Thank you again for joining us for the opportunity to share our outlook with you today. And with that, we'll open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And from Citi, we have Andrew Kaplowitz.

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

Larry, good disclosure on Power cash flow. I wanted to ask you, you mentioned what you called inheritance taxes and execution draining -- holding you back in Power. And if you put those numbers together, that's your other operating number, which looks like $2.5 billion in '18. What does that number look like in '19? I assume it's worse. And what is the visibility towards this number going down in 2020? You mentioned tax pension restructuring in '20 will stay up. But are they at or lower than '18? And when do we hold the team accountable for that project cost number going down from the $1 billion closer to the 0?

Jamie S. Miller ***General Electric Company - Senior VP & CFO***

Yes. Andy, are you asking about Power's other operating or the total?

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

Yes, exactly, exactly, Power. So if you -- I mean, it's really around Power, Jamie, because if I add them up, it's about $2.5 billion. And so what does that number look like as I go out into 2020? And specifically around the execution, that sort of $1 billion of project costs, when does that go closer to 0?

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

Well, while we get you the number, let me just take the second part of that question. To be clear, even though we describe these as inheritance taxes, from an operating perspective, the teams own these today and are doing everything they possibly can to mitigate some of these headwinds that were not necessarily of their making but that we own. We own these operationally. So what we try to do in the outlook, for purposes of '19 and going forward, is call them out, frame them as we see them, make sure that we're not, as I think Scott alluded to, assuming perfection with respect to addressing the projects that are in flight. We'll do the best we can. But I think most importantly, as we go forward, we want to make sure that the projects that we select, the projects that we execute on are better projects, better fits for us and, in turn, better margin and better cash-generating projects. And that applies certainly in Gas Power and applies in the Power Portfolio. But I would also add, it's a dynamic in Renewables as well.

Jamie S. Miller ***General Electric Company - Senior VP & CFO***

Great. And then, Andy, just on the Power free cash flow walk, when you look at other operating, it is expected to be up in 2019. And you think about the composition of that number, just as a reminder, that includes restructuring cash, that includes some of what Larry refers to as inheritance taxes, things like pension obligations, legal settlements related to Alstom. It also does include project costs and other items. So we do expect that number to step up this year related to those things.

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

And Jamie, just to clarify, though, in 2020, those numbers should come down pretty significantly? Or do they stay at close to those levels?

Jamie S. Miller ***General Electric Company - Senior VP & CFO***

They do come down pretty significantly over the 2020 and 2021 time frame. That's correct.

Operator

Okay, from Vertical Research, we have Jeffrey Sprague.

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

Much appreciate all the cash flow detail, very helpful. Just actually to take a look at Renewables in particular, I was surprised that cash flow was only roughly $500 million there with the big progress benefit that you currently have. So maybe a little bit of color on what happened in Renewables. And then just secondarily on cash, and Jamie, you mentioned taxes a few times, not just Renewables but a couple of times in your discussion. Is there something swinging meaningfully against you on a cash tax basis here over the next couple of years?

Jamie S. Miller ***General Electric Company - Senior VP & CFO***

So from a cash tax perspective, in 2019, we expect our cash tax rate to be in the low 20s. So that is stepping up to a more normalized rate over this time frame from '19, '20, '21. And when we look at the Renewables side of things, I think if you go back to 2018 and look at that compared to 2019 and what we expect, clearly, the biggest swing here is the PTC progress. We had $1.1 billion of progress related to the PTC cycle in 2018. That moves back around and hurts us by about $800 million in 2019. So that is clearly the biggest driver there. As we begin to execute on that volume -- and you'll see that in revenues going up in the business as our volume goes up in the business by more than 70% on new units this year.

Operator

Okay, and from Deutsche Bank, we have Nicole DeBlase.

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

Appreciate all the detail today. This has been really great. I guess, I mean, it seems to me like the walk to positive free cash flow is the key focus of the market and investors. Is it possible -- Larry, I know you kind of went through, from a high level, like the key line items that get you there. But is it possible to put numbers around that, Renewables progress payments, supply chain, the cash restructuring? Just to give us a sense of the level of conviction in movement to positive for cash flows.

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

Sure. Well, I mean, the way I think about it, Nicole, is the market should interpret a high level of conviction simply because this team in a public forum is laying this road map out, mindful of the realities of 2019 but, I think, also optimistic about both what runs off as we think about 2021 but also the impact, what we're doing day in and day out, not only through restructuring but daily management, should have on the business. And if I think about the walk, right, from '18 to '19, we're going from $4.5 billion prior to the dispositions to a range of breakeven to a negative $2 billion. The way I think about that at a high level, if you will, is that we're making about $2.5 billion worth of investments, investments in the future of GE, be that a step-up in restructuring where we're going to have another big year, right? We talked about a simpler, smaller Capital. The supply chain transition is part of that. That probably has a working capital negative effect on us as well. And those sorts of things, which are very much within our control. These are discretionary decisions, which we could have chosen not to make this year. But I think this is what constitutes a reset. There's about $2 billion which we flagged in and around Renewables primarily given the progress cycle, to Jeff's earlier question. And again, it's a high-class problem to have given the ramp that we've seen in the U.S. onshore and our share position. We like what that did for us last year. We're not necessarily happy with it in '19 as we fulfill those customer obligations. But I think over time, that normalizes, and that's going to be a positive. And then I think there's about $1 billion -- again, forgive the term inheritance taxes. But there are a host of things that are fundamentally nonoperational: legal obligations from Alstom, some of these runoff projects and the like, pension, that should not repeat. These should fade over time and get better as we look to '20 and '21. So if we're right in sizing these issues, if we're right in the impact they have in '19 and the trends from here forward, if we get the returns that we can and should on restructuring, let alone the underlying operating improvements that we're making, we think we get cash flow back to positive territory in '20, we improve upon that in '21 and longer term are in a position where we think this portfolio should yield, on a cash flow basis, numbers far in excess of what we did last year.

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

And then follow-up on the same topic. What's the key variable that takes you -- it's a pretty wide range if you look at 2019 free cash flow from 0 to negative $2 billion. So what are the key variables built into the high end versus the low end of that range?

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

Well, I think first and foremost, Nicole, we obviously have a good bit of work to do in Power, right? And while Scott, I think, framed smartly the backlog positions segment -- or business by business, so you understand how we've tried to derisk it, there's a lot of work that we need to do here to improve the underlying performance both in Gas Power and on the Power Portfolio side. That, coupled with the supply chain, the PTS transition, has some variability both in terms of timing and magnitude in '19. And we just wanted to make sure that we frame that in the best possible way for you and for investors.

Jamie S. Miller ***General Electric Company - Senior VP & CFO***

And I would just add, our process was really different this year. As we went through the planning process, this was very much a bottoms-up process as opposed to a tops-down, and we believe this is grounded in reality. And on the businesses, Larry mentioned defining a range that really takes into account the level of uncertainty we see at Power. The pace and the slope of the Power turnaround is the biggest variable here over the next couple of years. But we've good line of sight to Aviation and Healthcare. We believe we've planned conservatively there. We do see some upside there with respect to growth, whether it's Healthcare or Aviation Services and strong operational management. So the banding there is tighter. But then you look across, and you'd also look to GE Capital asset reduction plan. There could be some variability around the timing of asset sales or marks. And honestly, we are, underneath this, running the businesses to higher numbers. So if you pull it back, different process grounded in reality and, we believe, reflects what we hope is a conservative plan.

Operator

And from JPMorgan, we have Steve Tusa.

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

So just thinking about these free cash flow dynamics, I know that Jeff asked about Renewables, and they had obviously a pretty significant benefit from progress. I'm just curious, on the payables side, it would appear to me, with Renewables only doing about $500 million, that a pretty significant number of the $2.5 billion payables benefit in '18 would be embedded in Aviation. I mean, we have Baker Hughes GE as well, and the other guys are just not really generating very much. So maybe should we assume kind of in the $1.5 billion range of a payables benefit for Aviation? And then as a follow-up to that, should we expect including the capital contributions to GE Capital in -- kind of in '20 for you guys to be enterprise positive free cash flow?

David Leon Joyce ***General Electric Company - Vice Chair***

Steve, this is David. I just want to make sure I got your question correct. Are you asking what was the payables benefit, AP benefit in '18? I'm sorry to be -- I just want to clarify what you said.

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

You had a $2.5 billion benefit as a company in 2018. And it doesn't look like Renewable -- you said in the 10-K that Renewables was a positive from a payables perspective. And given they only did about $500 million, doesn't look like they got a ton of payables benefit given they had a huge progress benefit. So what was -- should we assume like $1.5 billion-ish at Aviation?

David Leon Joyce ***General Electric Company - Vice Chair***

No, it's more like $1 billion is a better number from the Aviation number in 2018. And the way you should think about '19 is a little bit of pressure on Capex, less favorability on payables but favorability on past dues, progress and better inventory control. So that's kind of how you should frame up '19 versus the '18 walk.

Jamie S. Miller ***General Electric Company - Senior VP & CFO***

And Steve, on your second question, which I think relates to any potential parent support we might provide to GE Capital and then how does that correlate to free cash flow in 2020, we've talked about free cash flow in 2020 meaningfully improving at Industrial, and we've talked about providing some level of parent support to Capital in 2020 but not nearly as close to the $4 billion. And I think that, coupled with the other information we've provided here, I think should be your guide as to how to think about 2020.

Operator

Okay, from Melius Research, we have Scott Davis.

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

Thanks for the detail. It's amazing difference versus just a year ago, so thanks for that. But one thing you guys didn't mention and maybe you don't want to mention, but I'm going to ask anyways, is that what percent of your capacity in Power do you plan on taking out? And how fast can you get it out? I mean, you've got some pretty big facilities that would be -- take some time to shut down.

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

Scott, you -- why don't we have Scott play that out?

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

Please. I mean, I'd go back first to the start in Gas Power, the $3.6 billion of cost that we have and the actions that we've outlined on the right-hand side of that page, being driven from a number of activities associated with merging together the 3 distinct organizations with equipment, services and HQ, whether that be the G&A overlap, the reduction in SLT. We were building out an IT system for a much bigger business, combining Grid and Steam together and are narrowing that down with a focused Gas Power business, regionalizing and streamlining the teams in the regions, driving that $800 million. There are small actions within the supply chain, Scott, associated with that $800 million but not big capacity reduction plays. That said, it doesn't mean that we're not also looking at big capacity plays or precluding ourselves from that. But on the numbers that we're giving you today on that $800 million of cost out, it's tactically focused on the things on the right that we have. We have taken out a lot of capacity without explicitly closing rooftops also for a data point. So Greenville and Schenectady as example, our 2 largest facilities in the U.S., we've taken out 34% of the heads without closing the factories. So we're taking out cost without explicitly closing the factories.

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

Okay. I would assume, however, you can't really make this business that profitable with that kind of overhead long term, that you'd have to take out some square footage there. Is that not correct, Scott?

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

That is correct. And we are taking out a lot of square footage. But as an example, in Greenville, we've substantially reduced the number of rooftops we've had, and we've allocated a lot of activity into Greenville. So if you visit us in Greenville today as an example, 25% of Greenville's capacity today is on new units. The other 75% is on parts and repairs because we've closed a number of the other repair facilities in parts and scaled it up within Greenville while still net taking down Greenville and Schenectady, 34%.

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

And I think that, Scott, if I can just add, I think that's really why we're trying to frame every cost category as being in bounds here as Scott and his team work to improve profitability, improve cash flow. I understand the question and the focus on some of the more significant facilities. But these are multipurpose facilities, and we're going to do everything we can to make sure that every one of our facilities is run more efficiently better in terms of quality and delivery. But we're committed to driving the margins, and I would just encourage you to focus on the overall cost structure, the overall improvement, both with respect to fixed and variable cost drivers.

Operator

Okay, and from Barclays, we have Julian Mitchell.

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

Maybe just the first question around the Power EBIT guidance. So last year, an $800 million loss; this year, guided to be positive on the EBIT side. I guess there's a $400 million tailwind from cost-cutting that Scott was just discussing. But maybe parse out as well how else we can kind of walk to that return to profitability, what's happening to onetime costs, which I think was something like $1.5 billion in 2018. And also what kind of decremental margins are you expecting on that high single-digit organic revenue decline this year?

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

Again, I'll start with Gas. The -- Julian, the dynamic market assumptions, as you can see on the page, is very flat. You hit on the fact that we did have $1.5 billion of charges last year, with north of $1 billion of that coming from the projects book. That's exactly why we outlined in detail the number of the actions we're taking to manage the projects on more of a daily basis versus where we were. We are deep into managing that book. We've added substantial resources to quality to a workout team. We feel like we're grounded on where that backlog is, and we'll perform substantially better than 2018, not with perfection but better. So we will get margin accretion when the project is booked as we will with the cost actions that you outlined, that with those 2 things being the 2 largest drivers, substantially better margin improvement and then projects, and cost out will flip us from losing money in 2018 to profitability in 2019.

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

And Julian, if I just add a little bit of context with respect to Power Portfolio, I think much of what Scott just outlined applies. But the trajectory will be, I think, slower, and Power Portfolio will be behind Gas Power effectively, in large part because of some of the timing of projects in Grid. But probably most importantly, we have a serious turnaround in its own right at Power Conversion, and that is an effort that is underway. It's early days. I think we're going to trail the Gas Power turnaround that Scott is going to lead here for us. And that's why, as we've talk about Power, we want to make sure we're as constructive as we can on the dynamics between the 2 businesses. Some overlaps, some similarities but a timing difference in all likelihood.

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

And then just looking at the Industrial free cash flow guide again on Slide 32, the biggest bucket there is that kind of other bucket with 3 different pieces. Restructuring in Corporate, I think, you've laid out very clearly. But just focusing on the contingency aspect of that, should we really think about the biggest piece of that as being a kind of swing factor on the receivables, factoring winddown? Maybe just give us any sense of how you're thinking about the pace of that winddown and what really constitutes that contingency bucket on Slide 32.

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

Julian, I don't think I've ever put a slide together in a format like this with that word featured as prominently. I think all we're really trying to signal there is we do have a step-up in restructuring. And the way it's captured on the slide, it's really all in here as opposed to spread out into the businesses. We just wanted to try to make that more clear. I think Jamie talked to some of the Corporate dynamics. But we are trying to make sure that we have not planned for perfection here. And again, in Power, perhaps in Renewables to a lesser degree, we do have some execution expectations here that we want to make sure we can cover with a little bit of a shortfall. So that's really all you're seeing here, is the dynamic Scott spoke to in Power, what we've talked to in Renewables, Aviation, Healthcare together probably kind of flattish, slightly down. But we're just going to take a safe conservative posture in this reset year, I think, consistent with the way we've tried to frame up just our overall philosophy. Rest assured, operationally, we're running hard.

Jamie S. Miller ***General Electric Company - Senior VP & CFO***

And just a little color on the supply chain finance transition. We sold that business to MUFG in January, so we'll undergo a 2-year transition there. And again, as part of what Larry was talking about, we did include some expectation on leakage as we make that transition. As suppliers transition, their participation rates could change, they could opt out of the program. We've gone through a pretty thorough process of understanding and planning for how that transition will happen, but we also did want to include a level of contingency here just to make sure that we can monitor that as it goes.

Operator

And from Wolfe Research, we have Nigel Coe.

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

Appreciate the detail. So just 2 questions. The first one to you, Larry, the $7 billion Corporate expense, obviously $6 billion in the businesses and then $1 billion unallocated. That seems like a big number. It's about 50% of sales. What is your ambition for that number going forward? What is the right percentage of sales going forward? And perhaps touch on, in your previous life, what's sort of a core expense that you'd run with at Danaher?

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

Yes. Well, I'm going to really just focus on GE. You look at the history, right, there's been a lot of activity at the center and a good bit of investment in pursuit of horizontal synergies where the corporation is providing shared services. I think what you're going to see us do over time is not necessarily target that at a dollar level today or as a percent of sales, but we're going to bring it down dramatically. And I think you see that in some of the prepared remarks, as we look to push these costs, not only from an accounting perspective into the businesses but operationally into the businesses, there's a good bit of restructuring here in '19 in Corporate to bring those levels down. But at the same time, I think the real benefit is by putting these costs in David's control, in Scott's control, they're going to be able to rightsize them for their businesses and manage them closer to a point of view. And that over time, I think, should help us move the center of gravity operationally and bring down that current high level of Corporate spend.

Jamie S. Miller ***General Electric Company - Senior VP & CFO***

And just a little bit of color as well in terms of the pace of the $7 billion coming down, when we set out last year to really fundamentally change how we thought about Corporate, we view that $7 billion as, over the course of about a 2.5-year period, largely either getting pushed down or getting pushed out of Corporate. So our goal -- and we'll find out in a year or 2 how realistic this is, is to get that number down to 0 so that corporate is not managing services for the businesses; they are managing them for themselves. And at the same time, we're really looking at how do we really restructure corporate to rightsize it for the GE that we are and the GE that we're going to be. And so while in 2018, we had $1.2 billion of retained Corporate costs, and we do expect that to be flat to up slightly in '19, we continue to expect more than $500 million of cost out as we move to 2020 and further reductions after that.

Operator

And from RBC Capital Markets, we have Deane Dray.

Deane Michael Dray ***RBC Capital Markets, LLC, Research Division - Analyst***

Wanted to follow up on the insurance call last week. And is it fair to say, after all of the new disclosures, no new surprises, that you've taken off the table this question that was lingering in the fall that GE needed to pay a third party to ring-fence this long-term care liability? Is that off the table?

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

Deane, I think what we said in the prepared remarks and -- first of all, I think we're pleased with the feedback we got on the teach-in. The team worked hard on that in trying to be as open and as expansive as we can. I think in our prepared remarks, effectively, what we said is that we will continue to explore opportunities to derisk GE Capital and certainly the insurance obligations specifically. But hopefully, what the disclosures do is just put that in context and what that is and what it means for us. So that's the way we think about it.

Operator

From Gordon Haskett, we have John Inch.

John George Inch ***Gordon Haskett Research Advisors - MD & Senior Analyst of Multi-Industrials***

So first question is kind of a clarification. Jamie, last year, you had said a few times that the dispositions would create pro forma the annualized impact of $1.2 billion, and now on the slide, it's $200 million. So I'm wondering what's the delta there. And then secondly, working capital has been a very large source of cash flow for GE for years. If you were to kind of ex the supply chain finance impact, what exactly do you -- it's sort of hard to tell with the way the slides are laid out. What are you exactly estimating or what are you thinking on receivables inventory in terms of cash impact in '19, '20 and possibly beyond?

Jamie S. Miller ***General Electric Company - Senior VP & CFO***

Yes. So first, let me address the $1.2 billion versus the smaller number. When we talked about that last year, we were referencing an annualized free cash flow impact from the dispositions we had in flight. This number reflects the actual partial year portions that are included in 2018. So that's the largest piece of it. The other piece is that some of these businesses did not perform at the level we expected, and that's the other delta there. With respect to 2019 working capital, I would say, outside of -- we do expect working capital to be negative in 2019. Part of that is the supply chain finance transition we referenced. Part of that is the progress element we referenced before as well. When you look at the other components, they are positive, but they are offset by these 2 things.

Operator

Okay, from Bank of America, we have Andrew Obin.

Andrew Burris Obin ***BofA Merrill Lynch, Research Division - MD***

Can you hear me?

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

We can. Please go ahead.

Andrew Burris Obin ***BofA Merrill Lynch, Research Division - MD***

Okay. When you talked about Power and you sort of noted that the power pricing is still tough, as you sort of look forward, how do you weigh market share versus profitability in this business?

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

Great, Andrew. I think, listen, we see the new market on the new unit side stabilizing at the 25 to 30 gigawatts, and certainly, pricing has come down drastically. We think pricing will stabilize. But for us, the focus on pricing is more the risk-adjusted pricing of going after these deals. So it's more about the project risk that we're taking on, the creditworthiness of the customers, the life cycle economics and the aftermarket that's merged together and having us focused on the most profitable deals, the most cash-accretive deals, take into account the full life cycle economics and the project risk of this business, that we think we can do much more effectively with one Gas Power. And with that, we feel like we've got a lot of opportunity in how we underwrite these businesses, focused on profitable growth versus a focus on share. And that's what we're doing every day.

Operator

From Crédit Suisse, we have John Walsh.

John Fred Walsh ***Crédit Suisse AG, Research Division - Director***

I'll echo everyone's sentiment. Thanks for all the detail here. Makes it easier. One kind of question I had around clarification is, how do we think about the income statement impact on restructuring? I mean, if I look on Slide 37, you're expecting the expense down significantly, though from your commentary, it still sounds like there's a lot of work to do around the organization. So just trying to think about how to model that decline in 2020 and 2021 as we think about it.

Jamie S. Miller ***General Electric Company - Senior VP & CFO***

Yes. So on the expense side of it, we framed that for you in terms of dollars here for 2019. When we start to look out at 2020 and 2021, we do see that expense tranching down reasonably significantly. Now from a cash perspective, as you probably imagine, cash lags expense. So we see the cash piece of it ticking up significantly in 2019 and then, again, sort of this progression downward sort of on a -- almost like a 1-year lag, if you want to think about it that way. But about -- by 2021, 2022 is when we see ourselves at more normalized restructuring levels.

Operator

And our final question. From Goldman Sachs, we have Joe Ritchie.

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

So 2 quick ones. I guess, first, on Slide 38, is it right for me to think about this as unlevered free cash flow, Jamie? And then how are you also thinking about interest expense coming down or cash interest expense coming down in the future? And then my second question is for David. David, just the -- and fully recognize the LEAP continuing to ramp into 2019, but just would love to get a little additional color on the flattish margin assumption on -- in 2020 and beyond.

Jamie S. Miller ***General Electric Company - Senior VP & CFO***

Okay. So first, on the free cash flow, the total company-level free cash flow does include interest. At the business level, it includes a portion of the interest. And we do allocate interest down to the businesses, depending on their usage of certain elements of our financing structure. But we keep at Corporate probably a little more than half of the core interest on the company's debt. Does that answer the question?

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

Yes, I think so.

Jamie S. Miller ***General Electric Company - Senior VP & CFO***

Yes? Okay.

David Leon Joyce ***General Electric Company - Vice Chair***

Yes. Look, on our guidance for segment margin, as you know, we continue to ramp LEAP. And you know LEAP is going to mix adversely in our commercial portfolio. Why? We've been building CFMs for the last 20 years. We're down that learning curve a number of times, and the cost -- plus, there's unbelievable amount of volume, so the cost including the aftermarket. So the -- fundamentally, we're at entitlement and for quite a few years on the CFM product line. Now we're transitioning to the next generation, which is LEAP. Not only are we beating our cost curve in production, but as we get more volume, we get more product out there, we do more service, that cost just continues to come down. You should think about 1.5% to 2% per year. So this mix shift is going to be with us for a little time. That being said, we're offsetting it to the best of our ability. Just with the increase in the service business, military looks good. I mean, if you take a look at the markets, again, we're guiding flat, but we're optimistic. We really are optimistic. We've got very positive win rates in our military programs, and we continue to see a strong commercial market. Now in 2020, don't forget, we start to introduce the 9X. So now we have to go through the transition of the GE90 to the 9X starting in 2020. And we'll see that for the first time in 2020 with about 150 basis points of pressure on the business, again, offset by the strength of the aftermarket as well as military and our ability, quite frankly, to rightsize engineering for the future of our commercial programs, in addition, to transition those folks for more opportunities to actually improve this forecast in the military side.

Operator

And at this time, we'll turn it back to Steve Winoker for closing remarks.

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

Thanks very much, Brandon. And thank you, everybody, for your questions. We tried to get to as many as we could. I know there are some folks left, so please reach out to me with final questions. And I want to hand it over to Larry to wrap it up.

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

Steve, thank you. Hopefully, we were able to attend to the questions on your minds this morning. Obviously, we'll be available through the course of the day for any follow-up.

I hope what we've done today is made clear that 2019 is a challenge, a challenge this team is signed up for; a year that will be a reset year, but I think a year of investment and presumably one of progress. We're going to get off to a challenging start here in the first quarter, that is clear. But I think as we work our way through '19, as we move forward into 2020 and '21, we believe we're on a path that will create sustainable shareholder value. Not every step will be forward. It will be, again, a game of inches. But we think all of our stakeholders, our customers and our employees will be well served as we move forward and execute on the plan that we've laid out this morning.

And again, we thank you for your time and your interest in our company.

Operator

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