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PRESENTATION

Operator

(presentation)

Please welcome to the stage, Steve Winoker.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Welcome everyone to GE Aerospace in New York City. It's great to see so many of you since Paris, even more in the room today and online.

Just a few reminders before we start. First, materials are on our website as always. Note that some of the statements we're making are forward-looking in nature and based on our best view of the world and our businesses as we see them today. As described in the SEC filings and on our website, those elements may change as the world changes.

We're joined today by Larry Culp, Chairman and CEO of GE Aerospace; Rahul Ghai, GE Aerospace CFO; and many of our business leaders across the company. You'll be able to talk to them, if you didn't before, after the presentation as well.

It's a busy day. You can see it in the agenda. Presentations, two Q&A sessions, one before the break, one after the break.

At GE Aerospace, safety is our top priority. You often hear us talk about safety, quality, delivery, cost in that order. So let me start with site safety. In the event of a fire or emergency, there are 2 exits: one to your right of the stage, one behind you, just proceed to the stairs. And if you have a question, just ask someone. Please do.

So with that, I'll pass it over to Larry.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

Thank you, Steve. Good morning, everyone. Thank you, those of you here in the room with us, for taking time to come visit with us this morning. And of course, all of you who are dialed-in around the world.

2024, our time has come. It was just a week ago that the GE Board met and cleared us for takeoff. In 26 short days, we'll be back here in New York, on April 2, ringing the bell at the New York Stock Exchange. And we couldn't be more excited about the potential for this business as a stand-alone, independent industry leader, and we're really grateful that you've taken the time to be with us this morning to hear more about our story.

I'd like to start though to continue on the safety theme with a reminder about our purpose. Those of you who were with us in Paris, those of you who have been with us elsewhere, know that our purpose statement is quite clear. We invent the future of flight, we lift people up, and we bring them home safely. And those last four words, bring them home safely, could never be more important than they are now at this moment as we prepare to bear our responsibilities as a stand-alone company.

Think about it for a moment. In all likelihood, there are 900,000 people in the sky right now with the GE Aerospace technology underwing. That is an incredible responsibility every one of the GE Aerospace team members in this room and all around the world carry, which is why we take safety so seriously.

Steve talked a moment ago about our lean mantra of SQDC, that has really been at the heart of the lean transformation of GE, let alone GE Aerospace. Safety and quality before delivery and cost. Easy to say, hard to do. And it really comes back, at the end of the day, to respect for people, one of the most important tenets in any lean transformation.

And in that vein, we've asked Jon Blank, one of our engineering leaders, to share a few remarks with you on this topic by way of video.

So we'll go to that video now.

Jonathan Blank ***General Electric Company - General Manager for Engineering Material Systems, GE Aerospace***

Hi, everybody. My name is Jonathan Blank, and I'm the General Manager for Engineering Material Systems in the Engineering Division at GE Aerospace. I've been with the company for over 22 years. And I'm here today to talk to you about product safety.

We do not compromise on safety. Safety of flight is key and critical to who we are. It is our purpose. We invent the future of flight, lift people up and bring them home safely. Our employees every day understand this purpose, understand this is our #1 priority. We continue to invest in our people, in our processes, in our systems and our technology.

One such system in process is our safety management system. We voluntarily introduced it and launched it in 2013. We're proud to be the first that introduced and launched it and also proud that we're the first that the FAA accepted and certified. It creates a robust framework that sets the standard and expectation for safety in our company. Around policy, around promotion, around risk management and around insurance of what, who and when we need to do what.

It creates a culture for open reporting, where every employee is expected to raise a concern that they see or find anywhere and that we will address it with a cross-functional team. It created an independent office for flight safety and for engineering, not connected or aligned with the product profit and loss centers. We continue to learn, we continue to grow in our understanding because safety is a continuous improvement journey, whether it be the system, the process or the technology. It's a reflection of our learning culture and our lean mindset.

We learn from every event that occurs. One such event was in 2016. American Airlines Flight 383 was on the tarmac in Chicago. High-pressure turbine disk went uncontained, created a fire. Thankfully, nobody was injured. That rotating part is operating at 1,300

degrees Fahrenheit, 700 degrees Celsius. It's rotating at over 13,000 revolutions per minute while holding 70 to 80 turbine blades. Those turbine blades are what gives our engine the thrust, the power and the efficiency that's required. Each one of those blades puts over 25,000 pounds of force on the disk. That's the equivalent of 5 pickup trucks. Those 70 to 80 blades are putting over a million pounds of force on the disk. That's why the disk is important.

From that event, we learned we needed to put improvements in our inspection technology. So in 2017, we started the investment, the development and the maturation of new enhanced ultrasonic inspection such that we catch these indications before they find us. In 2019, we rolled out this inspection across all of our commercial applications. And to date, we've inspected thousands of parts in partnership with our customers and our MRO shops.

We're better than we were 10 years ago. We're better than we were 5 years ago. We are on a continuous improvement journey because safety is our purpose. It is our responsibility.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

Thank you, Jon. Hopefully, that gives you a sense of what our safety management system is really all about, again, policy, promotion, risk management and assurance. And just two quick things that Jon touched on, a flight safety office that comes up through our chief engineers as opposed to the P&Ls. We like that separation of duties. And in addition, for every one of our engine platforms, we have a safety program management team, and they have a cross-functional mandate to make sure we keep safety front and center.

Jon mentioned the SMS recognition we received from the FAA, the first type of production certificate holder to be so acknowledged by the FAA. And that was back in 2017. So this is something we've been after for a long time and always will.

Running alongside our SMS is our QMS, our quality management system. And this is really the way we operationalize quality, making sure we're making quality parts to spec every time, that we're complying with all rules and regulations and, in the spirit of kaizen, driving continuous improvement. We never compete on safety, but making sure that our SMS and our QMS come together to keep this front and center, in combination with our lean operating system, really is the best way we know to operationalize flight safety at GE Aerospace. And through the course of the morning, I think you'll hear this theme, time and time again, and we look forward to your comments later.

Key messages for today are probably no surprise here. We think we have an exceptional aerospace franchise at GE Aerospace with exposure to all of the right market spaces and trends. Russell, Farah and Mohamed will talk to you in some detail about our Commercial Engines and Services business, where we think we are poised to grow at an accelerated rate and do so profitably and with good cash conversion going forward. And then Amy and Riccardo will come up and talk about our Defense and Propulsion Technologies businesses that are very well positioned given lively defense spending trends over the next decade and beyond. So we really like those positions.

If you look at the portfolio today, $32 billion in size. Maybe not as big as GE once was but big enough. We'll operate and report in those 2 segments. And as many of you know, we have an enviable position with our installed base in CES, 44,000 engines, keeping many of those 900,000 passengers aloft on a daily basis. And that really is the heart of GE Aerospace. That's a $24 billion business. Amy and Riccardo look after the better part of $9 billion, serving primarily defense applications, both here in the U.S. and in Europe. Their installed base is significant in its own right, 26,000 engines in Defense and Propulsion Technologies. Both of these businesses enjoy, I think, an enviable global footprint, which sets them up for significant performance going forward.

But maybe most importantly, is that 70% figure. 70% of our overall aerospace revenues come in services. Many of you are very familiar with the attractive economics of the engine aftermarket. I think what we like just as much is the fact that, that business model keeps us close to the product day in and day out. You heard Jon talk about learning. That enables a lot of learning. At the same time, we stay close to our customers on a day in, day out basis. We know what they need. And all of that really helps shape how we invent the future of flight and the product road maps of the future.

Just a quick word on demand. We really are at a point in time where demand isn't our challenge. Not that we take anything for granted, but given the flying public's thirst for more travel, we've seen a very strong recovery post-pandemic. And now we're talking about not where we are versus 2019, but where we're going in the future, and we see mid-to-high-single-digit growth in that regard, and that's

certainly represented in the airframers' backlogs, right? A new narrowbody today probably doesn't get written for delivery until 2030 at this point. That sets us up very well, given our share positions there.

And while we see military spending increasing at a slightly lower rate, likely in the low-single-digit range, given where we are, particularly from a Rotorcraft and a Combat perspective, we're really excited about the growth potential that both of those businesses in DPT have. So all in all, again, demand is strong, and we think we've got quite a runway in front of us.

We shared this strategic framing many of you in Paris, and it really hasn't changed. We try to keep strategy simple at GE Aerospace. We think that really enables us to implement. Today, we need to make sure that we're doing all we can for our commercial and defense customers to ensure readiness because of those demands they have to keep planes in the air.

With respect to tomorrow, it's all about delivering on the ramp. And again, if we've got backlog into the 2030s, you know we've got a lot to do. And it's a day-to-day challenge that I'm encouraged with, with respect to the progress. But all the while, back to our purpose, we need to make sure we are investing in and progressing the technology building blocks that really will define the future of flight. And that applies both our commercial and our defense business. But all the while, again, to come back to where Steve started us, safety and quality first. But that really is the strategic framework.

So how does one implement a strategy? How will we, as GE Aerospace implement this strategy? It's very simple. And we're pleased to share with you in some depth today FLIGHT DECK. FLIGHT DECK is the framing of the next step of our lean transformation. FLIGHT DECK is our proprietary lean operating model. This is the way we're going to run the business. And we're going to run the business with the customers' expectations front and center. And we've decided to go with FLIGHT DECK, something we rolled out just a month ago with our senior leadership team from around the world in Dayton to make sure we seize the moment, and we accelerate from here the lean transformation that has been gathering momentum because we're going to need all of that positive effect as a public company.

But don't take it for me. We got a couple of colleagues here who will share their perspectives on FLIGHT DECK.

(presentation)

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

And the introduction of FLIGHT DECK really has helped, I think, set us up not only for what comes on the 2nd of April but to accelerate our adoption of lean and all that goes into that. But as you saw in the video, it really isn't an end unto itself. It a means to an end. Talked about those 3 strategic priorities a moment ago with respect to today, tomorrow and the future.

We have objectives, and we'll talk a good bit about the financial targets later on. But in essence, think about the way we run the business, first and foremost, operationally from an SQDC perspective. The financials obviously matter. But all the while, we want to make sure we're also playing the long game. And that's where Hoshin Kanri comes in. That's the piece of the operating model that allows us to identify, in our strat planning processes, the breakthroughs that we need to strengthen our competitive advantages and then operationalize them. And FLIGHT DECK really does, as the video suggests, sits in the middle of this so that we cannot only talk strategy but deliver it, deliver it in its operational, its financial and in its Hoshin Kanri manifestations.

We can go on all day. I promise I won't. But let me just take another minute to give you a little bit more detail on what FLIGHT DECK means. There are 10 FLIGHT DECK fundamentals that we've initiated at GE Aerospace. You see them on this slide: five for the enterprise, five at the individual level.

At the enterprise level, standard work. And I know we've got a couple of lean practitioners in the audience. You understand how important that is in contrast to quarter-end heroics. Daily and visual management allows us to manage in real-time. Value stream management allows us to look at the work we do, not the functions that might be the way we're organized. Our operating cadences have been a big part of what we've been up to in the last several years, our weekly operating reviews, our monthly operating reviews to make sure we've got everybody together around the critical few. And I mentioned strategy driving Hoshin, that really is the essence of FLIGHT DECK at the enterprise level for all of us.

At the individual level, our expectations of every GE leader in the room and around the world can be boiled down to these five: continuous improvement, we want everyone to have a continuous improvement mindset. We never rest. Respect for people, and it starts with listening maybe a little more than speaking. Being customer driven, really seeing ourselves the way customers see us, not the way we see ourselves in the way we'd like to be seen. And action planning, a real emphasis on action planning this year as opposed to reporting, and there is a difference. We can get into that later. And then finally, problem solving. We want to be good, disciplined scientific problem solvers, not casual finger pointers. And again, that's our expectations for ourselves as a leadership team and across the organization.

And these 10 come together. And they shape how we do the work that we do.

We'll go to the next page. I want to go to Terre Haute, Indiana to give you a sense of what this looks like in real time. In Terre Haute, we build the LEAP turbine center frame, been one of the key constraints inside of our four walls for some time, and that's been a challenge for us, particularly in ramping with the LEAP. We went in, took that value stream approach, drove a lot of kaizens to the point where we don't have an on-time delivery issue at the Terre Haute anymore. We've got model lines in place, really probably our benchmark facility from a commercial perspective. And we did that all the while not throwing bodies into the fray but by putting our team in a position to succeed such that on-time delivery improved and we got a 50% improvement in productivity.

You can do both. And again, that's where FLIGHT DECK comes in. But unfortunately, as we look to meet today's challenges and tomorrow's, it's not all about what happens inside of our four walls. Our supply chain has a critical role to play. Over 80% of our delivery challenges today are somewhere rooted in our supply chain. It might be a supplier to us. It might be a supplier to them. We're taking FLIGHT DECK to Gemba to those points of impact to make sure we can identify constraints, get to root cause and solve them. We may contain an issue in the short term while looking for longer-term fixes. And when you look just last year, at the 25% year-over-year increase in deliveries that we had in LEAP engines, a lot of that really is a result of taking lean into the supply base to help them help us. More to do, but I like the momentum that we've got in this regard.

We step back, I've mentioned Hoshin, Hoshin being about breakthroughs and building competitive advantage. This is a business that, in my view, enjoys tremendous competitive advantages, largely because of the way this business has been run for generations. And what you see on this slide really are the platforms that have driven the better part of a century of learning. And you'll hear that word a couple of times today, right?

When we think about the CFM56, a billion hours in the air. Think of just the sheer data set that enables us. The GE90, the first composite fan blade-enabled engine. Lots of learning off these iconic platforms. And when you couple that with our R&D spend, let alone our talented engineering teams, $2 billion of R&D will be spent just this year, advancing all of the various disciplines, scientific, technical, engineering, be it aerodynamics, be it in the material sciences, let alone in advanced computational modeling and testing that enable us to be in a position to bring forward what's required to invent the future of flight.

And what you see on the next slide is really how this is coming together. Again, it's the engines that we're ramping currently, be it the LEAP, be it the Nx, the 9X that we'll launch in '25, the T901 on the military side of things, let alone what will come in the next generation. Commercially with RISE, and Mohamed will take you through that in a good bit here in a little while. Let alone with our adaptive cycle engines on the military side here in the U.S. with respect to sixth-generation combat aircraft. So there's a lot that comes together here to sustain and create additional competitive advantages for this business as we move forward.

A quick look at the financials. The guidance that we gave you back in late January with respect to 2024, that's intact. No new news today. That's a good thing. What is new on this slide is a framing for '25. Again, I spoke to the demand drivers earlier. We think in '25, we should see low-double-digit growth. We should see operating profit north of $7 billion with good free cash flow conversion. As we look ahead, we thought it would be helpful as you consider where GE -- where stand-alone GE Aerospace may reside in your investment portfolios going forward.

To give you a first look at 2028, again, an outlook, a few years out, but we thought that sharing this with you would just help underscore

the confidence that we have, not only with respect to demand drivers but the potential for us to serve our customers and generate good returns for our investors. We think from the '25 to '28 period, we should continue to see strong growth. It will tick down a little bit, but at a high-single-digit rate, we're excited about that. We think we'll see good operating leverage in that regard. So we should see operating profit grow more rapidly at a low-double-digit rate. And when you pencil that out, that's a $10 billion operating profit number for 2028. And again, we should continue to see very strong cash flow conversion in that '28 period, call it, approximately 100%. So Rahul will cover this in more detail in a bit, but it gives you a little bit of a sense of how we're thinking about the business going forward.

Capital allocation. I know this has been a question many of you have been keen to hear more about from us. Thank you for your patience and giving us the time and space to work this through with the Board. We're excited to share this framework with you today. As you might imagine, first things first, we're going to reinvest in the business, be that in R&D, be that in CapEx. That will be the first order. No change in that regard.

But we know as we project these financials forward, we're going to have excess capital. And we think the best use of that capital is returning that to you, our current and future shareholders. So assume by way of dividends and buybacks, we will return 70% to 75% of our available free cash flow to investors. That will leave 20% to 25% for inorganic investments in the business.

Now a lot of people will, I'm sure, have questions about what does that entail? It's a meaningful amount of money. Obviously, it's a small percentage of what we'll have available to us, but we'll be looking to do things that fortify our existing positions, businesses that have a logical home at GE Aerospace. We do not intend, let me be clear, to be all things to all people. We know we have an exceptional franchise, but there'll be things that we can do, done and like small bolt-on we did last year in Amy's business to enhance our position in hypersonics, where we can put capital to work with a strong strategic operational and financial framing around those investments, all the while making sure that we continue to have a strong balance sheet.

And I'll just close on this slide. I think this captures well the essence of GE Aerospace today and going forward. We really do have the preferred platforms, both in the narrowbody, widebody and defense applications. We're excited about what the installed base means, not only financially, but again, given the proximity it helps us keep with our customers. We know we lead the industry, but we are continuing to drive improvements in reliability and durability. You'll hear more about our investments in breakthrough innovation. And again, FLIGHT DECK is what enables us to bring all of that together day in, day out so that we get on a path to realize our full potential. And as we do that, I think we'll serve well our customers, our employees and you, our investors.

So with that, we're underway, and I'm pleased to hand things off to Russell Stokes. Russell?

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

Thank you, Larry. It's good to be with everyone today. See a lot of familiar faces out there and some new ones, just really happy to have all of you here with us today.

You heard Larry talk about our purpose statement. And for Commercial Engines and Services, bringing people home safely means that customers want us to increasingly lift them up with our power under their wing. Keeping people safe and lifting them up reliably, results in the confidence, the trust, and the support to be able to work with our customers and partners to invent the future of flight.

It's those guiding principles that have created what you see behind me, a business with low-double-digit revenue growth through the forecast period; 44,000 engines in our installed base, the industry's largest and youngest commercial fleet. We are the only engine OEM significantly represented in all 3 segments. $24 billion in revenues, 70% from services supported by a flexible open MRO network, an amazing team focused on our customer success with safety as our first priority always.

It is so great to see people continue to take to the skies, and demand for air travel continues to be strong. In 2023, we saw departures up 18%. We do expect a post-COVID normalization of departures, with mid-single-digit increases in '25 -- or '24 and '25. RPKs, we expect to remain strong through 2028.

Now I spent a lot of time with airlines and our airframe customers and was recently as at the Singapore Airshow. What I heard from them

pretty consistently was that they continue as well to healthy demand, that they see and have robust order books, and they really want more engines and aircraft to be able to meet their continued growth and demand projections.

In 2024, and you saw Larry share a similar chart, we're focused on things that we have to get right today, tomorrow and in the future, once again, committed to safety as that #1 priority, along with quality. Today, it's about keeping our customers flying. Making sure that our customers have the right cost of ownership, the right MRO capability and support to be able to achieve their cost of ownership projections and their respective fleet plans.

Tomorrow. Tomorrow is making sure that we ramp these newer programs, and we deliver on the performance promises that we have made around how those products are going to perform in the field.

And the future. The future is about focusing on advancing technologies, the next-generation set of technologies to support more sustainable propulsion offerings that all of our customers and the industry is looking for.

As we navigate that continuum of today, tomorrow and the future, we see this business as one large flywheel. I want to focus you on the center of the page for a moment, where you could see that for every engine in its life, we generate services revenues 3.5x the size of the original engine sale or more depending on the engine. So let's walk around this circle for a moment using widebody as an example.

Phase 1 is our new engine development phase. We were really focused on the investments and the launch of these great products, the development and production of install engines and spare engines and ultimately growing the installed base.

In Phase 2, this is really the start of services where we know that customers are looking for a different type of product offerings. You'll hear a number of them that are looking for risk-transfer products like a CSA or time and material or potentially material solutions depending on their own MRO capability, relationships in the market or needs.

As we move to Phase 3, we're into shop visit 2 and here, we're seeing that customers are looking for a wider range of work scopes, greater flexibility around the things that they're going to be able to do with their fleet and the incorporation of repair and use serviceable material along with new material as part of those solutions.

And the last phase, mature. Here's where we find that customers are looking for greater flexibility and choice of work scopes. And we work very closely with them to understand how to navigate their fleet transition plans.

You can see by the page the relative contributions of each phase during the life of an engine as revenues and profits both grow after that initial engine sale. The result of all of those efforts gives you what you see behind me, four decades of GE Aerospace product investments and innovations that are part of that flywheel. Three of four flights every day, a flight that takes off every two seconds means that most of you in this room probably flew on 1 of these applications to be here or recently. And if not, I would bet that you're going to be on one pretty soon.

In 2023, we celebrated the 3,000th GE90 engine. And in 2024, we will celebrate the 50th anniversary of our joint venture with Safran CFM.

Three things I hope you take away from this slide and the one before: the resiliency of this model as engines move throughout the life cycle; second, the strong position that we have with all the different airframers that you could see here on your screen; and third, the breadth of our offerings across narrowbody, widebody and small commercial applications.

So let's go a little deeper into some of those, and we'll start with narrowbody. Look at the logos of the customers who have recently chosen our narrowbody offering. And we just added American Airlines this week. We have achieved a 60% life of program win rate on the A320 and enjoy being sole sourced on the 737 MAX. All of this, all of those wins feed the front end of that flywheel.

And CFM56 continues to be strong as well, with 19,000 engines in service. CFM56 continues to outperform expectations, with customers

investing in more shop visits to keep those fleets flying to support their demand. As you can see, departures remain strong. With 400 fewer shop visits than we forecasted just a year ago -- or 400 fewer retirements, excuse me, leading to more shop visits than what we forecasted just a year ago. As you can see, shop visits for CFM56 will peak in the 2025-ish time frame, but they'll remain strong through 2028 and beyond as once again 45% of this fleet has yet to see its very first shop visit.

Now while CFM56 remains bright, LEAP's best days are just getting started. Think back to all those logos we had on the previous slide. Those wins continue to fuel the mid-single-digit growth in installed base and low-double-digit expected services revenues that you see on the screen. These factors ultimately lead to substantial operating profit growth through 2028 and beyond.

Now with this growth in demand, there is a need to be able to manage this substantial ramp in production. In 2024, we expect to grow deliveries by 20% to 25%, climbing even higher in 2025 and 2026. The supply chain remains a challenge. But I am absolutely proud of the work and the efforts that our teams put in each and every day, problem solving, working through constraints, side by side with our suppliers and our partners to be able to output every engine we can, all leveraging FLIGHT DECK.

Now more new units being output means we're going to need to have more capacity for shop visits. And our LEAP fleet, as you can see, is going to double in size as we get towards the end of the decade. We are working very closely with our partner, Safran, and with our external MRO partners as well to ensure that we have all the capacity we need at the right time to keep our customers flying and meet their needs and expectations.

Now, while customers definitely want to make sure that we have capacity to do their shop visits when those engines come off wing, they more importantly want to make sure that we keep that engine underwing operating as long as possible, more frankly, up in the sky, helping them to earn the revenues that they're looking for. And we do that with a focus on product reliability and durability.

LEAP reliability and durability is performing as well as CFM56 or better at similar points in their lives, and we are continuing to invest to ensure that it continues. We are introducing targeted component upgrades into the LEAP-1A fleet that will go into service in 2024 -- or into production in 2024, and we'll do the same for the LEAP-1B fleet into production in 2025. Our team has undergone extensive testing of these solutions to make sure that we are absolutely ready to be able to perform as expected in hot and harsh environments. And Mohamed is going to come up in a bit, and he'll share more detail with you on exactly how we've gone about that.

So I hope you see by this section why we're so excited by our widebody -- or excuse me, our narrowbody portfolio. You can tell how excited I'm about widebody. That's what's coming next. And I thought that we'd take an opportunity to move to widebody. And instead of you continuing to listen to me talk, I thought it might actually be good for you to hear from one of our customers, Roberto Alvo, on why LATAM has made the decision to move to the GEnx for their widebody fleet.

Roberto Alvo Milosawlewitsch ***LATAM Airlines Group S.A. - CEO***

For me, and for the whole of LATAM, this is -- I think it's long relationship already with GE and one that we are really proud of having and where I think that the trust and the working together feels really good all the time. And I'm really proud and happy to be partnering with you.

And being the most important airline in South America also having the most important engine supplier, I think it's an important thing for us as well. We love the 787, to be honest. And we love the idea of having it powered with the GEnx engines. You have a great product there, one that is, again, from our perspective, a very reliable, very efficient product. And together with the support that we have always seen from GE, it's a pleasure and a source of pride to be able to have GEnx-powered 787s since -- or from 2025 onwards.

And I don't think that there's a successful company in the world that doesn't have a great product behind it. And that does not only mean the hardware. It means the hardware itself but also to support, the relationship, the understanding and the trust. And I believe you've done a tremendous job over the decades. We clearly have seen it, and we've experienced it.

And I just give you the advice to keep on doing what you've been doing, excelling in what you do, bringing great products to the market. Making sure that we understand what you mean and what you try to do with your products. Making sure that you understand how

important or which are the areas where we need you and in which ways. And making sure that, again, on these decades-long marriage, which means operating an engine for an airline is one where you always look at the long term as a goal and work the short term. Making sure that day in, day out, our passengers, which at the end of the day, are -- who matter to us can rely on the fact that we will operate always as dependably as we can when we have good products working for us.

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

We are really grateful for Roberto and the LATAM team's confidence in the GEnx engine. And by now, you've heard other announcements as well. Be it the 200 GE9X order by Emirates announced at the Dubai Airshow for both engines and services or, most recently, Thai Airways announcing the award of 90 GEnx engines at the Singapore Airshow. These wins continue to contribute to a life of program, 70% win rate on GEnx and a 60% run rate on GE9X versus the A350-1000.

Again, that leads to this slide, that, once again, is another reminder of how these wins feed our installed base, which will be up low-single-digits and services growth up mid-single-digits. So like we did on narrowbody, let's go in a widebody in a little more detail. And why don't we start with the GEnx?

In 2023, we had a 99% win rate of firm orders greater than 400 engines. Let me say that one more time. In 2023, a 99% win rate of firm orders on the GEnx on the 787 with greater than 400 engines order. So much credit goes to just an amazing team that has worked and focused on delivering to the time on wing that our customers were expecting and that the market has been looking for, delivering a world-class product that you could see significant adoption around. The GEnx installed base will grow low-double-digits through 2028 and will feed services growth to mid-single-digits over the same time horizon, and there's more to come.

So now let's move to a product earlier in its life cycle, the GE9X. We couldn't be more pleased with the enthusiastic adoption of the GE9X. We already have 900 engines yet to deliver, and we are using FLIGHT DECK to come down the engine cost curve with a strong pipeline of actions underway. We are confident that this program, given all those actions and the benefits of volume, will be profitable by the early 2030s.

Now while we've talked about narrowbody in the same way that we've talked about it, as these programs ramp, we still see long life in other programs and our widebody fleet, like CF6 and GE90. On the left is CF6, entered into service in 1971. It continues to be a workhorse of the industry, especially for freight operators. And on the right, you can see the demand for GE90 continues, meaning more shop visit growth as 75% of this fleet has not seen shop visit 2. Both of these fleets are beloved by their operators due to their 99.97% dispatch reliability.

So we've talked a good deal today about the things we're doing today, the things we're doing tomorrow. What about the future? The future is going to be about RISE. And it will be our most ambitious program that we've had yet. This revolutionary open-fan technology that you see on the screen behind me addresses customers' needs for greater fuel efficiency and lower emissions, leveraging advancements in combustion and propulsion technologies, achieving a 20% fuel burn advantage or benefit over the LEAP engine.

So this morning, we've talked a good deal about all the whats we're going to do, all the things that we need to get accomplished. But I want to make sure we're sharing with you how we're going to get it done. And the how is FLIGHT DECK.

As you've heard Larry say earlier, safety, quality, delivery, cost are absolutely foundational in all we do at GE Aerospace. And it's underpinned by our proprietary operating system.

You can see behind me some impressive achievements in 2023, but I'd like to bring Farah Borges, who runs our assembly and test MRO organization, up to be able to share with you more about the journey that we've been on.

But first, I'd like to take you to one of our new make shops, Rutland, so that you can get a feel for FLIGHT DECK in action.

(presentation)

Farah Borges ***General Electric Company - VP, Assembly, Test, Maintenance, Repair, and Overhaul***

Roberta is a tough act to follow. What an incredible job by our supply chain friends in Rutland.

Good morning. My name is Farah Borges. And as Russell said, I lead the Assembly and Test, and Maintenance Repair and Overhaul operations within Commercial Engines.

Before I get started on how we're using FLIGHT DECK to drive actions within ATMRO. I want to spend a few seconds describing where we sit in the enterprise value stream. For context, our supply chain partners own the industrialize to manufacture phases of the value stream. Once material is delivered, my team owns the assemble to deliver and the receive to service portions of the value stream. What that means is that we are typically the last stop before our customer receives our product. You heard Larry say that we're very customer focused. Our customers told us they want us to be more reliable, credible with our commitments, and we need to make improvements in our on-time delivery. These are areas of both focus and opportunity for us.

So with that, I would like to talk about what we're doing inside my organization to drive improvements. I'd like to talk about Durham, North Carolina. In Durham, we had two major milestones last year.

They celebrated their 30th anniversary, which was a big deal. I had the opportunity to go down to the site and celebrate with them. What a great history, evolution and growth that team has seen. They represent the largest engine assembly shop in the Commercial Engines network. What was really impactful about that event was hearing from customers that day how impactful that relationship is with Durham assembly. The culture there is focused on continuous improvement.

And the second major milestone that team had last year was the launch of the CF34-10 model line. Leading up to the launch, the team spent a lot of time working through the elements of the model line and the elements of the FLIGHT DECK model. We developed a value stream map to really understand our current state. We cast a vision on what we wanted the future state to look like, with a target of 10 days from the receipt of material to the time an engine came off the assembly line. And we wanted to deliver that with stability and give our customers confidence and credibility in the commitments we were making.

The team got to work through a series of eight kaizen events. They developed standard work. They understood what we needed to do every single day, every single shift, every single hour to be successful. From there, we balance the line, making sure that we could flow and making sure that every 10 days an engine came off our line. What was really powerful when I had the opportunity to go to Gemba was to see daily management. As we described in FLIGHT DECK, sustainment has happened every day. And so to understand what makes that team successful and making sure everyone is aligned on the actions for the day was really impactful, but more importantly, how are we problem solving at the point of impact and how are we doing that in real time. That's really the game changer.

So while the results speak for themselves, we talk about SQDC. Since we launched the model line, that line has had zero injuries from a safety perspective. From a quality perspective, we've reduced and escaped some customer disruption by 65%. Lead time is down 75%. So not only did we meet the 10-day ambitious target, we slightly beat it. And labor productivity is up 30%.

Before we leave this chart, most impactful. If you look at the line chart on the top left, the stability with which we are delivering the outcome is really impactful for our customers. I couldn't be prouder of the Durham team. This year, we're going to scale, and we're going to do it across all of the programs you see listed, including LEAP and CFM56. That work is underway, and I'm excited to come back and share with you the progress that team is making.

I'd like to change gears now and talk about the MRO space and the transformation we're driving there. Look, we shared similar numbers with you in Paris. We've got to make a 30 to 50 day improvement in our turnaround time to satisfy our customers and to achieve the targets we want. That's a 30% improvement. As we think about how we're going to do that, it's really going to come down to what we call our gate 2 process. Our gate 2 is where we cumulate material, and we drive repair turnaround time to make sure that material is available for us to launch engines into assembly and deliver for our customers. As we think about how we're going to approach that, we've actually got a Hoshin Kanri effort on strategic breakthroughs to change how we manage material and how we think about things in

the aftermarket for material availability.

I want to talk about what we're doing in that regard with our repair turnaround time efforts at our Singapore site. The Singapore site is our largest component repair shop in ATMRO. We started with a lean model line focus on the Stage 2 nozzle for CFM56. If you had a chance to visit the Singapore site before the transformation, it's -- the main building is four stories of production. If you follow that Stage 2 nozzle, you would have traveled across three of the stories, traveled 1.3 miles and spent almost 40 days in the shop. Today, that team has laid out a lean model line, combining all, almost 95% of the operations in the cell, moved lots of equipment and running an 11-minute TAT time. Incredible results, most impactful. Lean affords us the opportunity to do more lean. We freed up an entire floor in the main building of footprint.

So now that is going to be the home for our next lean model line. While the results speak for themselves, we reduced injuries 40% from a safety perspective; customer disruptions, 50% from a quality perspective. We've improved turnaround time 20%; labor productivity, 20%. And as I shared, we freed up a third of the footprint that this line was taking previously. Really exciting.

But I don't want to leave this stage making it sound easy or making you think that work is done. On LEAP alone, we've identified, in the bill of materials, so many parts, 1,400 parts that need the medicine that we've applied here. Through our strategic efforts and our breakthrough efforts in Hoshin, we've got a really good strategy and clear line of sight on how we order material and change some of our material management processes on two-thirds of those but still more work to do, and the teams are cross-functionally working on the action plans to drive the impact we expect.

So with that, what I will say is this, our team -- we've got the right team on the field. Our teams are committed. They've got fire in their belly. FLIGHT DECK is providing us the right operating model to get the work done. And while we've got a lot of work to do and it's going to be a heavy lift, I've been with GE for 20 years, and I can confidently tell you that our best days are yet to come.

And with that, I'd like to hand it back to Russell. Thank you.

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

So as Farah said, what she just showed you is not easy, but it's possible when you have a team as strong as the one that we've been able to put together, and we're fortunate to have Farah and her team and so many others committed to the power of FLIGHT DECK.

Lead time improvement, output velocity, turnaround times, capacity, productivity, all of those, I hope you were able to take away in terms of the power of what we're able to accomplish when we have a team that's committed and focused on FLIGHT DECK, and there's more opportunities just like the ones that Farah shared. I had the opportunity to actually be in that Singapore site to see a site where an entire floor is empty and think about the capital-efficient way we can add capacity to be able to meet all of these output needs that we have was just something to behold.

With that, I'd like to move to our next segment and then bring up Mohamed Ali to really be able to share the things that we're doing as well, embracing FLIGHT DECK and the power to advance and really impact SQDC and the future of flight.

Mohamed?

Mohamed Ali ***General Electric Company - VP of Engineering, GE Aerospace***

Thank you, Russell. That was great, and good morning, everybody. Here's my plan for today. First, we'll talk about keeping the fleet flying safely today. Then we'll give you an update about the LEAP durability. I'm sure all of you are expecting that, and we'll talk about 9X, and then we'll finish with the future of flight. Sounds like a good plan?

I want to start with our safety philosophy today because we believe that bringing them home safely is what earns us the right to lift people up, which, in turn, earns us the right to inventing the future of flight. And if the engineering team, who are sitting here, they will finish the sentence for me. We find problems, and they would say, before problems find us. We find problems before problems find us because when they find us, they are painful and expensive. And that's why we have institutionalized enhanced inspection of our safety

critical parts in all of our new make shops and in our MRO network as well.

Moving to tomorrow. We have a term we call it engineering 360. Obviously, the engineering team is involved in the design of the parts of the engine, but we don't stop there. We are working and partnering with the supply chain team and the entire supply chain, partnering to solve problems. And we also are with customers, understanding their pain points and continuous improvement of durability and reliability of our engines and services to them and also partnering with Farah's team, with the MRO network team in order to de-bottleneck turnaround time and deliver engines for our customers. And I want to give you an example of that.

Late last year, what was limiting LEAP production was the high-pressure turbine blade coating process. The engineering team went there to that supplier. I went there also myself. We spend the time to understand the problem. It turns out that the furnace they are using is very similar to furnaces we are using for the manufacturing of our ceramic matrix composites. We applied the right expertise right at the impact point and partnered with that supplier to solve the problem, and it's no longer a constraint within a month. This enables us to approach the RISE design, RISE, revolutionary innovations for sustainable engines, not only for sustainability, not only for the durability and the reliability that our customers are expecting but also for producibility.

And just building on the same example I told you about, we are approaching the high-pressure turbine design of that new technology for the future. Obviously, with sustainability goals, with fuel burn improvements, obviously, with durability and reliability but also with producibility, and we are cutting out about half of the manufacturing process of that high-pressure turbine technology to make it more producible. This is the virtuous cycle that we talk about. This is the relentless continuous improvement that's in our FLIGHT DECK.

And I want to talk safety first and go back to the safety culture. And while safety management system, SMS, and quality management system, QMS, and the associated processes are extremely important, the bedrock of safety is our culture. And there are four tenets to that culture that I want to talk to you about.

First, be where the action is at the point of impact problem solving. There are no walls between the engineering team and the supply chain team and the suppliers of the safety critical parts.

Second is transparency. It's for nothing if you discover problems, and you cannot talk about them. You will not be able to solve them. And that's why over many decades, we have learned and institutionalized that no single person can make a safety decision. No single person can make a safety decision. It's always a teamwork. It's always a cross-functional team making the safety calls.

The third is proactivity. Don't wait for problems to find us. We find problems, and now I'm expecting you to respond back saying, we find problems before they find us.

And fourth is we expect zero defects. We demand zero defects. We demand that from everybody, but we never assume perfection.

These are the four tenets of our safety culture. But finally, I want to say, we do not compete on safety. We happily share that knowledge with everybody in the industry because we humbly believe that it is our responsibility to lead the industry in that continuous improvement journey. This is how it works.

And I want to take you through our real-world example of how we are applying these four tenets. And it starts with the design.

First, while we are designing the part and the engine, we anticipate there will be defects. We anticipate there will be some damage, and we design for a specific size of damage. And even with that damage present or that defect then present, we design so that the part and the engine will safely finish its whole mission in its entirety. And we call that our damage-tolerant design philosophy.

Second, we have implemented the state-of-the-art enhanced ultrasonic inspection in our new make shops. As a matter of fact, we have had enhanced ultrasonic inspection of safety critical powder part since their inception in the 1990s. And in 2018, as Jon talked about, we expanded that and extended it to be implemented in our MRO shops. None of that is mandated by the regulations. None of that is mandated by regulation. All of that is mandated by us because it's consistent with our philosophy to seek out. And we are not stopping

there. We are developing advanced module-level enhanced inspection, which means that, you don't have to disassemble the module to apply that enhanced inspection. Why is that important? It's important because it's simpler for the humans at the MRO shops to do. And here, simpler means safer.

And in 2023 -- actually in early 2023, we developed a program, we call it partnership for safety and quality, safety and quality, in which we work with our safety critical parts suppliers. And in that program, we teach them the importance of what they do. This is part of the safety management system, SMS. We call that safety promotion. We also have, developed with them, joint quality improvement metrics, KPIs, and they have continuous improvement in them. And every quarter, we sit with the CEO and the leadership team of those suppliers. And we understand the status and work together on problem solving toward that continuous improvement. We are not perfect. And we don't assume to be so. That is our safety culture.

Let's now talk LEAP and LEAP durability road map in particular. We told you before that we have a handful of parts that are limiting the LEAP durability, particularly in the Middle East and in the hot and harsh environment. We already introduced the fix to the shroud, and all new engines since 2018 have that fix, and they're working really well. We already introduced the fix to the radial drive shaft since 2019, and all new engines since then have that fix, and they are working really well. And last year, we stood in front of you, and we told you we'll introduce the fuel nozzle coking fix in 2024. And I'm proud to stand here in front of you and say that the first production engine with that fix is already at Airbus ready to-go. And also last year, we told you we'll introduce the fix to the high-pressure turbine blade in 2024. And the first production set is ready in the shop, and we are on track for 2024 introduction for LEAP-1A.

Now let's talk about what that means. So for the first time for me in public to state that we expect production engines at the end of this year to be at the mature time-on-wing for LEAP-1A, and -1B will follow in 2025. And I always get this question, why do I feel confident? And the reason I feel confident is because it's not on the back of a theory. It's not on the back of analysis. And certainly, it's not on the back of wishful thinking. It's because we have done real testing.

So now moving to the right-hand side of this page. We tested the current configuration in the actual dust environment. We simulated the actual environment and have simulated the actual failure mode. And the wrinkles you see on the first picture, they are the precursor for the failure mode that our customers see in the Middle East. We tested the new design, same environment, same dust, and that's the second picture, and the failure mode is gone. And it's gone at more than 2x the number of cycles. And we could have gone actually longer. We actually had to remove the LEAP-1A engine so we can put the LEAP-1B engine on the test stand, and I'm happy to tell you that, that LEAP-1B engine is actually doing -- performing really well in that test.

This is what we call turn-on and turn-off. Turn on the problem in an actual condition and turn it off in testing with the new design. And to be honest with you, if it's not turn-on and turn-off, I will not believe the outcomes, and this is why we feel confident.

Applying the exact same playbook to GE9X. And as a reminder, GE9X is already a certified engine. Same playbook, learned from prior engine generations, it's the culture of relentless continuous improvement, and it works. Every engine came to have a better durability at entry into service than the prior engine. And GE9X will be no exception to that. As a matter of fact, the difference is we are learning from the previous engines, accelerating the testing, and we are proud to say that the first blade improvement is already complete, and we are now heading into the second dust test ahead of entry into service, the second dust test ahead of entry to service. This is coming down the learning curve, meeting our customer expectations faster, early maturation faster, which translates into less risk, more confidence and less cost. This positions the GE9X to succeed the iconic GE90 that we all came to love.

So we have lifted people up. We brought them home safely, and now we earn the right to invent the future of flight. And I get asked this question a lot. Many ask me, why open fan? And the answer is very simple. And Russell talked about customer expectations for more than 20% fuel burn improvements. Not just customers, the industry, the planet expects that we are doing 20% or more of fuel burn improvements. And that 20% of fuel burn improvement from the engine is very hard to achieve. Actually, it's practically impossible to achieve that 20% fuel burn improvement without the open fan. And the reason is physics. it's actually very simple.

So over the past many decades since the invention of jet engines, the engines get bigger. I think you're all familiar with that. And that's the best way to achieve the fuel burn improvement. The fan gets bigger. More air is going through that fan. It's the most economical way

of generating that fuel burn improvement. However, what's also happening is the nacelle is becoming bigger, which is increasing the drag, and that has diminishing returns. And now we are very close to an inflection point in which significant increases in the fan diameter will generate so much drag in the nacelle around it that will eat out all of the benefits coming from that fan diameter increase. That is the inflection point that we are very close to it. And that's why an inducted engine, which is one that has a nacelle around it, has less than half the fuel burn improvements that can come from an open fan.

So we said, let's go through this thought experiment. Can we actually take that ducted engine and run this hypothetical thought experiment to see if we can make it match the 20% fuel burn improvement that the open fan can achieve? And because you are now running out of the lever to substantially increase the fan diameter because of the drag in the nacelle that I talked to you about, then you are left with increasing the core temperature or increasing the core complexity. We said, okay, well, let's try to increase the core temperature. And the answer to that is that temperature in that core will be about half the temperature of the Sun surface. There is no material on earth that can sustain that, let alone the durability, reliability and complexity challenges that will come with that.

That's the beauty of open fan. It's 20% fuel burn improvement without any of these drawbacks. Less risk, higher durability, higher reliability, which is what our -- because of the simplicity, and that's what our customers expect.

And on the CFM RISE program, we're working with our partner, Safran, and we are at a stage of program in which we are making real testing. We're doing real testing, on real hardware, and making real progress. And I'm going to focus on four components, critical components of the CFM RISE program. First, the high-pressure turbine.

We use the world's fastest supercomputer, the world faster -- fastest supercomputer to design that next generation of high-pressure turbine. We took that design, put it already in a full engine test. And not only it proved to achieve significant fuel burn improvement, but it proved also to be more durable. And by the way, that technology can also be applied to today's engine architecture.

Moving to hybrid electric. We were the first company to be testing hybrid electric, megawatt-class system at altitude at 45,000 feet. And we today have an engine at our test facility in Peebles that will be -- Peebles, Ohio that will be reconfigured later this year to test megawatt-class hydroelectric power extraction, and we are thrilled and humbled and proud to be collaborating with NASA and Boeing in our hybrid electric program. And we have tested also noise working with Airbus, and we have showed and demonstrated that the open fan technology has the capability to achieve lower noise than today's LEAP. Think about that, lower noise than today's LEAP, and that's -- a lot of that is the advantage of the supercomputing capability that I talked to you about.

And as we speak, we are running an ingestion testing to validate our fan blade technology, and there is an ongoing wind tunnel testing to optimize the installation of this configuration on the aircraft. Real testing, real hardware, making real progress.

This is what this team stands for. We find safety issues and fix them before they find us. We do what we say we will do, and we earn the right to invent the future of flight. This is what makes me proud to stand here to represent the GE Aerospace team and the GE Aerospace engineering team.

With that, thank you very much. And Russell, I hand it back to you.

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

I hope you can feel as well from that section, just why I'm so happy to have Mohamed and our engineering and product management teams with us on this journey. He talked through the things that the technology teams are really doing around SQDC, the things we're doing to keep the flying public safe, the things we're doing to make sure that we could do the right inspections and make sure that we're delivering high-quality hardware, the unlocks that he's demonstrated on delivery, working directly with suppliers. And getting all those things right boils down to being able to do things more efficiently and really being able to get after that cost. And then you just can't miss all the great things that he said, those exciting things that are coming around the future of flight and the innovation that they're bringing forward.

So let me try to put a bow on this morning on our section and talk a bit about the financial outcomes of everything that you've heard us

talk about. We see a strong year of top line growth and increased profit ahead in 2024. We're estimating mid-to-high-teens growth in revenues and 20% to 25% increase in deliveries on the LEAP engine, with additional strength in both services and engine. We expect profits to increase to a range of $6 billion to $6.3 billion as we manage the mix pressure of original equipment, the investments that we need to make in the GE9X and additional investments in the RISE technologies that are critical to the long-term success of this business.

Beyond those mid-teen growth or that mid-teens growth that you see in the year, we see low-double-digit to mid-teen growth in 2025, stabilizing to high-single-digits by 2028, driven by LEAP, GEnx and GE9X. Original equipment revenues will be higher than services growth as departures normalize and the installed base fuels services revenue. Ultimately, LEAP revenue will exceed CFM56 by 2026, with Commercial Engines and Services profits growing faster than revenue through 2028 as, once again, that flywheel continues to turn, and turn, and turn.

I want to close by thanking you all once again for being here and taking the time with us this morning, and hope I can leave you with just a couple of key takeaways: first, the significant tailwinds that we continue to see in the market that drive growth and departures well above GDP; second, the strength of the portfolio that we've talked about and shown to be able to meet the needs of our customers while growing revenues, margins and free cash flows consistently; and third, the absolute power of FLIGHT DECK to deliver differentiated outcomes through safety, quality, delivery and focus on cost.

Once again, thank you for your time, and I'll bring Steve up now for Q&A.

QUESTIONS AND ANSWERS

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Thanks. I want to welcome up Larry, Russell, Farah and Mohamed. Great. Come on back up.

So would ask 2 things right now during this 20-minute Q&A session before the break. One is, and I know you're all tempted, at least I was, please hold any financial-related questions for the next Q&A session after Rahul's presentation, okay? Let's try to stick to what was talked about earlier today. And then, of course, out of respect for other attendees, please limit yourself to one question. I promise we'll circle back. If hands go down, you've asked your one, we will circle right back.

So with that, let's get started. Start with Rob in the corner there.

Robert Alan Stallard ***Vertical Research Partners, LLC - Partner***

Rob Stallard from Vertical Research. It's probably for Russell, actually. You highlighted that incredibly strong market share on the Boeing 787 last year with the GEnx. Your competitor has been perhaps a little bit more aggressive on pricing than it has been in the past. And I was wondering if there's an opportunity for GE to also raise its price either on OE or aftermarket on the GEnx going forward.

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

We've been focused on sure, I'd say, kind of 3 things that from a pricing standpoint. We're focused on the investments we make, the risk we take and the value we provide to customers. And so we have been working through both from a services and a new make standpoint, looking at how we capture that value, if you will, from pricing accordingly.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

But I don't think we won many of those because of price.

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

That's right. Right.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Yes. By the way, I should have thanked you, Rob. Please do mention your name and firm when you go.

Ron Epstein to the middle there.

Ronald Jay Epstein ***BofA Securities, Research Division - MD in Equity Research & Industry Analyst***

Yes, Ron Epstein, Bank of America. Just a quick one on RISE. What interest have you had from customers on that? You're doing work on it, but what's -- in terms of the demand from customers, what feedback are you getting? Does anybody really want it? And if you can give us some color on that.

Mohamed Ali ***General Electric Company - VP of Engineering, GE Aerospace***

I can take that, Ron. Thank you. Very positive interest from customers. I think it's the North Star, what our customers need and what the industry needs, given the sustainability pressure, and given how we see the future is everybody wants that 20% fuel burn improvement. And that's a very, very positive feedback from our customers. And I think whether they are the airlines or also the airframers.

And I want to add also that you heard it from Roberto from LATAM this morning, there's also an element of trust that they have in us and in the technology we do because we have done that in the past. This is not the first time we're actually inventing the future of flight. And so far, it has been extremely positive, actually and welcoming with the initiative we have in the industry to lead with that more than 20% fuel burn improvement.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Doug, right here. Since you have the mic, it's close, right behind you. Then we'll go to Myles and then trying -- [there's lots of] hands.

Douglas Stuart Harned ***Sanford C. Bernstein & Co., LLC., Research Division - SVP and Senior Analyst***

Okay. All right. That's efficient. Doug Harned from Bernstein. In one of the charts, you showed the outlook for aftermarket. And basically, one of the things that was clear is you're expecting profitable LEAP aftermarket in -- next year in '25. And then this -- it looks like those margins then become at about half the level of CFM56 in the following year. And what I wanted to understand was what's -- what are the underpinning pieces of this in terms of the mix you assume between time and materials and power-by-the-hour type contracts and what you assume about turnaround times and being able to bring those down?

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

Yes. So we're, number one, just really excited about the performance and the adoption of the LEAP engine. We -- as you saw from the charts, we do see, as you get out into the 2028 time-frame -- the 2026-2028 time-frame, it does become almost half of the profits that we're seeing within our narrowbody portfolio, so we do feel really good about that.

The product mix is going to vary as we go over time. So we've seen early desire for customers to be able to work through access to risk-transfer type products, but we continue to work with them on being able to support through different types of material solutions, a mix of different sorts of guarantees in those products that we're able to offer or that we're able to have offered through our extended open network and our CBSA- or CFM-branded service agreement partners.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

Yes. And Doug, I would just keep in mind, I mean, the volume helps a good bit here, right? And on an incremental basis, that incremental LEAP aftermarket revenue begins to come in pretty much in line with the overall averages. It will still be on a like-for-like basis below the [CFM56], but the incremental piece comes in right where we would like it. So you'll, I think, hear us talk less about that drag going forward. When we talk about headwinds, it will principally be around the 9X.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Sarah, why don't you give Myles the mic first?

Myles Alexander Walton ***Wolfe Research, LLC - MD & Senior Analyst***

Myles Walton, Wolfe Research. Maybe for Russell, the GEnx engine services growth that you're looking for as a CAGR mid-single digit through 2028, it seems reasonably conservative given pricing, fleet growth, widebody recovery. What are the puts that are keeping that at a more restrained level? To Rob's question earlier, pricing, obviously, is something you probably have more control over, too.

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

So it's just -- it's all just a function of time back to the flywheel. So as we continue to bring those products into the installed base, the widebodies take a bit longer before they go into kind of around that flywheel into their services segment. We'll expect over time that we'll see growth equal to what we're seeing and tied to the installed base growth. So I would say there's no real other constraints associated with that.

Kenneth George Herbert ***RBC Capital Markets, Research Division - Analyst***

Ken Herbert with RBC. Again maybe Russell or Larry. The industry has really struggled over the last few years to support legacy narrowbody assets like your CFM56 as obviously entry into service have seen delays. If you look at the GE90 in particular and the transition of the GE9X, I think there's a similar dynamic maybe building. What are you doing to ensure that the GE90 now and your supply chain is going to be there to support that engine over the next couple of years as that MRO ramp really picks up? And obviously, a lot of the industry is transitioning over to the 9X.

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

So we're doing a couple of things. First, if you kind of go back to what Farah shared and she could speak on this a little bit more, we're really focused on how we continue to drive the turnaround time improvement, which gives us free capacity to be able to move more engines through the shop. We're clearly dealing with material availability challenges in the supply base. So we are working to continue to abate those, breaking the constraints and working with suppliers in that regard. We have a significant external set of partners as well that is doing that work, and we're able to work with them. And then where we do have new challenges, we're also able to deploy repair or used serviceable material as well as a way to be able to support those engines.

Farah Borges ***General Electric Company - VP, Assembly, Test, Maintenance, Repair, and Overhaul***

I mean, I think, Russell, you said it really well. Some of the folks in the room had the opportunity to come to our Wales site where we do a lot of the GE90 overhauls. And we are working through challenges in the supply base but the team, from a Lean transformation standpoint is going through the same journey that you saw across some of the other pages we shared today with FLIGHT DECK. And we feel really good about breaking some of these constraints and then coming down the curve from a TAT perspective. So lots of opportunity clearly from where we sit today, but we feel really poised to go deliver on customer expectations.

Mohamed Ali ***General Electric Company - VP of Engineering, GE Aerospace***

And if I just jump in also. I mean, one of the key components of that of managing that transition is all the durability improvements we're doing for 9X ahead of entry into service because that reduces the -- all the demand for shop visits later, reduces the demand for new make. It reduces the pressure on all the supply chain. That's a key component of managing that transition.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

In the back, Kristine, Morgan Stanley and then Blaire -- Cliff after and then Jason.

Kristine Liwag ***Morgan Stanley, Research Division - Executive Director, Head of Aerospace & Defense Equity Research and Equity Analyst***

Kristine Liwag from Morgan Stanley. So talking about the supply chain on LEAP, you guys talked about -- you identified about the top suppliers representing more than 80% of the delivery gap. Can you provide more color about the commonality of the problems that you're facing and addressing this delivery gap, and also how long some of these initiatives could take so that you can meet the increased demand from your customers?

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

So I'll start, and then I'll have Mike Kauffman speak up on this as well. So we've been really -- it's been a team sport. You heard Mohamed talk about the thing that the engineering teams are out doing working with suppliers, trying to help them to be able to improve the yields and move things to their shops. To your question around kind of what have been some of the consistent challenges. It's really a post-COVID recovery still on them being able to get capability back to where they had at pre-COVID, the ability to be able to get certain technical skill sets, people that are coming back that are you just can't put on a floor and have them do the work. So think roles like welders, NDT experts, X-ray technicians where it's multiple years to be certified at different levels of capability. And so we've been supported by Mohamed and the engineering team to be able to do that. But maybe I can have Mike provide a little more color for you. Mike?

Mike Kauffman ***General Electric Company - VP of Supply Chain, GE Aerospace***

Sure. Thank you. Well, you covered it pretty well there, Russell. But I would say what's changing or where we are. So the supply chain is ramping, it's not ramping at the rate we would like it to. I would say what's changing internally and maybe to address the prior question is, we're beginning to see where do we see common constraints where we have aftermarket consumption and OE consumption thinking about that collectively. So we clearly see what the total demand on the system is and where the constraint is. We are laser-focused on, frankly, a quantifiable number of key constraints and suppliers that make up that 80%, very focused.

Larry framed it well in terms of our approach through FLIGHT DECK, go to Gemba at the supplier and it's a team sport. We have everybody on our team engaged. It is not a supply chain effort. It's engineering. It's our Lean teams, our program teams are out there. Everybody is out there at the Gemba doing real problem solving and getting a lot of collaboration from the supply base. And there's no one place to point in terms of a constraint. Each one is a little different, and that's why high-quality problem solving at Gemba is the way to break this and we are optimistic about where we're heading.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

And Kristine, just to clarify, the 80% plus really is not just our top suppliers. It's the supply base broadly defined. And that's not meant to suggest they are the issue. But we've got to go outside of the four walls, right? Great examples out of Terre Haute, Farah spoke to Rutland, it's getting out into the supply base. And to the latter part of your question, the good news is it's a moving target, right? So the progress that we're talking about here has to continue. But clearly, we think we're making progress. We did last year. We will this year. We've just got more to deliver.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Great. Cliff? Then Jason and then Sheila.

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

Cliff Ransom, Ransom Research. Larry, you've probably done 200 Lean conversions in your time big and small. This is the best you've ever attempted. What's been harder, introducing Lean thinking, FLIGHT DECK type thinking or retraining people who have been accustomed to what you and I have sometimes called fake Lean? What's the harder task? And I know you don't want to be critical of predecessors, but there's a point there that I'd love to see some amplification on.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

Cliff, I would say the challenge with this Lean transformation is the one you put your finger on. It's just the sheer scope and scale of GE let alone GE Aerospace, right? The good news is that GE had history with Lean with our transition years ago. You heard everyone who's been on the stage so far talk about continuous improvement. Maybe they didn't say kaizen but I think in the deep recesses especially in this business, that mindset is something that is not something that needs to be taught, right? We're really trying to channel it. And I think with FLIGHT DECK, what we're doing is really saying, we've been building momentum for some time. Let's find that next level as they say. And I think given the examples that we've highlighted here and more that we'll deliver on over time, we will overcome the challenge of scale and scope. I'm very confident of that.

Farah Borges ***General Electric Company - VP, Assembly, Test, Maintenance, Repair, and Overhaul***

Maybe I'll add to that, Larry. I would say my job this morning was very easy because we had a number of real examples to pull from. So when you think about the work the teams are doing, we're making real impact, and it's not something that we're storytelling on, right? And so that makes our job really easy when we've got the right teams committed to the right practice doing the work and the kaizen.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Jason?

Jason Michael Gursky ***Citigroup Inc., Research Division - MD & Lead Analyst***

Jason Gursky from Citi. Larry, this one is for you. You talked about capital deployment in your opening remarks. So I just want to get a sense how you and the Board are thinking about dividends versus buybacks? Maybe double click a little bit about that process that you have going on with the Board. And then on the M&A front, we're beginning to see OEMs bring suppliers in-house. So I'm just kind of curious what the M&A strategy is going to be? And if it's focused on more vertical integration?

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

Right. Well, I think Steve indicated earlier that we want to try to avoid some of the financial questions now. Jason, so if you'll just hold that Rahul is going to speak to the capital allocation framework in more detail later, particularly vis-a-vis the dividend and buyback dynamics. So we'll just hold that.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Okay. We'll come back. Sheila?

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

He had -- he had another question, if you were listening.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Well, obviously not closely enough.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

He wants to move on. Yes. With respect to M&A, I don't think you're going to see us go student body right with respect to vertical integration. I think what we want to do is really, again, find businesses that complement that accelerate what we're doing at GE Aerospace. That will include looks at the commercial and the defense side of things, might there be pieces of the supply base we want to bring in, perhaps. But again, I don't think we do that, hopefully, we won't do that to fix a problem in the spirit of FLIGHT DECK, we can take that methodology. We can take that practice into the suppliers, into their suppliers and rectify those issues. If we got to a position where we had no other alternative, perhaps we might bring something in, but that doesn't really fit my architecture of strategy first, operational value second and then the financial thresholds last.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

You'll get the first question in the next session as a result of that.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

Your ground rule.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Sheila?

Sheila Karin Kahyaoglu ***Jefferies LLC, Research Division - Equity Analyst***

Sheila Kahyaoglu with Jefferies. So Russell, that 99% repeating that market share was effective because I have a similar question to Rob and Mohamed you delivered on the LEAP improvements you promised 10 months ago. So I guess, how is that manifesting itself either on OE price, whether it's narrowbodies, widebodies? Or engine price increasing more than your competition? Or is it through CSAs because it doesn't seem like price is an element in that 2028 margin guide of about 20%?

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

So Sheila, we're focused on, once again, the things I talked about kind of those 3 elements of making sure that as we look at the products that we're looking at the risk that we take, the investments we make and the value that we bring to customers. And so we believe that they're sharing the benefit of Larry kind of as a mentioned, the price wasn't really what drove some of the GEnx. It's really been the time on wing improvements. I mean it is the amount of time the customers get to keep that asset under wing, generating revenues for them has really been a differentiator and really what the market is focused on. So we're continuing to do both. Looking for where are the opportunities, the work to ensure that we're able to capture value. But at the same time, we feel we're doing it in a way through those investments that customers are benefiting equally, if not greater.

Mohamed Ali ***General Electric Company - VP of Engineering, GE Aerospace***

And Russell, I would add time-on-wing improvements and the fuel burn retention.

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

That's very well.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

We have time for one more question. Scott?

Scott Stephen Mikus ***Melius Research LLC - Associate of Aerospace, Defense and Space Research***

Scott Mikus from Melius Research. Based on the 2028 projections, it looks like CFM56 shop visits will still be pretty close to 2,000 per year. LEAP will also be ramping, GTF will be ramping. So how are you thinking about the supply chain's ability to attract and retain enough talent, particularly at the casting houses to supply enough material?

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

So we work through a process that we kind of affectionately call kind of our rate readiness process where we go out with our critical suppliers in those, let's say, in those segments as an example, and work through what are the investments that are needed in order to make sure that they have the hard capacity and the soft capacity to be able to meet the demand and the purchase orders that we would put on them.

Where they're not able to do it as you heard Mohamed talk and heard Larry say as well, that we're getting out there, going again by trying to understand where can we help, where can we jointly break constraints, where can we bring the principles and the capability of FLIGHT DECK to be able to help them open those things up. We partner with some actually on bringing in our HR team and some of our hiring practices to be able to help them find ways of recruiting and retaining and developing talent that's needed to be able to support those commodities. I would say it's a multiphase set of things that we're doing to be able to continue to work with them.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

At least to help ramp those first 2 products that you mentioned.

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

That's right.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

All right. Well, with that, we are going to wrap Q&A here. There's a 15-minute break, just head back out through the ramp you came in and then we'll come back in that time frame. Thanks so much.

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

Thank you.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

Good.

(Break)

PRESENTATION

Amy L. Gowder ***General Electric Company - President and CEO of Defense & Systems, GE Aerospace***

Welcome back, everybody. If you could please take your seats.

Welcome back. We had a great team up here today talking about our Commercial business. My colleague, Riccardo Procacci and I will now cover what is called the Defense & Propulsion Technologies segment. So this segment is comprised of two businesses: Riccardo leads our Propulsion & Additive Technologies business, which is about one-third of the revenue of the portfolio. And in that piece of Riccardo's business, he leads four P&Ls that execute under their brand names.

The Defense & Systems piece of the portfolio is two-thirds of the revenue and about 80% of that is our Defense Engines & Propulsion Technologies. And we have a diversified portfolio that also includes about 20%, which comprises Avionics and Electric Power, which really primarily serve our Military and Defense customers as well. Overall, the whole segment across all the businesses has a strong services and aftermarket piece, so accounting for 55% of the revenue for the segment. And overall, the segment is growing.

The decades of proven products for our Defense & Systems business has met critical customer needs, and we have been a leader of innovation for the military. So I'm excited to share our path to growth to 2024.

So let's start with the budget environment. It's definitely a dynamic threat environment around the world. Their strategic challenges in many regions that drive the demand for our products as well as our spares and services to achieve readiness that all of the services need. In the United States Department of Defense, China remains the pacing threat, driving needs for modernization of capability and new technology. While the current conflicts are driving increased need of readiness, which drives demand for our spare parts and services.

We expect with the FY'25 budget we're excited to have that release next week, and we're optimistic that the FY'24 will be passed soon. And what we expect to see is low -- a modest slow single-digit growth as we balance domestic priorities. But as a strategy and the anticipated funding we see -- we expect to see a GE products from operations and maintenance will continue to be strong driving in spare parts. We expect continued production of programs such as the Black Hawk, Apache, F-15EX. And then, of course, we expect to see funding for new platforms such as the T-7A. We power the Red Hawk fleet for the United States Air Force as well as, of course, exciting sixth-generation combat.

If I look to the International, we see more growth there, more in the mid-single digits. In fact, in the NATO nations, we see 10 nations are having a 2% GDP spending. That's up 5x over the last 10 years. And in that international spending, there are strong exports powered all by GE products. We see exports of Apache, Black Hawk, F-16, F-15, P-8, E7, all with our engines on it. And then we also see these nations around the world increasing spending, such as in Japan, India, Korea, where they're looking at indigenous platforms. They're building their own aerospace and defense industries. And I'm proud to say, for the light combat, medium combat, they have chosen our 404 and 401 engines to power those indigenous aircraft. So with this, we see a strong opportunity for growth internationally as well as domestically.

So I will go into our strategy and just like Commercial, we frame it in today, tomorrow and the future. And today, it's absolutely about driving operational improvement through FLIGHT DECK, that's improving our delivery performance and restoring that customer confidence. And for tomorrow, it's about new product introductions that will create the future franchises for the business as well as the growth of those international platforms I just mentioned. And then, of course, continuing to expand our fleet services business for those

26,000 engines flying today. And then, of course, we're very excited about the future. Our adaptive cycle engine technology is still well positioned for us. We also see new growing segments such as hypersonics, advanced uncrew aircraft and hybrid electric. And we believe this strategy is well aligned to the customers' needs and our shareholders' interest.

So now let's go into that strategy, one layer deeper. So for FLIGHT DECK, just like Farah showed in her sites, we are seeing it drive operational transformation. And of course, we, too, are focused on safety, quality and delivery. And for us, safety is, of course, keeping our people safe and allowing them to come home safely from our factories, but also our product safety. The war fighters go into very dangerous elements. So our product safety must enable them to come home safely every time.

With FLIGHT DECK, as we shift to quality, you'll see an example on the screen where we saw a 20% reduction in quality disruptions over the last 2 years. And it was through using those true root cause corrective actions, problem solving at the source that we were able to achieve that, which has improved our flow, reduced risk to customers and, frankly, achieve efficiencies as well.

Shifting to delivery. I mentioned we see readiness rates with the deployments of the United States Navy. The readiness is at an all-time high. And if I look at our F414 engine, we really use FLIGHT DECK to partner with our customer with key suppliers and then to drive that improved flow of our products and on-time delivery. We did that 6 months earlier than scheduled and have continued to meet those engine readiness goals neither by the Navy.

So I, too, would like to show you an example of FLIGHT DECK in action at our Lynn, Massachusetts factory.

Camille Latour ***General Electric Company - Assembly and Test Lean Leader, GE Aerospace***

Hi. My name is Camille Latour, and I'm a Lean Leader supporting Lean assembly and test. Frank and I are here to talk about the T408 engine which supports CH-53K King Stallion and right now, this program is undergoing a major ramp. We're starting now increasing demand year-over-year, and we wanted to take this opportunity to really analyze the line and see where we can remove some of our major bottlenecks. And so we worked with the mechanics like Frank as well as looking at historical data to lead us to focus this event on the compressor rotor workstation.

Before the event, the compressor rotor workstation took 75 hours to complete from beginning to end. And to keep up with our ramp demand, that workstation would have to be completed in under 31.5 hours. So there was a very large gap between our current state and what our target was for the end of the week. Pulling together a cross-functional team, we are able to take that 75 hours and reduce it down to 10.4 hours, which was an 85% reduction in our cycle time. So not only were we able to remove the largest bottleneck from the line, but we're also able to create additional capacity for the program.

And now I'm going to hand it off to Frank to talk about his experience throughout the week.

Frank J. Stewart ***General Electric Company - T408 Line Advanced Aircraft Engine Mechanic, GE Aerospace***

I'm Frank Stewart. I've been with GE Aerospace for the past 17 years. My current role is an advanced Aircraft Engine Mechanic for the T408 line. This event allowed us to look at our builds in a whole new light. It allowed us to go into every build, looking to improve the process, improve the timing. Our support staff have been absolutely incredible throughout this whole process. We've been able to get design changes and process improvements to allow us to build quicker, faster, better. With the support system we've had, it's given us a great jumping-off point to focus on some of our other workstations, our other builds.

Camille Latour ***General Electric Company - Assembly and Test Lean Leader, GE Aerospace***

This is just one example of improvements that are happening in Lynn. We are committed each and every day improving customer delivery and supporting the aerospace industry ramp.

Amy L. Gowder ***General Electric Company - President and CEO of Defense & Systems, GE Aerospace***

It's always exciting to see employees at the point of impact embracing FLIGHT DECK and delivering for our customers. So of course, the FLIGHT DECK also applies to cost. And if I focus on Defense business, the largest portion of the D&S portfolio, cost is important for several reasons. A large majority of our contracts are fixed price or commercial and that's primarily for our services as well as our

production programs. In our development world, we do see, especially in Edison Works, cost-plus contracts that allow us to share the risk with the customer. In the fixed price world, driving cost down is critical to achieving our margin expansion targets and the productivity we want to be competitive with our -- for our customers.

So we have also used FLIGHT DECK to approach productivity. And we've done that across not just the shop floor you just saw, but across our office and according to our supply base. We've introduced new suppliers for the F110 that have drove over $1 million of savings annually. Our Madisonville site, just like in Durham and Singapore, we had a 3P event where we transformed 16 areas. We reduced over 1,500 steps and this is for our blades and veins that go in both our 404 engine and our T700 engine. We improved the hours per piece direct labor by 30%. And that achieved an annual savings of $3 million as well as increasing our output to improve delivery. So we truly see focusing on productivity across the enterprise is key to that sustained margin expansion as well as balancing our contract risk as the portfolio grows.

So now I'm going to move on to growth. So the last 2 years, I have seen single orders growth that has enabled us to have a book-to-bill ratio of 1.2. And I've seen that grow our backlog or our remaining performance obligations to over $11.5 billion. And that is because we've been the engine of choice on a diverse group of platforms, types of engines and types of markets. And in fact, if you look at the lower part of the screen, we're seeing an increasing percentage of our revenue in Defense & Systems coming from international and our commercial derivatives, which offers us a higher price opportunity and therefore, accretive to GE Aerospace.

With the backlog growth, coupled with our improvement in output, we see engine units in the OE side increasing in high-single-digits. And we can see in our sustainment market, which is 60% of our revenue, with the readiness demands of the fleet, we see that continuing to stay at the 60% over period.

Now let me break down this growth by Engine family starting with Combat. In the Combat space, we see the demand for pilots increasing as well as there's aging airframes for the training mission. So training recapitalization is a strong driver for our engines. Of course, very proud again to power the T-7A for the United States Air Force with our 404 engine. That same 404 engine has been chosen by Turkey on their Hurjet trainer. And of course, it powers the T-50 Korea and Korea has seen exports of trainer to Poland and other nations around the world. So we see growth in this piece of the market.

Also in our other engines, F110, 414, we have increased and introduced technology to improve performance, increase durability, reduce life cycle costs. And it's because of that great performance, we have been selected in any of the engine competitions. So the F110 with F-16, we've won the competition 20 out of the last 21 times. And for those indigenous platforms I spoke of earlier, in India and Korea, it is our engine that is the engine of choice to power their combat aircraft. So with all of this demand together, we see over 1,000 units in the 2024 to 2028 time-frame, leading our growth.

Now let me turn to Rotary. So in the Rotary space, CT7 and T700 is the workhorse for the medium-lift category. We, of course, power the Black Hawks and Apaches that continue to be exported and continue to be supported by the United States Army. We also power some of the Leonardo aircraft there at the bottom of the screen. And in that space, I partly partner closer with Riccardo as we deliver our technology into the European theater.

And then, of course, you saw in the video, the T408 is ramping up with the 53K ramp. And we see that aircraft not just for Israel internationally, it's also attracting other international interest. And then there is our T901, which we are very proud of. That engine currently has 500 hours of test and is meeting all the specifications needed by the Army and set out by the United States Army. In fact, there was testimony last night that reaffirmed the T901 will be powering and modernizing the Black Hawk and Apaches for decades to come. And they are choosing this engine because they need 50% more power and 25% more fuel efficiency that they need to deliver for that program. And that's probably over a $30 billion opportunity over its life cycle.

We are the leader in medium- and heavy-lift helicopters. So now let me move on to our derivatives market in Marine & Mobility. These applications are derivatives of our commercial engines such as CFM56 and CF6. And they bring all their performance, but also all the dependability from the tens of millions of flight hours experienced in the commercial fleets. For the Mobility space, we see demand being driven by special-mission aircraft such as the P-8, just selected by Canada, as well as situational awareness aircraft is becoming more

important, and our CFM56 is power the E-7 aircraft.

If I shift to the Marine space, the LM2500 remains the turbine of choice for large surface combatants. We power not just the United Navy, but we were just recently selected an internationally in several indigenous applications, including the Korean Destroyer, the Taiwan frigate and then India's first native carrier.

So as we look across all of these platforms, all of these markets, we see demand being well diversified from many places. And that's because we're recognized as a leader in aircraft integration, the performance on wing and long-standing partnerships with customers and industry partners in these other nations. So this growth is balanced, profitable and well diversified.

Now if I shift to the exciting world of advanced technology, this is our Edison Works portfolio, home to our advanced programs. We are developing cutting-edge technology and adaptive cycle engines that you've heard us talk about. We're also investing in new material systems that is needed for the future of combat. And it is this new, as well as reliable technology, that we have very well positioned for the advance combat market.

We're also investing in new areas I spoke of hypersonics, advanced uncrewed platforms and hybrid electric. In the last four years, because of our confidence in the market and our position, we have invested $250 million in infrastructure, technology as well as advanced IT systems enabling model-based systems engineering.

We're expecting because of our current position, revenue to triple through 2028, and we will be breaking $1 billion in this piece of the portfolio. It is through innovations, investments and that customer partnerships that we are pushing the boundaries of the future of combat. And we're very proud to with our customer and shape the future of combat with them.

So then now if I move on to beyond our propulsion and defense engines and talk about Avionics and Electric Power. They are very well aligned with the Defense team because we serve the same customers. In fact, power is 70%, and we are a lead provider of high-voltage DC systems on key platforms like the F-35 and we do have a one-of-a-kind integration facility located just miles from Wright-Patterson Air Force Base, where we believe we are shaping the future for hybrid electric.

In our Avionics, we are more balanced between civil and defense, but still heavier in defense. In our civil space, we're long known for our flight management systems and data storage but we are emerging as the leader in open-system architecture and core computing. We were selected by Bell and endorsed by the United States Army on the V-280 FLRAA aircraft for our digital backbone. It is truly a modular open-system architecture that our technology is enabling that is a key tenet for the United States Army going forward on all their platforms. We believe that this is discriminating technology such as this core computing system and our high-density power that make us well positioned for the critical future missions of the Military and will enable this piece of the portfolio to have to deliver profitable growth as well.

So in closing, as a preferred selected provider on Combat and Rotary wing, we believe we're positioned for profitable growth. We're driving a step function change in our performance today. We're ramping the diverse United States and international platforms for tomorrow. And of course, we're preparing for the future with our advanced technology aligned to those critical customer needs.

So I'm going to hand it over to my colleague, Riccardo Procacci to discuss the Propulsion and Additive Technology piece of the business.

Riccardo Procacci ***General Electric Company - President & CEO of Propulsion and Additive Technologies, GE Aerospace***

Good morning. This is Riccardo Procacci and if you stay with me for the next few minutes, we'll talk about of our portfolio of Propulsion & Additive technologies and how we are creating values for our external customers and GE Aerospace.

The portfolio is comprised of four recognized brands that we are operating as fully independent businesses. We have headquarters in Europe and in North America. We are generating about 60% of our revenues with our external customers, while the remaining 40% is generated with internal transactions with GE Aerospace. We also said serve both Military and Commercial segments, with Military representing about 40% of our revenues.

Avio Aero is the largest component in the portfolio and the largest GE Aerospace operations in Europe. We make small turboprop engines, engine modules and controls. We have a clear established leadership position on gear boxes and low-pressure turbines. We are serving as a champion for propulsion for the Italian Air Force. And at the same time, we are proud to represent GE Aerospace with a European institution when it comes to discuss our policies and especially sustainable aviation.

Unison is operating out of U.S. and Mexico. We make engine accessories. We have a clear leadership established on ignition systems and permanent magnet alternators. Dowty of the U.K., we made propeller systems. Our most recognizable product is the propeller system of the Lockheed Martin C-130J, the larger military transport. And finally, GE Additive. GE Additive will make 3D metal printers and specialty powders that we sell across multiple industries. We are the only business in that industry that can offer a full portfolio of printers across different models.

Here is our strategic framework. And I will not go through each of the lines because each of the points is actually in my -- in the rest of my presentation, only want to stop here a second to reaffirm that safety is our top priority. Safety for our customers, safety for our people, we'll never compromise on that.

I want to spend more -- a few more minutes talking about Avio Aero as it is the biggest component in our portfolio. We have about 5,700 people across Europe in 7 sites. We developed our own proprietary IP, and we deliver products all the way from design to service. We have a clear established mission: first, develop unique, distinctive technology to support GE Aerospace. Second, we want to be a trusted partner for the whole of the aviation industry. And third, we want to, as I mentioned, be the Italian champion for military propulsion.

We are well positioned as a company to exploit the 2 key trends that we see in the European aviation industry. On the Military side, European nation wants to achieve more strategic autonomy, be less dependent on technology imports. We, as a company, able to deliver our own native technologies and proprietary IP are able to participate together with Italy to key international and European programs. And to that extent, it is worth to talk for a minute about GCAP, the sixth-generation fighter. This is a massive undertaking that Italy, U.K. and Japan are pursuing.

If you think about it, only the development and only the engine part of the program will be worth in excess of EUR 40 billion. This program has the potential to reshape the future of air combat for our 3 nations that parting in the program, but also for their allies. But at the same time, will help or enable Avio Aero for the development of key leading niche technologies that eventually will make it back into the commercial area and will reinforce our position of technological leadership.

On the sale side, EU, the second trend I was talking about on sale side, Europe has made a strong commitment to sustainable aviation. We, Avio Aero are one of the founding members of Clean Aviation. Clean Aviation is a public, private undertaking that has been tasked by the EU for the definition, the funding and the implementation of the European road map towards sustainability. We, as a founding member, not only can participate to several of the Clean Aviation programs in a leadership position with the funding and everything else that comes with it, but also we have a seat at the table when it comes to influence and discuss policies. And with this, we can make sure that the voice of the all GE Aerospace is not only were heard, but also very well understood.

Under this program, we at Avio Aero, we are exploring all fronts of sustainable aviation, hybrid propulsion, hydrogen, and here, we are partnering with Airbus on the flagship ZEROe program. But also under this program, we are developing key strategic technologies on gears and low-pressure turbine that will be the essence for the success of our RISE program.

With all of these, Avio Aero is very well positioned for growth. On the commercial side, our success is linked to the nice portfolio of programs that we are working on, both internal and external. It's obvious though that for us to enjoy for real, the growth, we need to deliver for our customers -- external customers. And this is where the FLIGHT DECK deployment will be coming to our help.

A particular attention in my view, is the need to de-risk our supply chain. We have to -- I think we can achieve some of it, at least by evolving our relationship with suppliers into strategic relationship -- strategic partnership. We need to understand their business model. We need to understand their technology and been able to sit with them to solve problems. At the same time, we also need to have the

courage to delever from the suppliers that are not willing to follow us on the strategy of -- and this journey of collaboration.

On the defense side, we'll deliver our growth working on 3 levels. The first level is that we'll keep partnering with Amy and her team to bring their technology into Europe. And we do that by offering opportunities for manufacturing localization, engineering localization, but also institutional support at the highest level. Second, we'll keep working on exploring the opportunities that the desire -- the European desire for more strategic autonomy is bringing to us. Third, we also starting to establish a key relationship with countries like Korea and Turkey that have their own existing supply base for the defense -- for defense, but they want to grow it. They want to grow their capabilities. And they see in us a valuable partner.

Now I want to highlight two strategic investments that we are managing on behalf of the GE Aerospace business inside our portfolio. The first one is the GE Catalyst is a turboprop engine of about 1,300 horsepower. It's the first turboprop engine clean sheet design in that class in over 40 years. This engine is already established in new standards in terms of operability and performance. It has demonstrated better fuel burn with respect to its best competitor of more than 18% and is on track to be certified by the end of the year. It has been entirely developed in Europe. That means that it's ITAR and EAR free which makes it perfect to pursue these military opportunities in Europe where native technology is required. And this obviously goes on top of us being able to export it for commercial applications anywhere we want.

We're already sitting on a nice portfolio of orders. In the U.S., Textron has chosen us to power the brand-new Beechcraft Denali single-engine aircraft are due to be certified sometime next year. In Europe, Airbus Defense and Space has chosen an immediate derivative of the Catalyst engine to power the Eurodrone. Eurodrone is a medium altitude long endurance UAVs that Italy, Germany, France and Spain are jointly developing and this is the first such UAV application entirely developed in Europe.

Catalyst is the most efficient platform in its power range, which makes it the perfect thermal component on a hybrid propulsion platform. Being the best in its class for power density and fuel bar is attracting a lot of attention for UAV applications.

The last point I want to make is that a lot of these good results for the engine have been attained by extensive application of a additive manufacturing technology. Now all the learning that we are accumulating on how to design and how to manufacture these additive parts are also helping the development of the T901 that will be using some of the similar applications.

And this takes me to the second strategic initiative that we are working on, and it's in the field of additive manufacturing. We all know how additive manufacturing has the potential to revolutionize manufacturing, is enabling engineers across industry to come up with innovative designs that cannot be manufactured with traditional techniques.

We, as GE Additive already produced some portfolio of machines that we sell across different industries. What we don't often talk about is the fact that there is a set of modalities, technologies, features that we are developing for the exclusive use of GE Aerospace. We are building a true competitive advantage for GE Aerospace. And when you read the list of the programs that will be counting on our technology for their success, you understand how strategic is this investment, not only for my portfolio, but for the whole of GE Aerospace.

In conclusion, we have a game plan that is very clear in front of us. Short term, it's all about delivery to our customers, to reinforce the good reputation that we already have of a good partner for the whole industry. We then need to stay focused on our strategic investment as they have the potential of truly defining our tomorrow.

And finally, our future will be shaped around the 2 key trends that we see in the industry. Sustainability on one side, and European ambition for more independent technologies on the other side.

And with this, I thank you for your attention. Now let me call back on stage, Amy. Amy, on behalf of both our portfolios, will describe -- talk about the financials for the segment.

Amy L. Gowder ***General Electric Company - President and CEO of Defense & Systems, GE Aerospace***

Thank you. Thank you, Riccardo.

Now bringing it all together with the financials, we do see revenue for 2024 in the mid- to high single-digit range driven by those engine output units in defense that I talked about, as well as growth in each of the businesses. Profit dollars are expected to be up 25% to the midpoint, indicating strong solid margin expansion driven by profitable growth, price/cost opportunities, as well as general performance of the segment offsetting some of the engine mix based on the life cycle of that engine.

We're continuing to invest in the business, as you just saw with Riccardo for the future of all of GE Aerospace and our growing piece of this portfolio. We also are focused on using FLIGHT DECK to continue to improve the performance in the near-term.

So now if I shift to medium-term growth, we see mid- to high-single-digits in '25, supporting a mid-single-digit CAGR throughout the -- through 2028. With defense being the primary driver with a strong domestic as well as international demand, again, continuing the high-single-digit engine. And you also see Edison Works being a more meaningful contributor to the portfolio over this period.

Growth in Riccardo's businesses is both from the internal aerospace ramps, but also his external customer is also having major platform ramps, and growth in his defense business as well. Again, productivity is driven by FLIGHT DECK, and we see profit growing faster than revenue throughout this period.

Now with that teaser, I'm going to welcome to the stage Rahul Ghai to take us through the financials.

Rahul Ghai ***General Electric Company - Senior VP & CFO, GE and GE Aerospace***

Amy, Riccardo, thank you. Good morning, everyone. So today, my plan is to do two things. One, provide the building blocks for our 2024 guidance and 2025 outlook, and build on the framework that Larry shared earlier about what this business can achieve beyond 2025 and our capital allocation principles. But all along, we'll take another step forward in our journey that we started last year in Evendale, provide additional details about the business, and including what it means for us as an independent public company. So with that, let's start off with where we left off in 2023.

So we ended 2023 with $32 billion of revenue and $6 billion of profit, which is up 3x from where we were about 20 years back. About 70% of that $32 billion of revenue comes from services.

The strength of the services business drives resilience in our business model. It not only helps us, but also helps us emerge stronger from the downturns, and is a key contributor to the 3x growth that you see on the two left-hand side charts on the page.

And what drives this unique services franchise is the strength of the installed base that is up more than 60% during this time frame. And the growth in the installed base is coming from the positions that we enjoy on the major platforms in the industry, and is a testament to the technology and the customer progress of this enterprise. While we are extremely pleased with these results, our ambition for the future is greater. And we aim to accelerate this growth trajectory starting with how we perform over the next 5 years.

But before we go forward, let's rebaseline GE Aerospace, from a segment of GE to its own independent public company. So this chart rebaselines profit on the left and does the same for cash on the right. So let's start with profit.

As we saw on the prior page, we reported $6.1 billion of profit at GE Aerospace. Corporate office at GE had an outflow of about $0.5 billion. That $0.5 billion includes public company expenses and EH&S liabilities or EH&S costs for legacy liabilities. Adjusting for the $0.5 billion of GE corporate costs and other stand-alone transitions, GE Aerospace reported $5.6 billion of profit in 2023.

Now as we go to the right-hand side of the page, GE Aerospace reported $5.7 billion of free cash. The corporate office had an outflow of $1.1 billion. This $1.1 billion includes the P&L impact, the interest expenses on the debt, and pay-as-you-go pension. Of this $1.1 billion of outflow related to pay-as-you-go pension, a portion of that will go to GE Vernova. And GE Aerospace would have generated $4.7 billion

of cash on a standalone or a pro forma basis.

So let me put all the pieces together. So we're reporting in two segments. Commercial Engines and Services or CES and Defense Propulsion & Technologies, or DPT. As Amy, Riccardo and Russell all shared, both segments will grow profit and revenue in 2024. And if you combine the pieces, GE Aerospace will report low-double-digit plus revenue growth and $6 billion to $6.5 billion of profit in 2024. This profit is up approximately $700 million from where we ended 2023.

So let's look at the pieces that drive this profit growth. As we shared back in January, the biggest portion of the volume or biggest portion of the profit growth will be volume. And this volume growth is coming from two main areas. One, the commercial services growth, which commercial services we expect to be up, call it, mid-teens this year, with shop visits up low-double-digit to mid-teens, and spares growth lower than that of shop visit growth.

And second, in Defense, Propulsion & Technologies, we expect mid-single-digit to high single-digit growth, and that's primarily being driven by the growth in defense engine shipments.

We are expecting higher inflation in 2024 than we experienced in 2023. But the price escalations that we put in place in '23 would more than offset that. And we will be price/cost positive in 2024.

We are driving productivity inside the organization with the help of FLIGHT DECK. These initiatives are helping us reduce our overtime, reduce our nonproductive time, increase our output per FTE. So productivity helps support profit growth in 2024.

Now offsetting or partially offsetting the benefit of volume, price/cost favorability and productivity will be mix. And the mix headwinds are coming in two forms: One, the spare engine ratio on LEAP in '24 is lower than spare engine ratio in 2023. And second, the initial shipments of 9x. In addition, we are stepping up our R&D expenses in '24, to continue making improvements in LEAP durability that Russell and Mohamed walked you through, support the introduction of 9x, and the future of flight.

Combined between mix and investments, we expect about 2 points of margin headwind in 2024. But if you step back, we are going to generate about $700 million of profit growth in 2024 on top of more than $1 billion of profit growth that we generated in 2023.

Now turning to cash. This earnings growth that we just saw is going to drive majority of the improvement in free cash flow this year. But we are extremely focused on improving our working capital. And despite the low double-digit plus revenue growth, we are reducing our working capital by approximately $600 million, similar to the levels that we reduced last year.

This improvement in working capital is coming from improving our inventory turns and increasing our service billings as utilization continues to outpace shoppers at growth. This improvement in working capital more than offset the in-year AD&A outflow of about $300 million. We remain extremely judicious about our capital spending. But given the increase in LEAP volumes, introduction of 9x, and the need to create MRO capacity to reduce the turnaround time for our customers, we are increasing CapEx at the higher end of the 2% to 3% range that we had shared earlier. We are being extremely careful about avoiding over-capitalization of our facilities.

For the year, we'll generate more than $5 billion of free cash flow, well in excess of net income. And we expect to carry this momentum from '24 into '25.

The strong underlying fundamentals that we are experiencing will drive low-double-digit growth in '25. We expect Commercial Engines and Services to be up low-double-digit to mid-teens, and Defense, Propulsion and Technologies to be up mid-single-digits to high-single-digits. Commercial growth will be led by OE as LEAP engines continue to increase, while the services remains strong with shop visit growth in high-single-digits.

In Defense, Propulsion & Technologies, we're expecting continued strength in our core platforms, combined with growth in the classified business in Edison Works that Amy just shared with us. This drives more than $1 billion of profit growth in 2025 or mid-teens on a percentage basis.

Volume will continue to be a key driver of this profit growth. We expect LEAP to be profitable next year as a program. And this improvement in LEAP performance will contribute to this profit growth. 9X will be a headwind because we are increasing the expected number of engines that we ship next year on 9X.

We'll remain price/cost positive. But we're expecting higher productivity benefits in '25 than in 2024. The capabilities that we are building with FLIGHT DECK will go deeper into the organization. And the projects that we are starting this year will start delivering carryover benefits in 2025.

We're expecting to make continued increase in our R&D investments to support the needs of the future, and expect R&D expenses to go up in line with revenue growth next year.

So overall, about $1 billion of profit growth next year, a point of margin expansion, and we'll convert this profit growth into free cash. And we expect that our free cash flow ratio to net income will remain in excess of 100% next year.

Now I want to dig into a couple of pieces that will drive this improved outlook or this outlook for '25 that we have. The first is price.

Inflation is increasing this year, in '24, but as you can see, we have been price/cost positive for the last 2 years and will remain so in 2024. Now as we look forward to '25, we expect inflation headwinds to subside. And in this framework, we have planned for mid-single-digit price increases at a gross level.

And then if you go on the right-hand side of the page, we are driving greater discipline in pricing inside the organization. There was a couple of questions that we got during the break session. And you can see that the large pricing on both LEAP and GEnx, those days are behind us. And we are pricing for the inflationary environment that we are in. And as Russell said earlier, we are pricing for the risks that we take, the investments we make, but more importantly, the performance that we deliver for our customers. And given the improvement in performance of the engine and the price escalations that we have put in place, the profitability levels that we expect in both these programs have improved.

Now let me switch to cost. Taking costs out of our business remains a #1 priority for us. Material inflation has been challenging given the sourcing situation in this environment. But we are making progress on our factory conversion cost. We made progress last year in '23. And this year, we're expecting a mid-single-digit reduction in our factory conversion cost from a mid-single-digit cost in 2022.

The FLIGHT DECK initiatives are helping. And you heard a lot of more FLIGHT DECK today. And as a CFO, it really brings a smile to my face because what FLIGHT DECK is doing for us is it's improving our flow, it's improving our productive time in the factories, it's reducing scrap, it's reducing rework, and creating true value.

Farah, Steve and I were recently in our Malaysia shop, 2 weeks ago. And what the Malaysia team is doing with FLIGHT DECK is that they're increasing their output, the shop visit output, by 30% this year, 30% this year. That's real progress. And that's what Farah could stand here and say that she's got tons of examples.

Switching to SG&A. Including the corporate office expenses, we reported SG&A of approximately 10% last year in 2023. And our goal is to reduce that by 150 basis points by 2025. We're doing it in two ways. First, by being extremely judicious on how we add SG&A expenses when revenue is coming back. Second, digitization and automating our processes to reduce the base spend. We are investing in our IT infrastructure to reduce the number of systems. We are consolidating our data centers, using machine learning and AI. All these things combined are creating a leaner, more effective cost base. There are tons of opportunities on cost and we are all over it.

So let's step back and look beyond 2025 now. As Larry shared earlier, we are very confident about the trajectory we are on. The pandemic is behind us. Air traffic is still growing. Defense spending is resilient. And our backlog is at record levels. This framework creates a high-single-digit revenue growth environment for us over the next 3 years beyond '25.

And that high-single-digit growth is going to come from 3 big pieces: One, the base volume of mid-single-digits. Second, while we will always strive for more price, we factored in mid-single-digit growth or net low-single-digit net price increases into this framework. And that will be supported by the incremental share that Russell mentioned, the increase in defense -- international defense shipments that Amy referenced to, and increase in shop visit scope.

This high-single-digit revenue translates into double-digit profit growth between '25 and '28. Therefore, we add between $2.5 billion to $3 billion of profit between '25 and '28, getting to approximately $10 billion of profit in 2028. As Russell and Amy both shared, both segments will increase profit faster than revenue, therefore, will be margin accretive in both the segments.

Volume, price, productivity will continue to offset the 9X headwinds. And this profit will convert to cash, and we expect free cash flow to net income ratio to be about 100% in 2028.

The key for achieving this outlook is the flywheel that Russell shared earlier. And nowhere is that flywheel more apparent in LEAP that is beginning its services transition. So let me spend a minute on LEAP.

We've shared earlier that we made tremendous progress on LEAP durability. Combining that with where LEAP is in its product life cycle has allowed us to achieve a significant milestone this year. And our services business for -- in LEAP will be profitable in '24. The whole program turns profitable in '25. And by 2028, LEAP starts to approach CFM levels of profitability.

So just 10 years into service, LEAP will almost make as much money as its 30-year-old predecessor [CFM56] by 2028. This just speaks to the potential that this program has over time. And LEAP is following the footsteps of GEnx that has quadrupled its margins over the last 10 years. And LEAP and GEnx are a good template, a good road map for 9x as we introduce that engine this year.

And then if you go to the right-hand side of the page, LEAP will continue to contribute free cash flow as billings will continue to outpace the shop visits.

Now let me spend a minute on the broader cash situation and outlook between '25 and '28. We have several opportunities ahead of us to drive strong cash flow performance, but let me focus on 2.

First, on contract assets. 85% of our billings and service contracts are yet to happen. And combining that with the increase in installed base will ensure that billings continue to outpace shop visit growth, increasing the contract asset balance on our balance sheet and reducing our working capital.

The second big opportunity that we have is inventory. Given the environment that we've been living in of material shortages and the need to support our customers, our inventory turns have been relatively flat over the last 3 years. But as material availability begins to improve, and we drive improvements in our own shops, we think we can take our inventory turns to higher than where they were pre-COVID levels.

One of the key things that we are doing is implementing a pull system with our vendors. Currently, 25% of our output is on pull. It's up 3x from where we were in 2022. But our aim is to take that to 90% over time. And that should help reduce WIP and material in our shops. So overall, a strong road map to drive cash flow generation over time.

Combining this cash flow generation with the strong balance sheet that we're going to inherit from GE, we will have about $13 billion of cash on balance sheet post funding Vernova, about $5 billion of marketable securities and the free cash flow that we will generate between '24 and '26, will allow us to have about $35 billion of cash to distribute in this time frame.

Now in terms of utilizing that cash, we made a final contribution to insurance of $1.8 billion back in February, which puts the insurance capital at over $4 billion, $2 billion more than the required RBC levels. So we are done funding insurance at this point.

We're going to make the final payments on severance and restructuring tied to spin in the next few months and keep about $3 billion to $4 billion of operating cash. That leaves us with about $25 billion of cash.

And in terms of distribution of that cash, we aim to distribute about more than 70% of that to our share owners in form of dividends and share buybacks. Subject to Board approval, we will initiate dividend at about 30% of net income. And our Board recently authorized a $15 billion share buyback authorization that goes into effect post spin. And we intend to use that authorization over a 3-year period.

Combining dividends and share buyback, each will be 4x where we are today at GE. And this dividend and share buyback will create incremental value for our share owners over and above the double-digit growth that we are expecting to generate.

So to summarize, this is a great business. Strong operational and financial fundamentals. Revenue growth will be driven by macroeconomic trends, best-in-class products, people and technology. Volume, price and productivity will drive the profit growth as we continue to offset typical headwinds that come with introduction of new products.

We embark on the next chapter of this journey from a position of strength. And the visibility and the accountability that comes from becoming a stand-alone public company will only make us better. And we can accelerate our growth trajectory.

This is what underpins our confidence, my confidence, that we will drive strong performance and get to approximately $10 billion of operating profit in 2028. Based on everything I see, I could not be more excited.

So with that, Steve, we'll get to the second session of Q&A.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

That's great. So I'd love to welcome up, again, Larry, Amy Riccardo. Rahul is up here already. And again, just we only have 15 minutes and appreciate you sticking to that 1 question, and your name and firm as well.

QUESTIONS AND ANSWERS

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

So Jason, I promise we would come back to your question that wasn't answered before. So let's start with you in that same question. Why don't you re-ask it, if it's okay? And I think I saw David Strauss in the back some place, so we'll go to you after.

Jason Michael Gursky ***Citigroup Inc., Research Division - MD & Lead Analyst***

Jason Gursky from Citi again. I think you did a great job addressing the question that I had earlier. So if I might, can I ask another one?

Unidentified Company Representative

You have the mic.

Jason Michael Gursky ***Citigroup Inc., Research Division - MD & Lead Analyst***

So Rahul, as you look at the financial model, you guys have done a very nice job about laying out all the opportunities that are in front of the company. Can you talk a little bit about some of the risks that you are thinking about, and we should all be kind of keeping track of?

Rahul Ghai ***General Electric Company - Senior VP & CFO, GE and GE Aerospace***

Yes. Great question. And I think the -- first, let me start with where -- how I feel, how we feel collectively sitting here versus a year ago, right? And I think the big difference between how we sit here today versus a year ago is LEAP, right?

Last year, we were starting the journey, Mohamed and Russell spoke about a couple of things, improvements they made and a couple to go, right? We were just thinking, okay, when does LEAP turn? And I was still on the come, right?

As we sit here today, I think that's the big change between -- I see between '23 and '24. Services breakeven this year, overall program breaking even next year. Larry said it earlier, the first Q&A session, incremental margins on LEAP higher than the overall GE Aerospace margins. So you won't hear us talk about LEAP being a margin headwind at the overall GE Aerospace levels starting '25. I think that's a

big step forward for us as a company.

So what's next? Right? I think 9x. I think that's the one that we all need to now replicate this playbook that we've had with LEAP on 9x. The initial shipments, bigger engine, lots of new technology, we need to work through all the pieces, right? So I would say that, to me, is the single biggest thing that we need to manage over the next 3 to 4 years.

Other than that, I think the base business looks good. Amy's business looks fantastic, right? The defense spending is good. She mentioned $11.5 billion of backlog. So we feel good about the mid- to high single-digit growth on the Defense and Propulsion side.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

David?

David Egon Strauss ***Barclays Bank PLC, Research Division - Research Analyst***

Here behind the pole, you can't see me, but David Strauss from Barclays. I wanted to ask on cash flow. You've got over 100% conversion in '24, '25, approximately 100% beyond '25. I guess what changes in that calculus beyond '25? It looks like you still have -- you're going to have positive CSA billings, maybe the inventory opportunities fully execute on at that point. But what changes beyond '25 where you're not above 100% free cash flow conversion?

Rahul Ghai ***General Electric Company - Senior VP & CFO, GE and GE Aerospace***

David, I can't see you, so you are behind the pillar here. But I think what we said this morning is that free cash flow will be about 100% of net income by 2028. So I think it's a gradual walk to that number.

I think the big thing here, obviously, you saw the contract assets charge, contract assets have been very favorable over the last few years. We expect them to be continue to be favorable. We expect billings to outpace shop visit growth, but less of a tailwind than it has been. Inventory is an opportunity for us.

But our team has also done a really good job of managing days sales outstanding. Our days sales outstanding were down 5 days last year. So that's pretty good. I think we're getting to a point where there is going to be incremental opportunity. I'm not -- I think we'll keep pushing on that. But as we get into the '28 time frame, that gets a little bit harder, especially given the revenue growth that we are having. So I would say that is the big change, but again, we'll continue to push, and we'll see where we end. We still got a few years to go between now and '28.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

People in the back, Steve.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

We'll get them next.

Robert Alan Stallard ***Vertical Research Partners, LLC - Partner***

Robert Stallard from Vertical Research. Maybe just a follow-up on Rahul and Jason, your question and answer there. If the 777X is further delayed, let's say, entry into service 2026, what would be the practical and financial implications for GE?

Rahul Ghai ***General Electric Company - Senior VP & CFO, GE and GE Aerospace***

I can start, and Larry, please -- Russell, jump in here. We are, at this point, Rob, we are planning for entry into service in mid-2025. That's the goal. That's the discussion Russell and his team are having with Boeing. So that's the plan.

If something happens, we'll work -- also depends on what signals Boeing sends us, right? Sometimes our production environment is independent of where Boeing is because they still want the engines for whatever reason. So I think we'll keep working it. But at this point, we are not -- we don't anticipate changing the -- any shipment outlook for 9X.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

Russell, if you want to add.

Russell T. Stokes ***General Electric Company - President and CEO of Commercial Engines & Services, GE Aerospace***

We're focused on continuing to deliver program in line with everything that we've been working with Boeing on. So we'll bring the program into service, is the plan into 2025. We'll continue to work through the production schedule. We're really proud to be under the wing of the 777X. We know a lot of customers, as you saw earlier today, had bet on that product going into service to support their fleets and the things they need to do. So we're staying focused on delivering to the schedules as we understand them and that's really where we are at this point in time.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Thanks. Sarah?

Seth Michael Seifman ***JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst***

Seth Seifman from JPMorgan. A question for Amy. I guess, Amy, thinking about this role and also your prior role at Aerojet, the landscape for solid rocket motors seems to be changing. The Defense Department seems to need a lot more propulsion than what the industrial base can currently provide. You talked a little bit about hypersonics. Given the role that GE could play in that landscape going forward, how do you see that playing out?

And if I could sneak in a really technical financial question, how much stock do you have to repurchase every year to hold the share count flat?

Amy L. Gowder ***General Electric Company - President and CEO of Defense & Systems, GE Aerospace***

You want me to answer the first question first?

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

I want to take the second one.

Amy L. Gowder ***General Electric Company - President and CEO of Defense & Systems, GE Aerospace***

So with our hypersonics, as Larry indicated, we did an acquisition of Innoveering, which brings a lot of the scramjet/ramjet and certainly solids do play a role in that space. So we're looking at it, we're actively exploring it. I think it would be -- if we can bring a differentiating technology, not just more of the same capacity, we'll consider it. And so we don't have any solid plans, but we definitely see opportunity with hypersonics.

Rahul Ghai ***General Electric Company - Senior VP & CFO, GE and GE Aerospace***

Seth, our dilution at GE has been roughly 4 million to 5 million shares a year, in prior years. With the rise in stock price and the transition with the spin, right, equity is getting split, so don't know exactly how dilution plays out over time. But expect that to be higher than 4 million to 5 million. We just need a couple of months here to just do exactly how behaviors change post spin. So I think that will help us figure that out. But expect that to be higher than where it has been historically.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

And the buyback we've talked about being accretive.

Rahul Ghai ***General Electric Company - Senior VP & CFO, GE and GE Aerospace***

Yes, buyback will be accretive. Obviously, the buyback is going to far outpace the dilution.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Other questions? Behind you. Around the pillars.

Matthew Carl Akers ***Wells Fargo Securities, LLC, Research Division - Senior Equity Analyst***

Matt Akers from Wells Fargo. Could you just touch on R&D spend, how that goes sort of once we get the 9X into production? And then as you think about the next open road or engine, how big that investment is kind of for the next generation?

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

I think the way I would characterize our envelope here is programs will come and go. 9X is a good example of something that will rise here, pardon the expression. But we really see ourselves very keen to continue to be in that 6% to 8% of sales band, right? The programs will mix both within commercial and within defense. But I don't want us to ever think that we're going to have some sort of program dividend where we can dial things down because there's always going to be opportunities, just look at everything you've seen on the screen today, for us to invest. Particularly in Riccardo's world, right, on the sustainability front, let alone native defense programs like GCAP.

So I would just assume that we're going to be in that zone. Programs will come and go. But we're very committed to making sure that we continue to sustain and build on those market positions and those competitive advantages we enjoy because of not only the spin, but the team and all of the success we enjoy as a result of their efforts.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Right over there, Sarah.

Gavin Eric Parsons ***UBS Investment Bank, Research Division - Analyst***

Gavin Parsons with UBS. You talked about mid-single-digit pricing in '25 and finalizing that in '25, and low-single-digit beyond. What ultimately dictates what that rate will be? Is it you look to track inflation spread above inflation? Will it be supply/demand? What dictates how much pricing we ultimately get?

Rahul Ghai ***General Electric Company - Senior VP & CFO, GE and GE Aerospace***

Yes. All of those factors, Gavin, that you just mentioned, right? That's the way we think about it. So we are thinking kind of mid-single-digit growth in '25 and beyond, low-single-digit net given the caps that we have given the revenue-sharing agreement. Again, none of these things are finalized. Russell will work that with his partners at CFM, especially on the narrowbody side, it's a joint decision. So lots of things to decide.

But in terms of financial framework, as we were sitting and creating that, we factored the numbers that we just quoted. Larry, anything to add?

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

You've said it well.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Ron, and then there's actually someone in the way back, Sarah, next. I can't see.

Ronald Jay Epstein ***BofA Securities, Research Division - MD in Equity Research & Industry Analyst***

Is it for [Amy]? What kind of investment is going to be required on XA100 to get it where you need it to be for NGAD or F/A-XX?

Amy L. Gowder ***General Electric Company - President and CEO of Defense & Systems, GE Aerospace***

Sure. So first of all, we're proud of the engines back on tests, continuing to run, continuing to demonstrate. We're also pleased we're well aligned with the Air Force and with Congress, and I'm encouraged we're going to get a '24 budget, and then we'll see $280 million in that budget for XA to continue its development. It is really about positioning and reusing that technology in NGAP. And then you'll see the NGAP funding. We expect to see that in '25 and beyond as well. So in the near term, it's a couple of hundred million.

Ronald Jay Epstein ***BofA Securities, Research Division - MD in Equity Research & Industry Analyst***

For Larry. Are you guys willing to spend like GE money on that engine to prove it out?

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

Yes. GE Aerospace money.

Ronald Jay Epstein ***BofA Securities, Research Division - MD in Equity Research & Industry Analyst***

Yes, GE Aerospace money.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

Yes. There's no more corporate money to...

Ronald Jay Epstein ***BofA Securities, Research Division - MD in Equity Research & Industry Analyst***

No, no, but I mean GE Aerospace, as opposed to just the customer, the DoD...

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

I think these are, as you well know, complex projects, complex negotiations with the customer. We have put some of our own money into this program to date, and we will continue to do so if and when that's required to progress the technology developments.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Sarah, there was somebody there -- oh, it's Will.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

It's tough with those lights.

Amy L. Gowder ***General Electric Company - President and CEO of Defense & Systems, GE Aerospace***

It is.

William Danoff ***Fidelity Investments - Vice President and Portfolio Manager***

Very nice job, Larry. I'm curious if you could elaborate a little bit about the service business. I'm thinking, if I'm Michael O'Leary, I'm going to be negotiating hard to squeeze you guys on service. But talk to me a little bit about the dynamics from your perspective and from the customers' perspective, why you think you can continue to grow. I think somebody said low teens or something.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

Well, we're fortunate, Will, as you may know, to count Ryanair as an important customer. They're sole source with Boeing, which means they're sole source with the GE Aerospace underwing. I think any airline, whether it be somebody like Michael, he's one of the savviest operators out there, or so many other customers that we serve around the world, really want to make sure that they are getting the best product, first and foremost. Right? Back to what Mohamed spoke to with respect to durability and reliability. Everything they might do from a flight planning, from a fleet management perspective is for naught if they can't count on that engine.

So those deals are complex, right? There's an upfront engine. Back to Russell's flywheel, there's a life cycle of service support. But to the extent they want to continue to expand their fleets, Michael being a great example, let alone modernize, and they want that reliability and durability, there's going to be an opportunity for us to find the right equitable arrangements where, again, we get paid for the investments that we make, the risks that we carry, let alone the value that we create.

So we're optimistic that we'll be able to do that, again, with the long term in mind. But make no mistake, those are usually sporty negotiations.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Can you give Will back the mic, just to finish?

William Danoff ***Fidelity Investments - Vice President and Portfolio Manager***

That's great. But I mean, presumably, your competitive advantage is you make the engine, you service more than anybody else so you can service it more efficiently than anybody else.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

That helps, too. Back to what you heard from Farah relative to FLIGHT DECK and the shops. That helps.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Okay. We have time for one more question. Myles?

Myles Alexander Walton ***Wolfe Research, LLC - MD & Senior Analyst***

Myles Walton, Wolfe Research. Larry, you've laid out 5-year targets that are relatively compelling. I think one of the questions we're going to get, are you going to be here to deliver on those targets for the next 5 years?

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

Well, 5 years is a long time, Myles. Thanks for being the one to ask that question. We're going to end on a high note.

Let's go back to 1994. I think you have to go back that far to find a time when I got to play in one sandbox, meaning one P&L all the time. And I think some of my colleagues at Aerospace are excited about that prospect. Others may be a bit anxious. But come the 2nd of April, you're going to see me full all-in on GE Aerospace, and I couldn't be more excited. And if we continue to perform, as Rahul laid out, I think we're all going to be challenged, but we're going to have a lot of fun along the way. Very much looking forward to it.

Steven Eric Winoker ***General Electric Company - VP of IR, GE and GE Aerospace***

Myles, thank you for that one. There will be refreshments and networking outside the door that you came in. So after Larry wraps up, please do join us for that time. But please don't leave yet. Larry, I'm going to hand it back to you to wrap up.

H. Lawrence Culp ***General Electric Company - Chairman & CEO, GE and GE Aerospace***

They can leave if they don't want to hear this. I was going to get into the 2030 targets.

We really appreciate everybody staying with us. I know we've run a little long, so I will be brief. You saw this slide in my opening remarks. I hope that we have really fleshed this out for you over the course of the last 3-plus hours. We're very keen to make sure you're walking out with a clear sense of what our strategy is. I think this framework of today, tomorrow and the future really captures everything that we're doing both commercially and on the defense side of things.

You heard a lot about FLIGHT DECK. We could have taken the entire day to talk about FLIGHT DECK. But at the heart of it, back to those fundamentals, it's all about Kaizen, right? That mindset we can be a little bit better tomorrow than we were yesterday. And that really, I think, is at the heart of everything that you've heard from us today and everything that you will see going forward. FLIGHT DECK is how we're going to implement.

From an operating perspective, from an investor's perspective, there are a whole host of ways that you're going to track, and we're going to track our progress, be it our operational metrics. Again, back to SQDC, financially, and you heard, I think, a steady drumbeat around the top line, the bottom line and cash conversion. All the while continuing to sign up for those big goals, in the spirit of Hoshin Kanri, to make sure we are adding to the competitive advantages this franchise enjoys. We want to do that so that, if nothing else, whenever that time comes, Myles, we pass on to the next generation of businesses even better than the one that we have inherited.

But I would be remiss if I didn't share with you what the ultimate goal here is with respect to FLIGHT DECK, and it's about culture. We want to make sure that we deliver for our customers and for you as our investors. And we can do that quarter-to-quarter, but that's actually not sustainable if that's your mindset. I've long been a believer that if we can use an operating model like FLIGHT DECK, not only to deliver but to create a culture, and we have so many positive cultural attributes at GE Aerospace to build upon. The flywheel you've heard referenced several times will be just that, and we'll be able to perform going into the future.

So I just wrap up, I'll use again another slide that I shared with you earlier. These really are, I think, the elements of the investment proposition for GE Aerospace. We really do have the customer preferred platforms. You heard Russell wax eloquently with respect to where we are with respect to win rates on the LEAP, on the NX, right on down the line. You heard Farah talk about how we are supporting our installed base and all that means. It's an operational challenge, but one we relish. Again, it keeps us close to the product, close to the customer.

That operational reliability and durability that Mohamed spoke to, critical for the customers. And make no mistake, we do not judge ourselves on a relative basis. We look at what we've done in the past, we listen to what the customers need, and that's our target. And that target keeps moving, and we keep moving after it.

Breakthrough innovation, lots of different examples, but you heard Amy talk about everything we want to do with respect to sixth-generation combat. A long road ahead, I'm sure, but one, I think we are well positioned to travel.

And FLIGHT DECK, a whole host of examples. We could have, again, gone on and on. You heard a little bit about that from Riccardo, Riccardo has probably got the business that's most advanced with respect to its implementation of FLIGHT DECK, so he was being a bit humble today. So many wonderful examples of what we can do in order to realize the full potential in this business.

So again, we're 26 days out. We really appreciate your investment of time. We do hope this gives you a reason to consider a stand-alone GE Aerospace in your go-forward portfolios. We'll see you soon. Thank you.