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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to General Electric's First Quarter 2023 Earnings Conference Call. (Operator Instructions) My name is Liz, and I will be your conference coordinator today. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the program over to your host for today's conference, Steve Winoker, Vice President of Investor Relations. Please proceed.

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

Thanks, Liz. Welcome to GE's first quarter 2023 earnings call. I'm joined by Chairman and CEO, Larry Culp; and CFO, Carolina Dybeck Happe. Some of the statements we're making are forward-looking and based on our best view of the world and our businesses as we see them today.

As described in our SEC filings and on our website, those elements may change as the world changes. As a reminder, similar to our fourth quarter call, our remarks will be brief today, reflecting the company we are now and we'll move more quickly to Q&A.

Over to Larry.

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

Steve, thank you, and good morning, everyone. Welcome to our first quarter as a new GE, a simpler and more focused GE. We are now GE Aerospace and GE Vernova, 2 industry leaders in their own rights. We're creating significant value today, underscored by strong first quarter results, 17% organic revenue growth with all segments up, more than doubling our adjusted profit with margin expansion in all segments, resulting in $0.27 of adjusted EPS and positive free cash flow.

This performance reflects robust market demand for our innovative technologies and services, and we're operating leaner and more focused businesses. Services proved again they're clearly one of our best assets, representing more than 60% of revenue, given not only the resiliency and higher margins we enjoy, but the fact they keep us in daily contact with our customers.

Since our investor conference in March, GE Aerospace has continued to see tremendous commercial momentum, delivering double-digit growth on the top and bottom lines. Our execution at GE Vernova is tracking well with continued signs of progress in Renewable Energy as Power continues to deliver. Now with GE Healthcare on its own, we're focused on launching these 2 businesses as independent investment-grade companies. Further, we also continued to simplify the balance sheet, partially monetizing our AerCap stake, closing out our Baker Hughes stake and calling half of the preferreds.

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We also named 2 new exceptional Board members: retired U.S. Air Force General, Darren McDew and Jessica Uhl, both of whom have deep domain expertise in Aerospace and Energy, respectively. We completed consultations with our European Works Council, which allows us to build the teams with both internal and external leaders for these stand-alone businesses.

We're also advancing the internal rewiring to separate the businesses. This includes working through our legal entities, tax, organizational and capital structures as well as standing up Boards for both businesses. The rest assured job 1 remains our operating performance, which we'll dive into in more detail momentarily.

So a big thank you to our outstanding teams, particularly our Separation Management Office that is leading these efforts as well as the vast majority of our global employee base that's focused daily on serving customers. These businesses are ready to deliver and realize our full potential as independent industry leaders.

With that, Carolina will take you through our results.

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

Thanks, Larry. Turning to Slide 3, which I'll speak to on an organic basis. In the first quarter, top line momentum was strong with robust market demand and execution driving growth. Orders increased 26%, all segments up. Equipment was up significantly led by Renewables, almost doubling its order intake. Notably, Grid booked 2 large HVDC orders with Tenet and U.S. Onshore Wind is seeing the initial positive impact of the Inflation Reduction Act, including higher margin orders. Services was up 12%, largely driven by commercial aerospace activity.

Revenue also increased double digits with strength in both equipment and services. Aerospace was a significant driver with substantial LEAP engine deliveries and shop visit growth, and we're encouraged by equipment growth in other areas such as Gas Power and Grid.

Adjusted margin expanded 330 basis points, driven by services volume, price outpacing inflation and productivity. Together, doubling operating profit and debt reduction drove substantial accretion to adjusted EPS, up $0.36 year-over-year.

Free cash flow was $102 million, positive. Importantly, it was up $1.3 billion year-over-year with half of the improvement from earnings and half from working capital. From a flow perspective, this was driven by higher earnings and some AD&A timing, partially offset by working capital as we build inventory to support second half growth.

In addition to the strong earnings results, this was GE's first positive free cash flow in the first quarter since 2015. This achievement reflects our team's intense focus in sealing disciplined processes to enhance linearity and eliminate waste while driving operational efficiency and improved earnings and cash flow.

A moment on Corporate. Adjusted costs were down over 10% year-over-year, primarily driven by ongoing cost-out efforts and interest income as well as improvement in Digital. For the year, we expect costs of around $600 million, half the amount in 2021 and in line with reduced corporate needs and progress setting up stand-alone cost structures.

At Insurance, as previously discussed, we now have adopted the industry-wide accounting standard for LDTI and we implemented first principles models. As of the end of 2022, the impact from this transition was a $2.7 billion reduction in GAAP equity. These changes, including first principles, did not impact cash funding. We also funded the expected $1.8 billion during the quarter, in line with the permitted practice.

Overall, we're pleased with the first quarter, delivering significant growth, margin, EPS and cash improvement. Based on this performance and market demand, we are raising the low end of our full year adjusted EPS range by $0.10 and our free cash flow range by $200 million. So we now expect adjusted EPS of $1.70 to $2 and free cash flow of $3.6 billion to $4.2 billion.

And on that positive note, back to you, Larry, to discuss the businesses.

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

Carolina, thank you. Starting with GE Aerospace. As many of you heard from us just over a month ago at our Customer Technical Education Center in Cincinnati, a premier franchise with leading value propositions for propulsion and systems in both Commercial and Defense. With our highly differentiated technology and service portfolio, we're redefining flight for today, tomorrow and the future. Today, we're focused on partnering with air framers, airlines and lessors to drive stability and predictability as they ramp. For tomorrow, we're focused on roaming and optimizing our next generation of engines.

Our recent proof point, our record-breaking deal with Air India with 800 LEAP 40 GEnx and 20 GE9X engines plus services. And for the future, we're developing next-generation technologies like RISE, hybrid electric and sustainable aviation fuels to better serve our customers and deliver growth.

I'm extremely proud of how our team continues to make progress on these priorities, running the business with lean principles in a more decentralized manner with intensity, discipline and focus day in and day out.

Looking at the market, the recovery has strengthened as the world is eager to travel, GE and CFM departures continue to improve, currently at 97% of '19 levels, and we still expect to be back to '19 levels later this year.

To that end, we delivered strong results driven by this commercial momentum. Orders were up 14%. Revenue was up 25%, driven primarily by services and commercial engine deliveries. Profit improved up over 40%. And margins expanded due to services volume, pricing and productivity, which together more than offset negative mix, inflation and investments.

Commercial Engines and Services performance was particularly robust with 35% revenue growth. Commercial Engines revenue grew over 30% with LEAP deliveries up over 50%. To support our customers, LEAP spare engine deliveries will be more first half loaded, but we expect this to normalize in the second half, remaining roughly in line with 2022 for the full year.

Services revenue also grew over 30%. Internal shop visits increased over 30% and external spare parts was up over 20%. Favorable pricing and customer mix also contributed to the margins. We recently welcomed 2 new members of our LEAP MRO network, StandardAero and ST Engineering. Our external network for LEAP is now up to 5 partners, creating a highly competitive environment that drives a lower cost of ownership for our airline customers.

Today, third-party MROs licensed by CFM service about 70% of the CFM56 shop visits. So this is a model that customers know well and trust today.

In the supply chain, we saw areas of improvement with material inputs and LEAP shipments improving sequentially, thanks largely to our lean efforts. However, output continued to be impacted by material availability and supplier challenges, particularly in Defense, where revenue declined 2%.

Lean is critical to improve process capabilities and increase material availability from our suppliers. In both Commercial and Defense, we use rigorous daily management with problem-solving across product lines, supply chain and engineering teams. This helped drive Commercial Engine deliveries to be up 40% year-over-year and recovery of roughly 70 engines in Defense, the first week of April. Predictability, stability and improved delivery remain key for us going forward.

We're also constantly innovating for the future. Our XA100 is the only engine tested and ready to ensure the U.S. maintains air superiority this decade, especially critical as geopolitical threats grow. XA100 provides 30% more range, 20% greater acceleration and twice the thermal management capacity. This engine is the most effective -- the most cost-effective option to meet the needs of the U.S. war fighter for decades to come.

Looking ahead, despite the encouraging start, as we shared in March, over the next few quarters, we'll face headwinds from tougher comps and the mix impact from equipment growth, inflation and investments. However, we continue to expect to deliver significant

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profit dollar growth and higher free cash flow in 2023, primarily from strong volume across engines and services, combined with better pricing and productivity. We'll share more details on our progress and our future as a stand-alone industry leader at the Paris Air Show in June. I look forward to seeing many of you there.

Turning to Vernova. This business is already demonstrating how well it's positioned to support our customers through the energy transition. We're seeing favorable secular growth tailwinds underscored by IRA momentum and the need for sustainable, affordable, resilient and secure energy.

This quarter at Renewables, we saw continued signs of progress. We've talked about the IRA as a game changer, providing greater near-term and long-term demand certainty. We're already seeing this play out with significantly better visibility into our commercial pipeline over the next several years compared to this time just a year ago.

Orders nearly doubled, led by Grid with strong growth across the businesses, including 2 large HVDC orders needed to connect new renewable sources to the Grid. Onshore equipment orders also increased with North America growing more than threefold. Revenues were up mid-single digits organically, driven primarily by Grid and Offshore Wind.

Looking at services, excluding repower, core services grew again on both orders and revenue. We saw both sequential and year-over-year profit improvement driven by price and cost reduction benefits primarily at Onshore and Grid. To break it down by business, in Grid, we're clearly making progress. All 3 businesses saw strong top line growth with continued productivity gains in the first quarter, and we remain on track to achieve modest profitability for the full year.

At Onshore, we're executing the strategy we shared with you in March. Focusing on select markets with a simplified range of product offerings, this in turn is yielding better margins in our backlog for longer-term profitable growth. And this quarter, we saw both sequential and year-over-year margin improvement, mostly in U.S. equipment. And we continue to drive pricing with positive price/cost.

Our proactive fleet enhancement program is now roughly 20% complete. At the same time, we're still rationalizing our Onshore cost structure. As mentioned last quarter, headcount is down roughly 20% relative to last summer with more to do. And this has already begun to generate some savings.

In Offshore, we're managing our existing Haliade-X backlog. This quarter, revenue more than doubled as we produced more nacelles. As discussed in March, we still expect Offshore to remain a near-term challenge as we execute our initial projects and improve our learning curve, both in terms of product cost and operational capabilities. Scott and the team are laser-focused on managing project costs and disbursements while improving our underwriting processes.

Looking ahead for Renewables overall, we're expecting a second quarter loss roughly in line with the first quarter. We continue to expect significant second half improvement year-over-year in Onshore Wind, which will be partially offset by Offshore Wind.

As we said in March, we see an inflection to profitability from Renewables in '24 from higher U.S. volume, price and continued cost out.

Moving to Power. We delivered another quarter of solid growth, led by Gas Power, including both equipment and services. This business is a long-term cash generator and will help fund future growth at GE Vernova.

Starting with the market, GE Gas Turbine utilization grew low single digits despite a milder winter in many markets, providing stable baseload power to customers transitioning from coal to gas or needing new power for electrification. We also continue to invest for the long term, including decarbonization pathways that will provide customers with cleaner, more reliable power.

Focusing on the quarter, Power delivered solid top line growth with services up 8% organically, driven by Gas Power heavy-duty gas turbine transactional services and aeroderivatives. Equipment revenue grew double digits as we shipped 5 more HDGT units compared to last year. This included 2 incremental HA units adding to our large gas installed base, which will serve us for years to come.

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Margins expanded despite a higher mix of HDGT equipment sales. We continue to manage inflationary pressures with price and continued productivity gains. Looking beyond the quarter, similar to last year, we see roughly 70% to 75% of Power's total year profit in the second half based on higher expected gas outage volume. Overall Power remains on track to deliver on its '23 commitments, including strong cash conversion.

In summary, I'm encouraged by the progress we're making across GE Vernova. With the secular tailwinds, the impact of lean and our investments in the portfolio, I see tremendous value creation opportunity for years to come.

So to wrap up on Slide 7. The GE team is off to an encouraging start in '23 and our progress continues. Our missions at both GE Aerospace and GE Vernova matter to the world, and we're crystal clear on how we plan to deliver on them.

GE Aerospace has a bold vision to define the future of flight. With nearly 3 billion people flying with our engines under wing last year, this exceptional franchise is growing amidst the pronounced industry ramp.

At GE Vernova, as the world looks to accelerate efforts to decarbonize and electrify, we're uniquely positioned with our solutions, which provide 30% of the world's electricity today. Our Renewables business is showing continued signs of progress with clearly more to do, while Power continues to deliver solid growth. Simply put, we're improving how we operate, how we innovate and how we deliver for our customers. I couldn't be more excited about the future and where we're going.

So with that, let's go to Q&A. Steve?

QUESTIONS AND ANSWERS

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

Thanks, Larry. Before we open the line, I'd ask everyone in the queue to consider your fellow analysts and ask 1 question so we can get to as many people as possible. Liz, please open the line.

Operator

(Operator Instructions) Our first question comes from Robert Spingarn with Melius Research.

Robert Michael Spingarn *Melius Research LLC - MD*

As you might expect, I'm going to start with an Aerospace question, if that's okay. I want to ask, with the LEAP Engine, as the program matures and the time on wing improves and the installed base grows, can you eventually get LEAP aftermarket margins to the CFM56 level?

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

Rob, as you know, the 2 -- and we talked about this, I think, at some length at CTEC back in March, the 2 are very different places in the life cycle, right? But as I think Mohamed shared with you, there are a whole host of things that we have learned along the CFM56 journey that we have every intention of porting back into the LEAP.

We still need to get LEAP both from a new unit and from a services perspective to profitability. That is a mid-decade task for us here in the near term. I think we're making good progress in that regard. But there's no reason we shouldn't have that level of expectation or that you should have that level of expectation over time with the LEAP. There's a lot that goes into that. We mentioned in the prepared remarks the expansion of our third-party partner network with StandardAero and ST Engineering coming on board. That's another step in the right direction to set this business up to have a similar profile over time.

Robert Michael Spingarn *Melius Research LLC - MD*

Would you -- Larry, would you say when you think about productivity versus volume versus initiatives of pricing, et cetera, when we think about that margin expansion, how would you bucket those?

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

Well, Rob, I think they all matter, right? Again, we're in the midst of an incredible ramp. There are a whole host of things that will benefit us from that volume. That said, that as we improve performance, as we improve on wing periods, that will certainly accrue to the margin profile. But there's a whole lot of things just directly with respect to the cost structure, be it a new engine or aftermarket services and parts that will also be something that I'm sure for the next 10 or 15 years, we'll be looking to drive improvements in year in, year out. So it's really all of the above.

Operator

Our next question comes from Nigel Coe with Wolfe Research.

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

So yes. It's definitely a simpler company for sure. So I thought the narrowing in the losses from 4Q to 1Q of Renewables was very encouraging on the lower sales and volumes. So it just seems that you suggest there is an underlying improvement in the cost base, et cetera, and the backlog quality. Maybe just talk about, number one, is that correct? And secondly, as we go into second quarter, can we expect to see another narrowing of losses Q-over-Q?

And then maybe just touch on the order strengths. I think there's $5 billion of orders. I know there's a large HVDC order in there. But maybe just talk about what you've seen in Onshore and whether you've got better visibility on that Onshore ramp in the second half of the year?

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

Nigel, thank you. I think that we take a great deal of conviction about the path forward just given the last couple of quarters and, frankly, the lack of surprises, right? You've seen that. We've seen that. Neither of us have been happy about that.

But credit to the team, I think we've gotten to a place where despite the losses, there are fewer surprises and we're seeing less of that. The drivers are just what you're highlighting here, both in terms of higher quality top line as we have improved the pricing and the selectivity of the orders that we're taking on and in turn, the adjustments that we've made to the cost structure. We talked about the headcount reductions, but that is really only part of what we've done from a cost and from a productivity perspective.

The quality improvements help and will continue to help over time. So I think in Onshore Wind, I would certainly expect to see again a slight improvement in the second quarter, but it will be in line with what we've seen here in the first. It's really a second half story, and everything that we see today continues to give us the confidence that we'll see an improvement in Onshore in the second half and we should be profitable.

We'll see, I think, some challenges as we look at the segment overall, given some of the ramp dynamics we've talked about in Offshore. But between what we'll see in the second half with Onshore, the improvements at Grid, again, this will be a year of profitability at Grid. I think we're feeling good about the setup as we exit '23, getting ready for '24.

Carolina, anything you'd add there?

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

Yes. So therefore, the second quarter, we are expecting similar losses to the first quarter. And Larry touched on -- or he talked about the Onshore. We also continue to see sort of progress in Grid come through. And then we know that Offshore Wind is sort of an investment, and we have the learning curve there where we expect to sort of move down that curve with sort of cost out and better project execution.

So that's why in '23, we do see a headwind from profit and cash. But overall, moving towards a stronger second half in 2023 on profit and then getting positive in 2024.

Operator

Our next question comes from the line of Sheila Kahyaoglu with Jefferies.

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

On Q1, it seems like a strong start to Aerospace margins with 19% versus the implied guidance of 18% margin, and this was despite LEAP up 53% year-over-year. Any detail on where exactly you saw net price and productivity come through the most? And you didn't mention this in the script, Larry. But any on-wing reliability issues and how much does that impact profitability?

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

Sheila, you're spot on. We're very pleased with the margin that we posted here in the first quarter. But I think we continue to try to temper expectations with respect to margin expansion this year as we go forward sequentially.

A lot of things really broke our way in the first quarter. I think we still expect to have a robust dollar profit growth year, right, with the guide that we have of $5.3 billion to $5.7 billion. We should be up at the midpoint, 15% year-over-year in dollars. And there were a number of things that broke our way.

We didn't see as much mix pressure as we thought we would see in the first quarter. The strength in services certainly helped. But that mix pressure, both within equipment and between equipment and services will, I think, evolve through the course of the year, where we will see equipment grow in all likelihood at a rate greater than services, particularly given the LEAP shipments. And we know that inflation will continue to be a headwind for us.

We're encouraged by some of the moderation that we see in certain commodities, but particularly in Aerospace, given the fact that we've got so much in inventory, there's '22 inflation that we still need to work through the P&L, which will play out through the course of the year. That said, I mean, we feel very good about the margin structure in this business, as we shared with you in March. But all in, I think we'll see moderation off of this 19% level in the first quarter. But net-net, still a very good profitability growth year for GE Aerospace.

Operator

Our next question comes from Julian Mitchell with Barclays.

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

Maybe just my question would be around free cash flow. Should we expect sort of second quarter to be around breakeven-ish and common with prior years? And then sort of 2 specific drivers I was curious about. One was that $500 million AD&A headwind. I saw it was a source in Q1. How do you see that playing out the balance of the year?

And just sort of testing your conviction level in that wind down payments, $3 billion to $4 billion free cash tailwind you talked about back at Q1. Just sort of how you see that and the AD&A playing out from here over the balance of the year and what that Q2 free cash might be?

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

Julian, let me take that. So if we look at the second quarter, basically, we are expecting to build on the strong first quarter, so see the similar dynamics coming through in the second quarter. And that starts with our strong orders leading to high single-digit growth.

If we look at our profit, EPS, we expect it to be $0.40 to $0.50. And again, sequential volume growth, especially from Aerospace strength, but also the gas seasonal outages. We would expect price to continue to outpace inflation, continue to see productivity come through. But we do expect some mixed pressure that Larry was mentioning from the big ramps in LEAP and Haliade-X. So if you look at it little bit business by business, so for Aerospace, that's why we would expect the margin rate to be lower sequentially and contract because of that high equipment growth.

For Renewables, as I mentioned, we expect losses to be similar in the second quarter to the first. And for Power, we expect revenue and profit to be slightly down year-over-year, really with the second half loaded outage and Aeroderivatives shipments. And that brings me then to the free cash flow.

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So we expect free cash flow to be around breakeven. And it's a combination of the earnings growth and some positive working capital, but then offset by the AD&A and higher tax payments. So if you look at it sort of first half this year compared to first half last year, it's about $1 billion of improvement in the first half.

And you asked sort of sequentially quarter-by-quarter. I would say, from the free cash flow, you also have to remember the size of revenue in Q4 that we collected in Q1. And now in Q2, we will be collecting on a lower revenue number from the first quarter. So that's why there's a bit of pressure there.

You also asked about AD&A. So AD&A was slightly positive in the first quarter. But we expect that to be negative $0.5 billion for the full year, so basically shifting to the right.

And when it comes to Wind, you asked about the $3 billion to $4 billion of orders. I would say it's still early in the year. And we have strong relationships with our customers, but those are large and complex orders. And exactly when they convert to orders, that can shift a bit through the quarters.

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

Julian, I would just add that with respect to the orders and win in North America, I think we feel as optimistic as we did back in March in frequent contact with the administration. They're well along in the work that they're doing to release the final guidance. We expect to see that this quarter. And I think we said in March, every week matters here. So the sooner businesses, customers have certainty, the better. But we're quite optimistic.

Operator

Our next question comes from Seth Seifman with JPMorgan.

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

So wanted to follow up on the commercial aftermarket and kind of the strength in the first quarter and the moderation that's implied through the remainder of the year. It seems like channels have been running in kind of the 3.5 to 3.7 range the past 3 quarters. Seasonally, we probably see an uptick in the second quarter, which would imply another quarter of very healthy growth kind of above the guidance range for aftermarket for the year. And so is there anything that really gives you pause about the second half of the year? And how are you thinking about where -- what the upside might be to that aftermarket forecast?

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

Well, I think you're right, Seth, in terms of just the strength in the momentum that we see here, right? I mean services for a full year we think will be up high teens to 20%. So it's just -- it couldn't be more robust. And that's pretty well balanced, both in terms of shop visits, spares and the like.

And I'd say that we see that kind of broadly across the portfolio from a geographic perspective as well. We're not unmindful that there is some discussion around how long the flying public will indeed fly at this pace. We'll see how that plays out. But you've heard from a number of the airlines already this earnings cycle where the CEOs, I think, are uniformly bullish. Not only here, but in Europe. If any of that edge came off, as you know, we're not necessarily tied to ticket prices or load factors. We're tied most directly to departures. That's a good structural aspect of our business.

But we do know we get into some tougher comps as we move into the second half of this year. So we still expect to have a robust top line, and that will bring with it the margin and cash flows that we've talked about already. But net-net, we feel very good about the prospects.

Just on the margin, again, very pleased with the first quarter performance, but we do know that we're going to see more mix pressure both given the equipment growth versus services and within equipment given the LEAP ramp in addition to some of the lagging inflationary pressures and the investments that we are and we want to make in the business. But net-net, this is going to be a very good year for GE Aerospace from a profit perspective with the dollars at the midpoint, up 15% year-over-year.

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Operator

Our next question comes from Andrew Kaplowitz with Citigroup.

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

Could you just give us an update, Larry, on what milestones you need to see to make sure GE is on track for Vernova separation in early '24? Obviously, you saw strong growth in Onshore orders. How much does better U.S. Onshore utilization help you as you move forward?

And you mentioned similar profitability in Q2 in Renewables versus Q1. What's your line of sight toward that decent step-up in earnings past Q2? And maybe give us a little more color on your focus on improving product quality and the cost-out program you have at this point.

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

Andy, I think you've really outlined the answer to your question in many ways, right? We know it won't be about the balance sheet. We know it won't be the internal preparation that will pace when we spin GE Vernova. It will really be a function of business performance.

And again, I think we're really encouraged by what we've seen the last couple of quarters, not only in terms of the sequential progress, but the team's ability to deliver on those commitments. We know we've got a lot of work to do here in the second quarter, in the second half to continue the progress in Onshore Wind. But between the prospect of better volumes, again, better pricing, combining with those volumes and all of the work that we've done to improve the cost structure, I think sets us up for that positive year in '24.

Really excited about what we're seeing at Grid. We've talked about the big orders out of Europe a couple of times here. Go at that mask the underlying improvements, both in terms of price and costs broadly across the Grid portfolio. They'll be modestly profitable this year. And those are really the 2 big businesses within Renewables. And that sets us up to work through some of these growing pains in Offshore to position Vernova to go in '24.

You asked about the quality efforts at Onshore Wind. The list continues to be fundamentally a static list. I think we knocked off 4 or 5 of those items this quarter. We're about 20% of the way through that body of work. We'll probably get to roughly half of that by the end of the year. We've got some more challenging, more time consuming issues to knock off the list later this year.

But again, I think the team is working to plan and doing all we can to help customers in that regard. And as we help customers, we help ourselves. So again, I think we are on track. A lot of work to do. But I think we're optimistic that, that work will be done and GE Vernova will be a stand-alone independent investment-grade industry leader in the energy transition sometime early next year.

Operator

Our next question comes from Deane Dray with RBC Capital Markets.

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

I want to stick with Renewables, if we can. And could you give some specifics on how selectivity is working today? I mean you had some -- especially with regard to what was booked and just how that reflects disciplined underwriting and so forth?

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

Deane, I would highlight 2 forms of selectivity. One is what you might think of as simply geographic. Credit to Scott and the team for being willing to say no or yes, largely on constructive terms, the opportunities outside of our core markets in the U.S. and in Europe.

I think one of the challenges early on, and it's not unique to GE Vernova. It's not unique to any evolving industry. We, at times, I think, went after business with the best of intentions and didn't get paid for the risks that we were taking, signed up to probably do things that in hindsight we shouldn't have.

So what you see or what you here's referred to with our selectivity effort is just to be more discriminating, more targeted in the geographic markets, let alone the applications that we'll pursue. That's one.

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I'd say, secondly, as the market shifts here rapidly from abundance to scarcity, we really have a finite amount of capacity in the short to medium term to sell. And I think here again, the credit to the team we're really just being as smart as we can about making sure that we're fully and fairly compensated for the technology that we bring and the solutions that we offer.

And it's the 2 of those combined that you're beginning to see help the margin profile in Onshore Wind that will play out even more so as the IRA kicks in and we see more volume come through the P&L, let alone the change to the cost structure that I mentioned earlier. That's -- I hope that gives you a full answer, but that's how we're going about this day in, day out, opportunity by opportunity.

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

And we're also following up very clearly on not only what the margins are in the P&L, but also in orders and even in tech select and a much sort of stricter strike zones for that.

Operator

Our next question comes from Josh Pokrzywinski with Morgan Stanley.

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

I just want to follow up on that last question on pricing in particular. I guess if you look at order dollars that you printed versus gigawatt orders or unit orders, seems like a healthy gap in there. I would imagine most of that is price, although maybe some mix as well.

At the same time, I guess, we're not fully clarified from the IRS on some of this rule-making language. Is price today sort of at the run rate you would expect? Or are there other dynamics that maybe emerge here with more clarity about sources of production and domicile and some of those elements?

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

Well, I think that we will continue to see this market evolve. Again, the White House, the administration has not issued the final guidance. They are well along. We've had a number of opportunities, as others have, to share our views both on the substance and the timing of the key provisions.

I think we'll see that play out here this quarter. And in turn, customers will react to that, right? They have acted in anticipation. But when the rules are set and the guidelines are clear being around the domestic content rules, the manufacturing credits and the like, I think you'll see things pick up.

What I was talking about a moment ago with Deane with respect to how we think about selectivity and price, we'll continue to evolve as well. So I don't -- in the spirit of Kaizen, it continues to improve. And I wouldn't say that we're somehow at a peak. We'll continue to make sure we push our cost structure as best we can and are fairly compensated for the value that we create. That pretty much is the setup here and in turn, why we think we have the path not only to profitability, but far better margins than you've seen in this business the last couple of years.

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

Yes. And if you think about it, we're talking about sort of tech selected orders. It will take, well, about 1 year before you see it in the P&L. So of course, that delta between price and cost in the P&L will take a little longer to come through because of the cycle.

Operator

Our next question comes from Chris Snyder with UBS.

Christopher M. Snyder ***UBS Investment Bank, Research Division - Analyst***

I wanted to follow up on some of the prior comments on [Aerospace] (corrected by company after the call) top line. So the segment grew another like mid-20% organic in Q1. The guide implies about low teens by my math for the rest of the year. And I certainly appreciate the comps get tougher, but I was hoping you could provide some color on how we should expect the cadence of that organic growth

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deceleration over the rest of the year.

And then longer term, I would appreciate any views or color on how far the segment is from seeing organic growth compress back to the mid- to high single-digit rate called out at the Investor Day for the long term.

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

Well, again, I think as we look at the full year here, we would expect services to continue to grow. We think services will still be up high teens to 20% all in for the year, but we'll see equipment grow more rapidly, primarily on the back of the LEAP ramp and Defense shipments improving, right?

We were down 2% in the first quarter. We still expect, once we clear a number of these delivery issues, that we should be up high single digits in Defense. And that's really what I think you'll see through the course of the year.

Keep in mind, we've got the tougher comps in services coming in, in the back half, particularly given the nature of the sequential ramp here. But all in, we've got a lot to do to deliver on those numbers, and those numbers don't assume that we fully clear our backlog or past due backlogs, either.

So I wouldn't want to commit to that upside. But certainly, we're working as hard as we can within our own facilities and with our suppliers to deliver as much as we possibly can. In terms of when demand normalizes, that's probably a question for another day. Again, given the OE ramp, given the services ramp back -- on the back of what we're seeing broadly with respect to departures, we're optimistic about not only this year, but the near term.

I think we're on the verge of no longer talking about where we are, vis-a-vis, 2019. That will be exciting, right? We can get to a point where we're just talking about year-over-year growth.

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

Yes. And I would just add, Chris, just to your specific cadence numbers, just look at the comps, third quarter, fourth quarter steps down pretty considerably, particularly in the fourth quarter just based on that comp math, and we can talk about it later.

Operator

Our next question comes from Joe Ritchie with Goldman Sachs.

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

So just going back to Renewables for a second. The orders, the wind turbine orders were up 75%. I know up until now, I know Scott's been pretty reluctant to book any Offshore projects. I'm curious whether this includes any new offshore units.

And then secondly, on Onshore Wind. Just given the bookings so far this year, I'm curious like what's the expectation for Onshore Wind profitability exiting the year? Can you turn a profit in Onshore Wind exiting 2023?

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

So if we start with your question on orders. So Offshore Wind, we didn't have orders in the quarter as expected, and that was exactly what Scott was talking to.

When it comes to Onshore Wind, we saw really strong bookings, and we mentioned that in the beginning of the call. So it was great to see tripling of Onshore Wind orders compared to last year. And that's mainly North America equipment apps, so basically IRA driven and we saw good progress coming through from that.

So the area is the game changer we said it would be, and we're starting to see it come through. So if you combine then the growth on the top line as well as the self-help actions that Larry mentioned, where we expect to be done with about half of those when we exit the year. And put on top of that, the pricing work that we're doing as well as continuing cost out, we do expect to see the year for Onshore Wind

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when it comes to profitability or in this case, a reduction of losses to be a positive step through the quarters.

I would say, especially in the second half because in the first half, we still have rather low U.S. orders that we are delivering on. So the mix is a bit heavy in the first half. So good improvement in the second half. And that is also the trajectory that will take us to significantly better results and low single-digit plus in 2024 when it comes to profit.

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

Joe, thanks. Liz, we have time for -- let's make time for 1 last question. Thanks.

Operator

Our next question comes from the line of Gautam Khanna with Cowen.

Gautam J. Khanna ***TD Cowen, Research Division - MD & Senior Analyst***

I was wondering if you could elaborate on supply chain and Aerospace, what the pacing items still are? And if you have any metrics around pace of improvement? We've seen in Q1 versus maybe Q4 or late last year anyway, second half of last year.

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

Well, again, I think this is a daily, weekly effort where we're encouraged by some of our leading indicators, I'd point to LEAP probably. That's the platform that garners the largest portion of our attention today, right, with deliveries up 50%, sequentially up 10%. And that's probably just as important a number as we think about how we deliver 1,700 units this year as we shared in March.

We are making progress. I think if you look at supplier on-time delivery as one example, if you look at material inputs being another, just our ability to hit our targets on a weekly basis internally, I see signs of progress, right? I sit with Russell and his team. We go through this on a regular basis. I'm encouraged by the intensity of the daily management that we're bringing not only to our own operations, but with our suppliers.

I had an opportunity to walk a number of our own shops and do the same with some of our suppliers in the first quarter and to see how we're having that impact. But it's still challenging. I don't want to, in any way, suggest otherwise. But I'm encouraged by what we're doing. I think we've learned a lot in the first quarter from our efforts in and around LEAP that we are porting to our other product lines. That will be particularly important in Defense.

You saw that we cleared some of what we left behind in March and early April. But that said, there's a lot around that daily management intensity and discipline we've seen in LEAP that we need to make sure as part of our Defense business and those core facilities through the rest of this year to deliver on that high single-digit number.

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

Great. Larry, any final comments?

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

Steve, that went by quickly. Well, just to close, obviously, an encouraging start to 2023. Our plans to stand up GE Aerospace and GE Vernova as 2 leading independent companies are advancing. We appreciate your time today, your interest in GE and your investment in our company. And again, we hope to see many of you at the Paris Air Show in June for our GE Aerospace presentation. Thank you.

Operator

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

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