

CINCINNATI BUSINESS COURIER

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HOME BASE FOR AEROSPACE

As GE restructures, it taps Cincinnati to become headquarters for a new Fortune 500 firm

By Andy Brownfield – Senior staff reporter, Cincinnati Business Courier
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Cincinnati is gaining another public company, one that will immediately join the upper echelons of the Fortune 500 upon its debut.

On Jan. 4, multinational conglomerate General Electric (NYSE: GE) spun off GE HealthCare as its own public company. By this time next year its energy business will make its public debut as GE Vernova. After that, GE Aerospace will become the new GE, leasing its iconic initials to its sister companies.

GE Aviation, the predecessor of Aerospace, has called Evendale home since 1948 when it moved into the Wright Aeronautical piston engine factory complex two years before the nation's entrance into the Korean War. But, despite announcing the split of GE into three companies in November 2021, the Boston-headquartered firm had not said where Aerospace, which will be helmed by GE CEO Lawrence Culp Jr., would be run. Until now.

"GE Aerospace continues to have a strong commitment to Cincinnati and the surrounding community, and our headquarters functions will remain here following our transition to a stand-alone public company in early 2024," a company spokesman told the *Business Courier* in a statement.

This move was not a foregone conclusion. While GE announced that it will close its Boston HQ this year, the company also said it is looking for new office space in that city.

Positioning Greater Cincinnati as the obvious headquarters for the publicly traded aviation firm jumped immediately to the mind of Jill Meyer, CEO of the Cincinnati USA Regional Chamber, when she heard that GE was splitting itself into three pieces.



Jill Meyer is CEO of the Cincinnati USA Regional Chamber. Northern Kentucky University

“Locating here alongside Procter & Gamble, Kroger, all of our other great companies, really makes a statement, telling the world this is a great place to be,” Meyer said.

Adding GE Aerospace to Cincinnati’s stable of giant public companies is a boon to the city – boosting the critical mass of talent, tax base and corporate philanthropy – but also the company itself.

“(It is) the opportunity to create a new center of gravity in a state that has a long and successful relationship with GE,” said John Boyd, principal with the Boyd Co., a Boca Raton, Fla.-based site selection adviser.

The new GE

GE Aerospace is dominant in its industry. Together with sister firm CFM International, a West Chester Township-based joint venture with French company Safran, the aviation giant is responsible for 70% of the global commercial engine market.

Aerospace has long been the financial engine of GE: The aviation division was responsible for \$6.7 billion in revenue in its most recent quarter, the largest single contributor to the company’s quarterly earnings of \$19 billion. It’s the fastest-growing segment of GE.

GE Aerospace’s 2021 revenue of \$21 billion would have made it the third-largest public company in Cincinnati, behind Kroger and P&G. That number would also place it No. 165 on *Fortune’s* 2022 list of the 500 largest companies in the U.S.



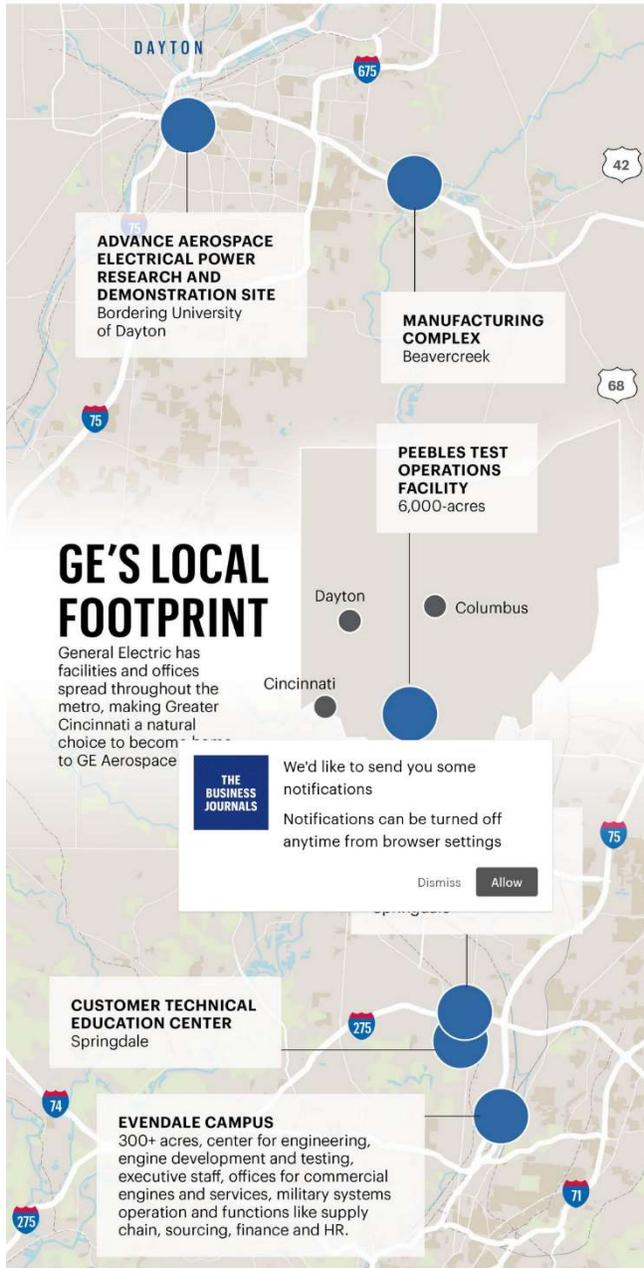
Doug Moormann is vice president of Development Strategies Group.

But that 2021 revenue number is misleading. It tells the tale of an aviation industry that has still only recovered to 75% of its pre-Covid-19 peak. In 2019, the industry’s best pre-pandemic year, GE Aerospace earned nearly \$33 billion in revenue.

Southwest Ohio is the epicenter of it all. GE Aerospace has about 9,000 employees in the region, 20% of its total workforce and its largest concentration of workers. In contrast, its Lynn, Mass., plant outside Boston, which focuses on military engines, has 2,500 employees.

GE Aerospace workers at its 300-acre Evendale campus engineer, develop and test the next generation of jet engines and components. Engines are put through intensive trials at the 6,000-acre Peebles Test Operations facility 64 miles east of Cincinnati, ensuring they can

withstand heavy winds, water and dust. GE Aerospace maintains its global parts warehouse at Cincinnati/Northern Kentucky International Airport, and it conducts advanced aerospace electrical power research at a site bordering the University of Dayton.



It makes sense, not unlike the manager wanting to walk the factory floor,” said Doug Moormann, vice president with Cincinnati-based Development Strategies Group, which helps companies secure incentives nationwide for location, expansion and job retention.

Beantown bust

GE’s current Boston headquarters is the story of a dream unrealized. Former CEO Jeffrey Immelt planned the move from the company’s longtime home in Connecticut to Boston’s tech-focused Seaport District in 2016 as a reinvention of the firm as an industrial company for the digital age. He envisioned a 12-story tower to house 800 employees, complete with a logo that he hyperbolically boasted would be visible from Mars.

The tower was never built. Culp – the first outsider to lead GE – announced in October 2022 the company would shutter the Seaport headquarters, which today houses fewer than 200 employees, according to the *Boston Globe*.

The failure of that Boston tower to come to fruition is a sign of the evolution of GE to the company it will be in 2024. While GE was focused on becoming a digital industrial firm

in 2016 – Immelt predicted it would be a top 10 software company by 2020 – the decision under Culp to split its core businesses into three public firms gives each the space to grow. And it gives investors the choice of buying aviation without, say, investing in health care.

To be sure, there are still unanswered questions about GE Aerospace as it becomes its own Evendale-headquartered public company. GE has not yet said where Culp, who frequents Evendale as Aerospace's CEO while maintaining a Boston residence, will end up, along with his C-suite. And GE Aerospace has duplicate positions with the existing GE, with each company possessing, for instance, its own chief financial officer.

When GE announced last year that it would close its Seaport facility, the company said it was looking for new office space in Boston.

But locals made the case that it, too, would be welcome in Cincinnati. For one thing, real estate is cheaper in Ohio.

Rent for office space in downtown Boston was about \$66 per square foot in the fourth quarter of 2022, according to commercial real estate services group CBRE. Meanwhile, the group found the average asking rent in Cincinnati was about \$23 per square foot.

On top of that, GE still holds the master lease to the GE Global Operations Center at the Banks, a 10-story office building where GE Aerospace has about 250 employees.

The top three floors of that building are being marketed for sublease with an asking price of \$28 per square foot.

GE holds the lease through 2031, with five five-year renewal options.

If GE's top executives were to relocate to Cincinnati – like Culp, who took home \$22.7 million in total compensation in 2021, or Chief Financial Officer Carolina Dybeck Happe, who made \$8.7 million that year – they would hold on to more of their income.

Ohio has a graduated income tax, with a top rate of about 4% for all income above \$110,650. Massachusetts has a flat tax of 5%, but voters last year approved an additional 4% so-called "millionaire's tax" on all income above \$1 million for a total tax rate of 9% on top earners.

Boyd said historically it had been difficult to get executive staff to relocate from major cities like Boston or New York, but that's less true today given the more affordable cost of living in places like Cincinnati.

"Many of the most desirable communities for executive housing are found in suburban Hamilton County," he said.

Top talent

Boston is home to elite colleges including the Massachusetts Institute of Technology and Harvard University, and the nation's largest companies. But GE Aerospace doesn't lose out on that by maintaining its headquarters in Ohio.

Local universities handed out 35,076 diplomas in 2021, representing a 12% increase in the last five years. Nearly 8,000 of those were in the highly sought-after science, technology, engineering and math or STEM fields, disciplines from which GE Aerospace hires heavily.

But even then, Cincinnati's location is no barrier to GE continuing to recruit from anywhere it wants, globally, Moormann said.

"Top-flight management talent, top-flight aerospace engineers will go to where GE is," he said. "They want to work for GE because GE is the best in the world."

It's not just fresh grads GE Aerospace can attract. Because of Cincinnati's outsized concentration of major public companies – led by seven on the Fortune 500 list, firms like P&G, Kroger, Cincinnati Financial, Western & Southern and Fifth Third – there is a rich community of corporate talent from which GE would be able to recruit from.

Adding the publicly traded GE Aerospace to that list is a feather in the city's cap. Having that concentration acts as a magnet to attract a skilled labor force, and when employees decide to move on it is often to start their own firms, luring venture capital to the region.

The presence of high-profile public companies attracts a network of suppliers and business support firms – look at the branding industry that bloomed in Cincinnati around P&G.

And there are the cultural and philanthropic impacts those companies bring to their hometowns, things like Kroger's sponsorship of the Cincinnati Zoo & Botanical Garden's cheetah encounter or Fifth Third's underwriting of the ice rink on Fountain Square during the holiday season.

"The more business you have, the better for the entire community," Meyer said, "and to have a company the caliber and scale of GE reinforces that and underscores this community as a thriving, growing place."