



GE Aerospace

NYSE: GE

Recommendation: Buy

Our Team



Olivia Stegner

Major: Finance
Year: Junior



Divya Kumar

Major: Finance & History
Year: Junior



Emma Primini

Major: Finance
Year: Sophomore



Cheryl Dao

Major: Finance & Psychology
Year: Sophomore

Team

Company

Market

Theses

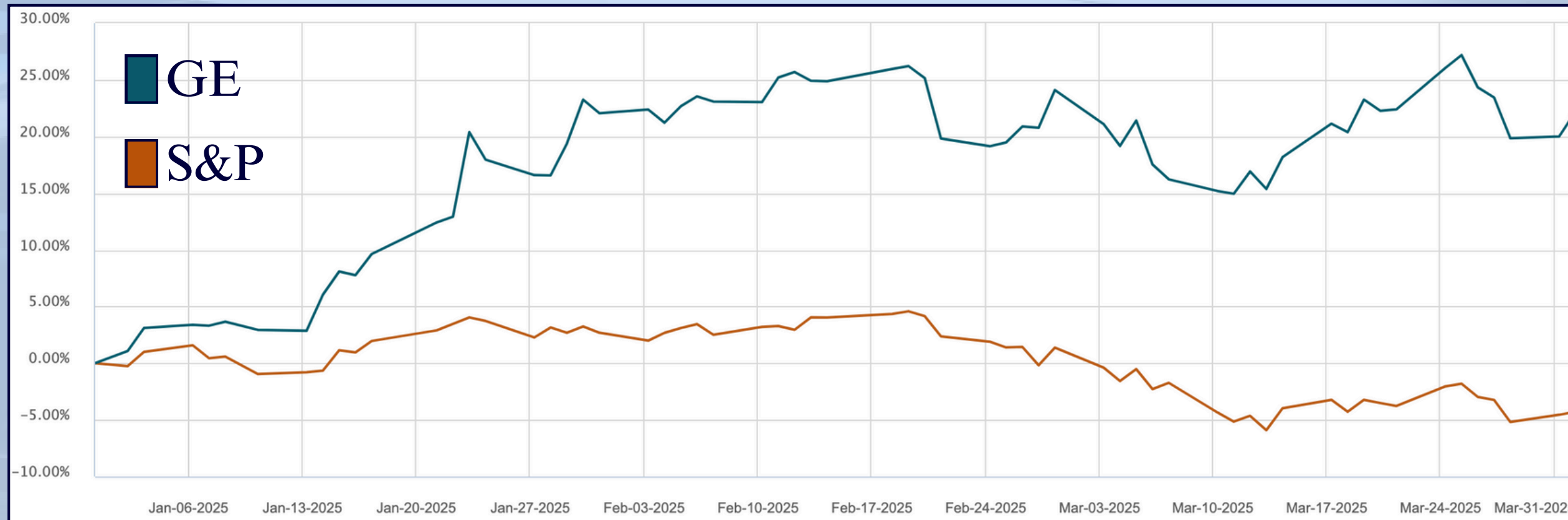
Risks

Valuation

Conclusion



Executive Summary



Current price:
\$199.77
Target price: **\$222**
Premium: **11.27%**
P/E: **33**
EPS: **\$5.99**
Beta: **1.09**

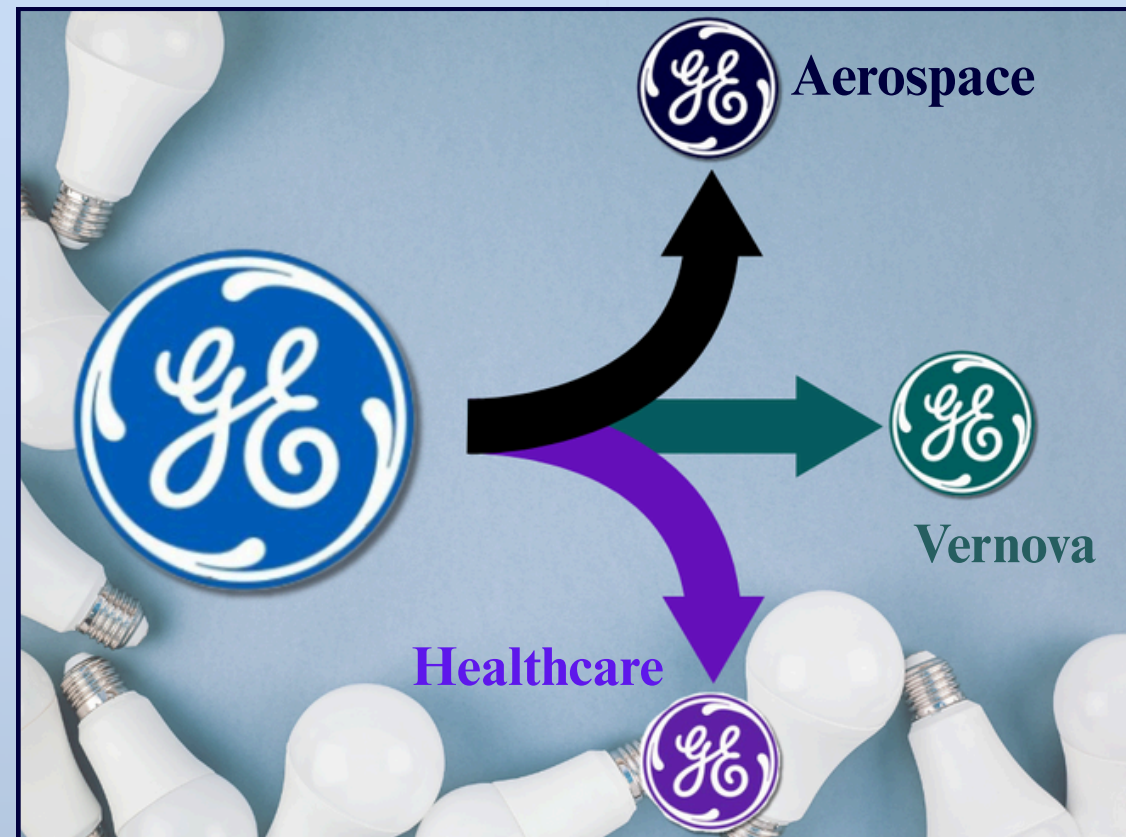
Investment Theses

1. GE's premium, industry leading engines contribute to their dominant pricing power
2. GE's strategic business mix of long-term sales contracts and Maintenance, Repair & Overhaul (MRO) dependency ensures cyclical financial stability

GE Overview



THEN



NOW

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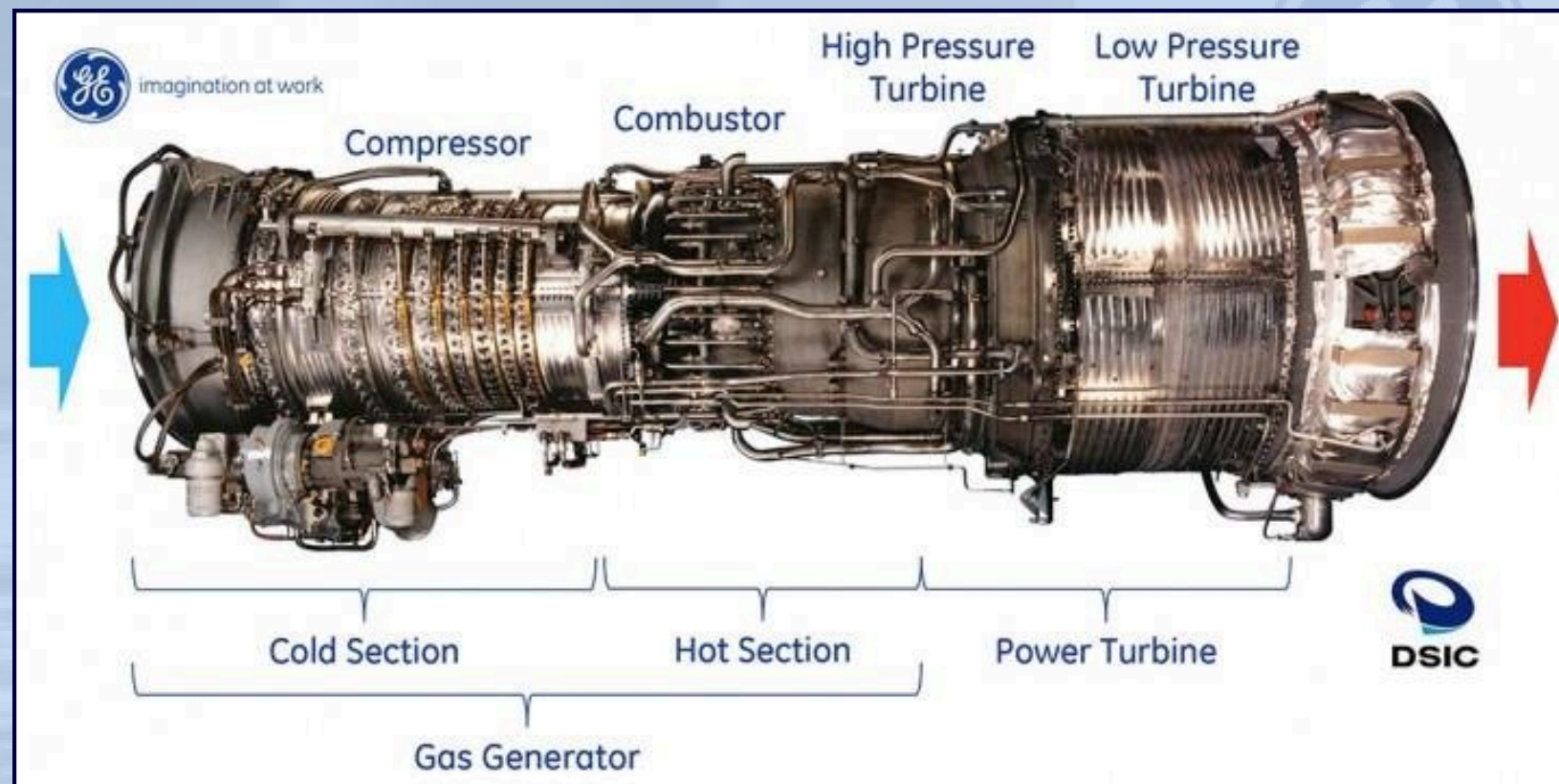
Conclusion



Jet Engines

Engine Product Mix

- Commercial v. Defense
- Narrow-body, Wide-body, Regional, Multi-platform, Rotorcraft (Helicopter), Turbofan, Turboprop
- Combat, Marine, Tanker/Transport



Key Stats

COMMERCIAL:

- GE Engines power 3 out of every 4 commercial flights
- Sole-source position for Boeing 777 with 2,000 in service
- 5 major airlines chose GEnx to power 787 in 2024

DEFENSE:

- \$5 Billion IDIQ Contract w/ US Air Force for F-15 & F-16 (2024)
- Powers 2/3rds of all U.S. Combat & Helicopter fleets

**>95% Win Rate for Boeing
787 orders in 2024**

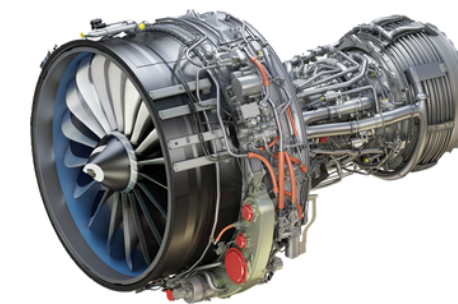


Customer Engine Demands

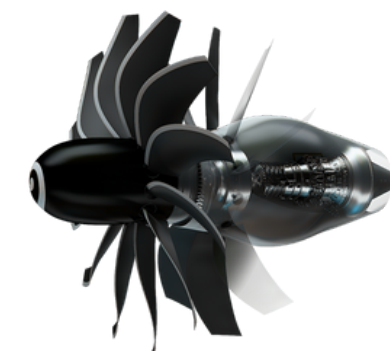
Customers



Increasing Focus on Newer Engine Models



CFM LEAP-1A/1B/1C



CFM LEAP RISE

Reduced Weight

Quieter

Reduced Emissions

Higher Thrust

Reduced Maintenance

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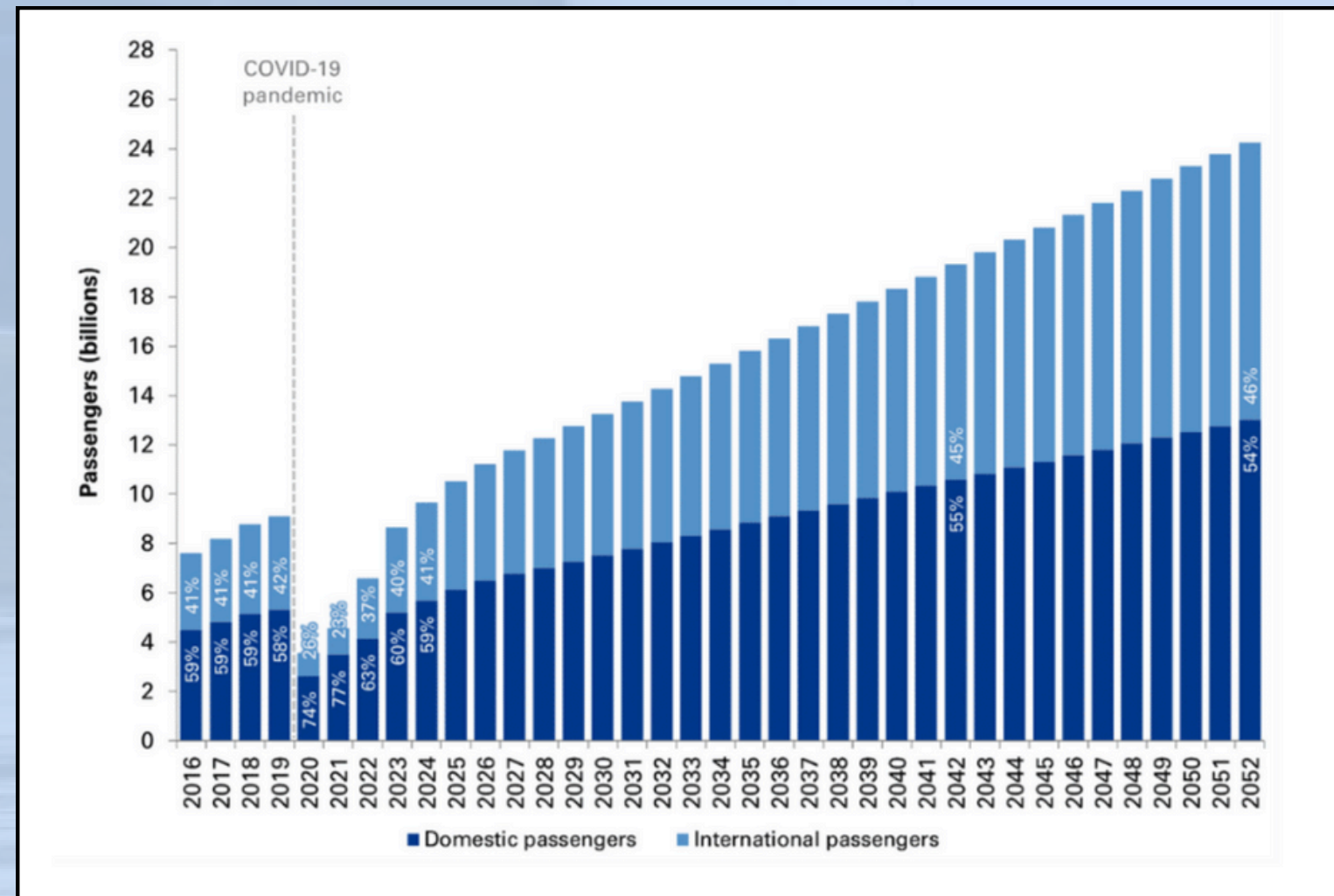
Valuation

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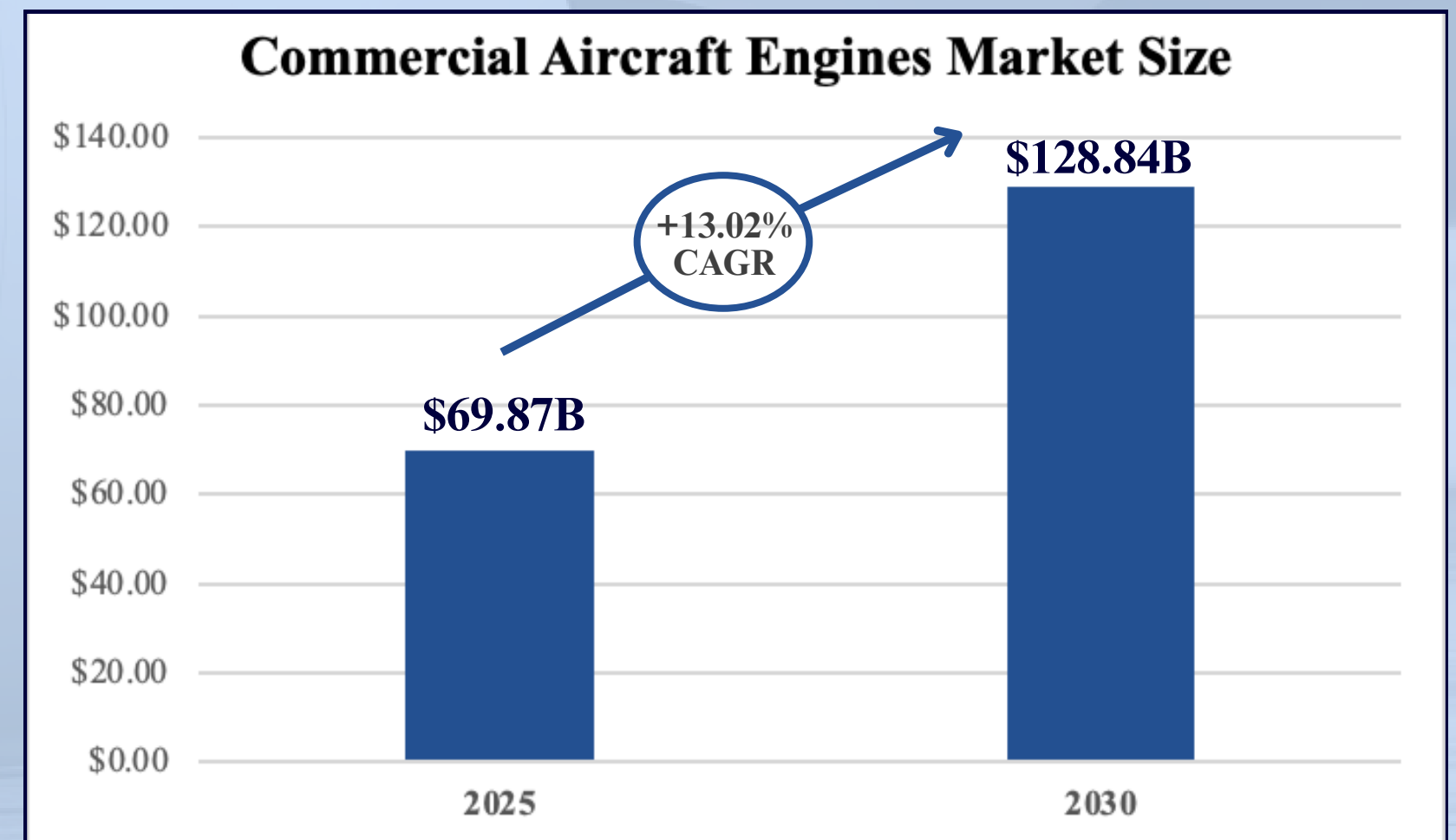


Engine Market Trends

Global Air Passenger Traffic → Demand for New Commercial Aircraft

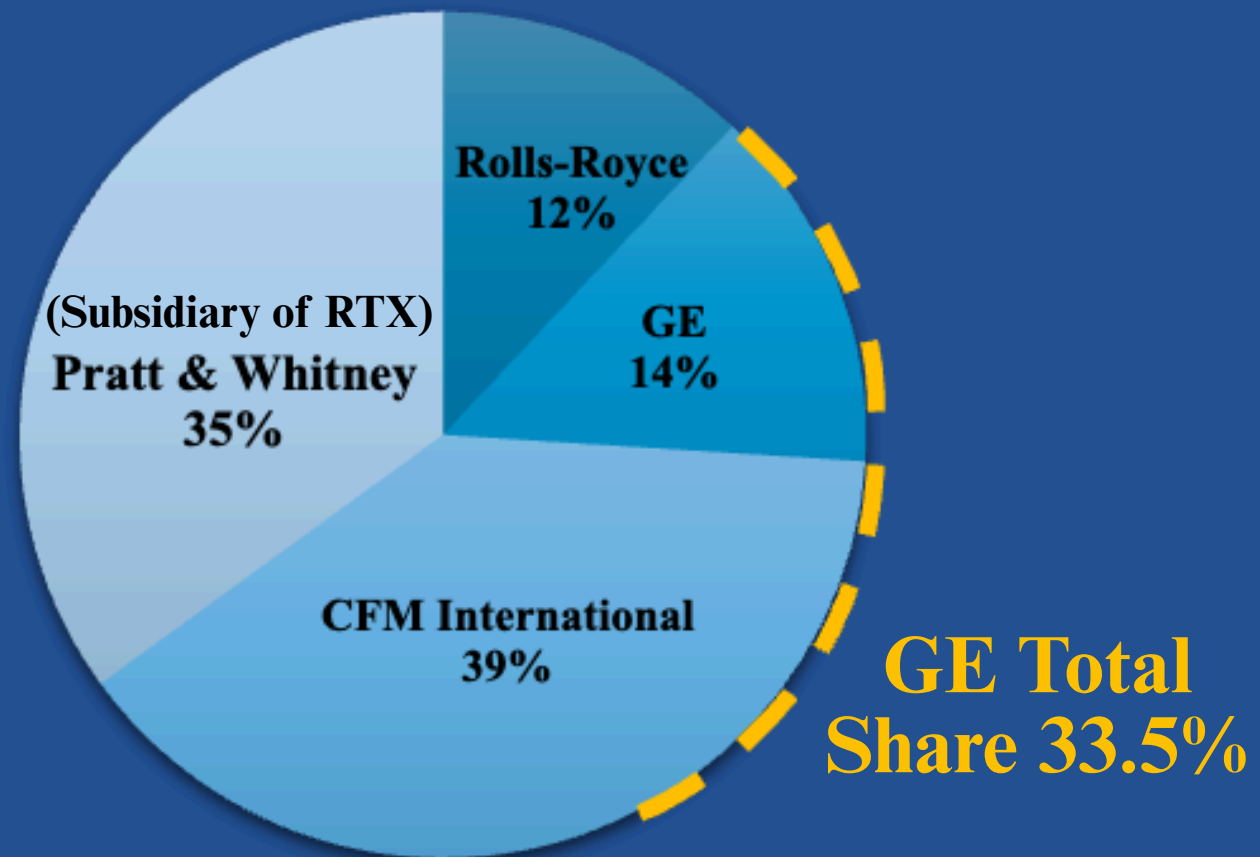


Demand for New Commercial Aircraft → Engine Market Growth



Competitors and Partnerships

Revenue Market Share of the Largest Aerospace Engine Manufacturers (2025)



Partnerships

CFM International
50% GE, 50% Safran

Engine Alliance
50% GE, 50% Pratt & Whitney

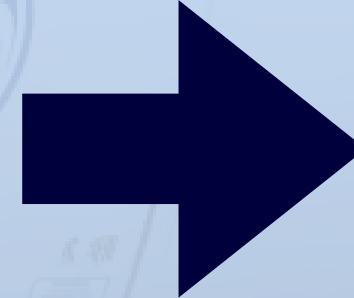


Thesis 1

GE's premium, industry leading engines contribute to their dominant pricing power.

CFM56 Engine

- Best Selling Engine
- Created in 1974
- 18K Cycles TFO
- 1.2 billion flight hours
- A3XX Family + B737 Family
- 19,000 in service



CFM LEAP 1-A Engine

- Improved Fuel Efficiency
- Reducing Carbon Emissions
- Quieter operations
- Lower maintenance cost
- A320 Neo & 737MAX



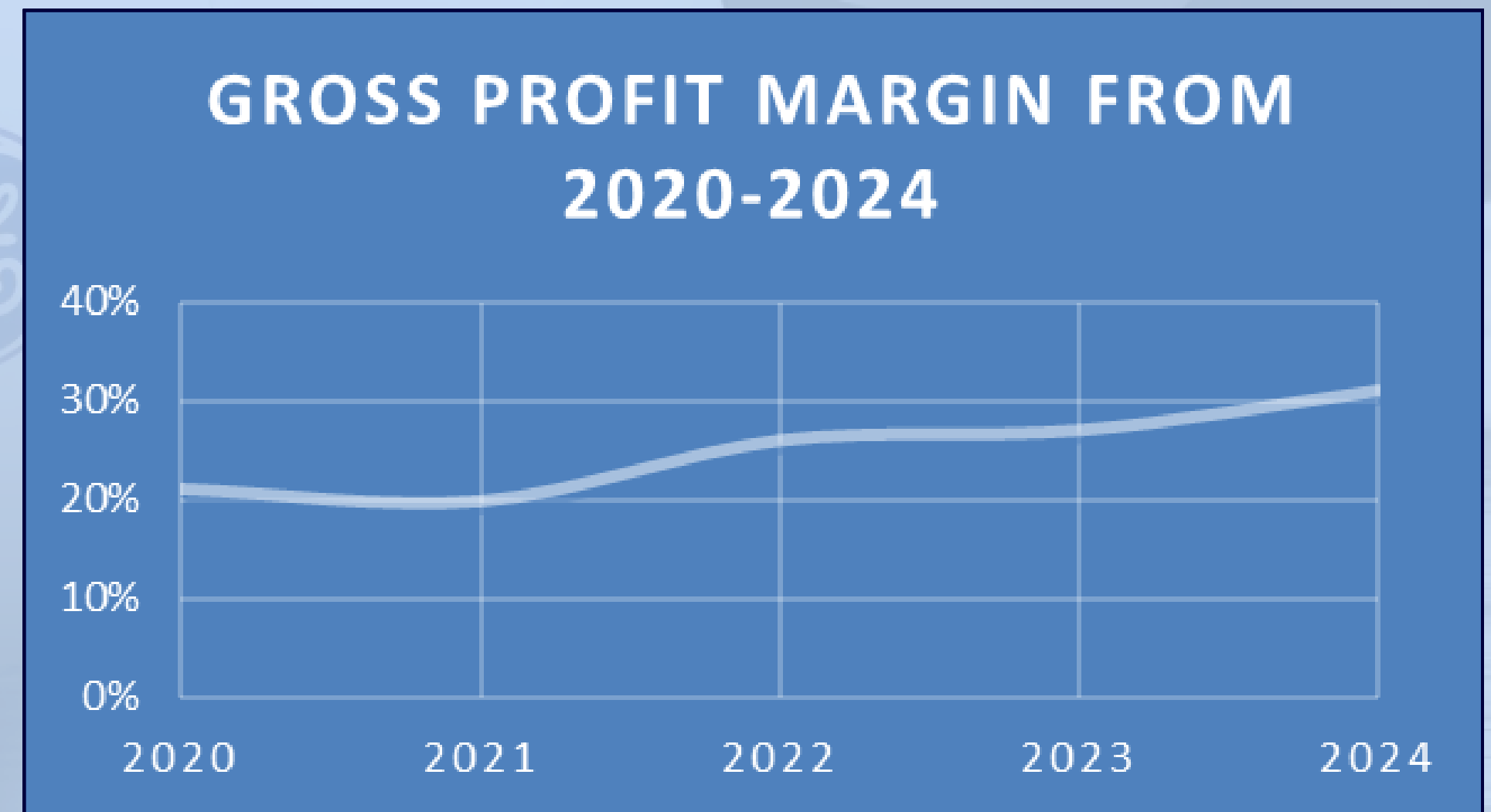
Thesis 1

GE's premium, industry leading engines contribute to their dominant pricing power.

GPM
31%
*in FY2024

Pricing Power Contributors:

- Product Variation
- Limited Market Competition
- High Switching Costs

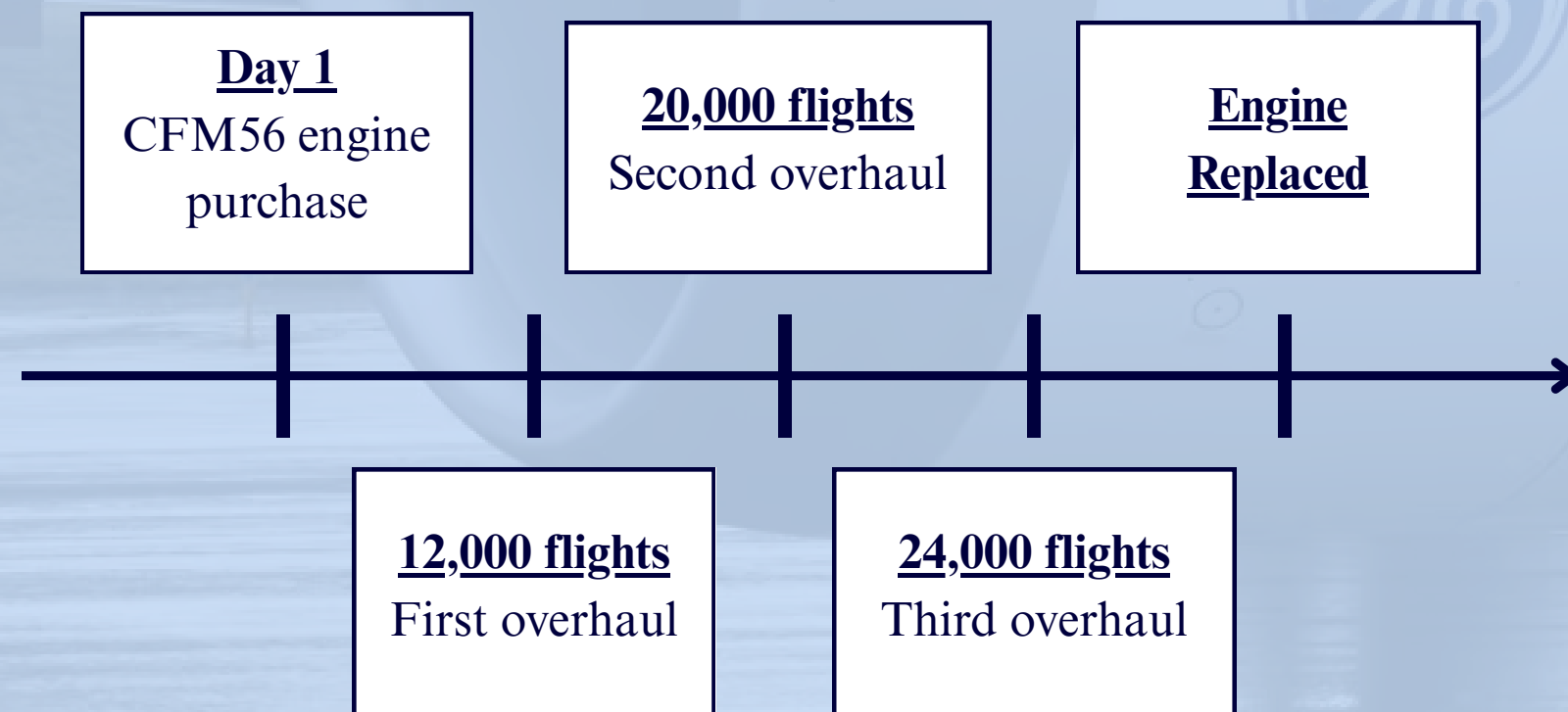


Thesis 2

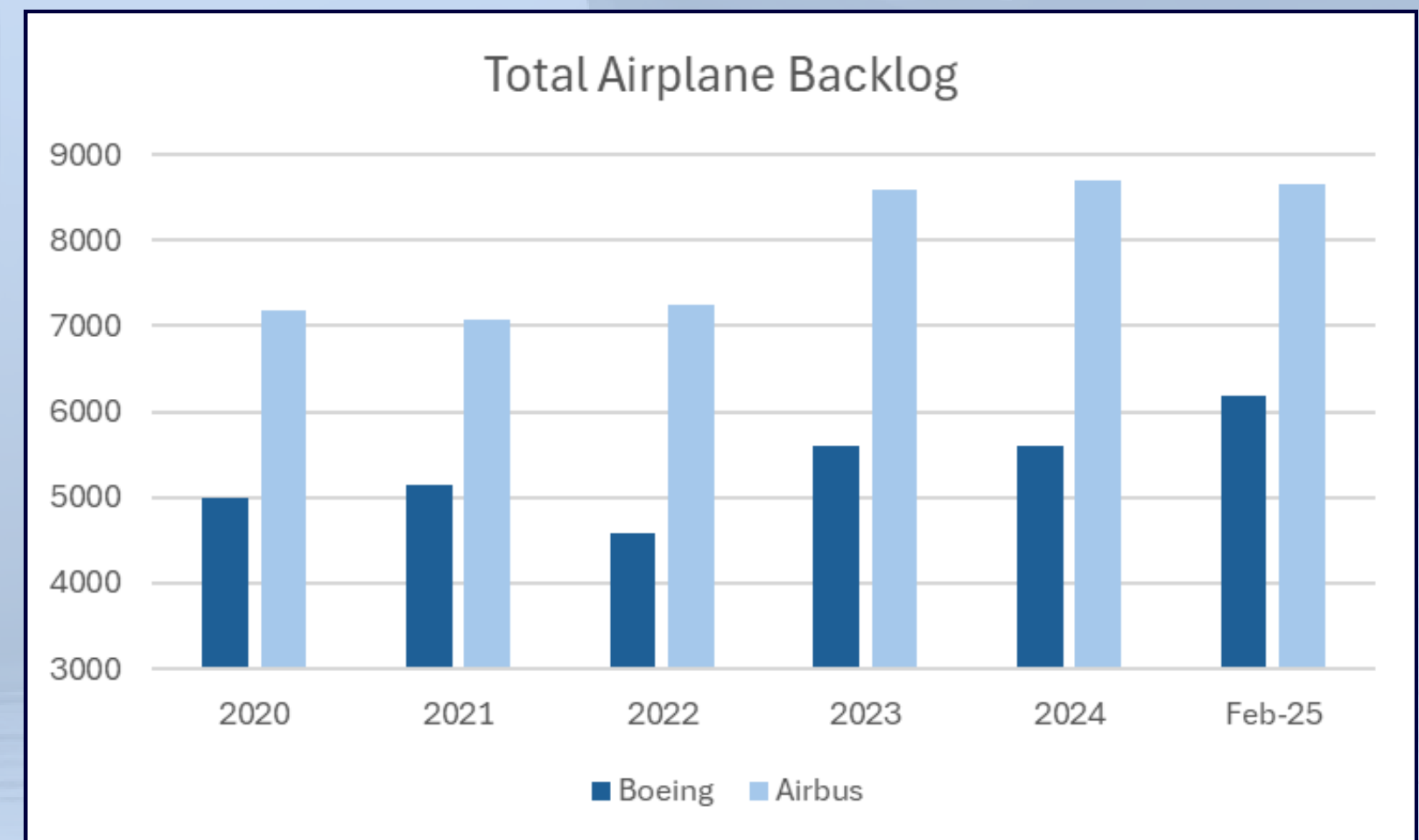
GE's strategic business mix of long-term sales contracts and Maintenance, Repair & Overhaul (MRO) dependency ensures cyclical financial stability.

Timeline

MRO Pricing Model: Maintenance Cost per Hour (MCPH) program



Total Backlog for Boeing & Airbus Planes



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Investment Risks



Tariffs & Inflation

Mitigants:

- 2019 strategies dealing with tariffs
- Contingency planning & regular contact with the administration

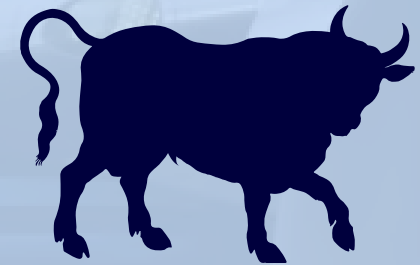
Supply Chain Issues

Mitigants:

- Competition faces a similar issue
- Long-term defense contract
- Increased investment on US manufacturing (R&D)



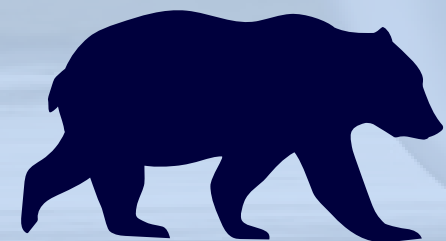
Valuation Summary.



Bull Case: \$252.86
Implied Premium: 26.33%



Base Case: \$225.51
Implied Premium: 12.88%



Bear Case: \$175.18
Implied Premium: -12.30%

Drivers of Revenue Growth

FCF growth catalysts

1. Reinvestment
2. MRO Relationships

Key Metrics

WACC: 10.47%

Beta: 1.09

Terminal Growth Rate: 2.5%

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GE Aerospace is a BUY

GE is a compelling **BUY** due to its strong reputation as an industry leading engine manufacturer and stable, recurring revenue business model

Investment Theses

1. GE's premium, industry leading engines contribute to their dominant pricing power
2. GE's strategic business mix of long-term sales contracts and Maintenance, Repair & Overhaul (MRO) dependency ensures cyclical financial stability

Target Price

\$222.28

Premium

11.27%

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Appendices: Base Case DCF

Fiscal Year	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenue	72,969.0	53,368.0	26,182.0	31,959.0	35,121.0	38,990	42,889	47,178	51,896	56,566
% Growth		-27%	-51%	22%	10%	11%	10%	10%	10%	9%
Insurance Div. Revenue	2,865.0	3,101.0	2,957.0	3,389.0	3,581.0	3,795.86	3,985.65	4,145.08	4,269.43	4,354.82
% Growth		8%	-5%	15%	6%	6%	5%	4%	3%	2%
Cost Of Goods Sold	57,301.0	43,030.0	18,972.0	22,929.0	24,281.0	27,293	29,593	32,553	35,808	39,031
% Revenue	79%	81%	72%	72%	69%	70%	69%	69%	69%	69%
Insurance Div. Operating Exp.	2,519.0	2,174.0	2,592.0	2,886.0	2,429.0	2581.18	2710.24	2818.65	2817.82	2787.08
% Revenue	88%	70%	88%	85%	68%	68%	68%	68%	66%	64%
Gross Profit	16,014	11,265	7,575	9,533	11,992	12,912	14,571	15,952	17,539	19,103
% Growth		-30%	-33%	26%	26%	8%	13%	9%	10%	9%
Selling General & Admin Exp.	14,080.0	9,653.0	2,786.0	2,277.0	2,949.0	3,119	3,431	3,774	4,152	4,525
% Revenue	19%	18%	11%	7%	8%	8%	8%	8%	8%	8%
Stock-Based Compensation										
% Revenue										
R&D Expense	2,565.0	1,682.0	808.0	1,011.0	1,286.0	1,559.60	1,715.56	1,887.12	1,556.87	1,696.99
% Revenue	4%	3%	3%	3%	4%	4%	4%	4%	3%	3%
Other Operating Expense/(Income)	669.0	4,866.0	1,323.0	(626.0)	(758.0)	(818.79)	(900.67)	(990.74)	(1,089.81)	(1,187.89)
% Revenue	0.92%	9.12%	5.05%	-1.96%	-2.16%	-2.10%	-2.10%	-2.10%	-2.10%	-2.10%
Other Operating Exp., Total	17,314	16,201	4,917	2,662	3,477	3,860	4,246	4,671	4,619	5,034
Operating Income	(1,300)	(4,936)	2,658	6,871	8,515	9,052	10,325	11,281	12,921	14,069
EBIT	(1,300)	(4,936)	2,658	6,871	8,515	9,052	10,325	11,281	12,921	14,069
Tax Rate	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
Tax Affected EBIT	(1,027)	(3,899)	2,100	5,428	6,727	7,151	8,157	8,912	10,207	11,114
Depreciation & Amortization	2,128.0	1,622.0	846.0	797.0	834.0	779.8	857.8	943.6	1,037.9	1,131.3
% Revenue	3%	3%	3%	2%	2%	2%	2%	2%	2%	2%
Change in Net Working Capital	(30,055.0)	(997.0)	(43.0)	1,683.0	405.0	193	195	214	236	234
% Revenue	-41%	-2%	0%	5%	1%	0.50%	0.45%	0.45%	0.45%	0.41%
Capital Expenditures		466.0	451.0	(200.0)	(170.0)	819	901	991	1,090	1,188
% Revenue		1%	2%	-1%	0%	2%	2%	2%	2%	2%
Unlevered Free Cash Flow		(3,740)	2,452	8,108	8,136	6,918	8,309	9,079	10,391	11,291
Discount Period						1	2	3	4	5
WACC						10.47%	10.47%	10.47%	10.47%	10.47%
PV of Free Cash Flow						6,263	6,809	6,735	6,978	6,865

Capital Structure		Cost of Debt	
Equity	216,386.1	Cost of Debt	5.20%
% Equity	91.39%	Tax Rate	21.00%
Debt	20,378.0	Tax Adj. Cost of Debt	4.11%
% Debt	8.61%		
Debt + Equity	236,764.1		
Weighted Average Cost of Capital		Cost of Equity	
Cost of Equity	11.06%	Beta 5Y	1.09
% Equity	91.39%	Risk Free Rate	4.23%
Cost of Debt	4.11%	Market Rate of Return	10.50%
% Debt	8.61%	Market Risk Premium	6.27%
WACC	10.47%	Cost of Equity	11.06%





Appendices: Bull Case DCF

Fiscal Year	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenue	72,969.0	53,368.0	26,182.0	31,959.0	35,121.0	39,390	44,511	49,852	55,336	60,869
% Growth		-27%	-51%	22%	10%	12%	13%	12%	11%	10%
Insurance Div. Revenue	2,865.0	3,101.0	2,957.0	3,389.0	3,581.0	3,795.86	3,985.65	4,145.08	4,269.43	4,354.82
% Growth		8%	-5%	15%	6%	6%	5%	4%	3%	2%
Cost Of Goods Sold	57,301.0	43,030.0	18,972.0	22,929.0	24,281.0	27,179	30,712	33,899	37,628	40,782
% Revenue	79%	81%	72%	72%	69%	69%	69%	68%	68%	67%
Insurance Div. Operating Exp.	2,519.0	2,174.0	2,592.0	2,886.0	2,429.0	2,581.18	2,630.53	2,652.85	2,647.05	2,612.89
% Revenue	88%	70%	88%	85%	68%	68%	66%	64%	62%	60%
Gross Profit	16,014	11,265	7,575	9,533	11,992	13,426	15,153	17,445	19,330	21,829
% Growth		-30%	-33%	26%	26%	12%	13%	15%	11%	13%
Selling General & Admin Exp.	14,080.0	9,653.0	2,786.0	2,277.0	2,949.0	3,151	3,338	3,490	3,873	4,261
% Revenue	19%	18%	11%	7%	8%	8%	8%	7%	7%	7%
Stock-Based Compensation										
% Revenue										
R&D Expense	2,565.0	1,682.0	808.0	1,011.0	1,286.0	1,181.70	1,335.32	1,495.56	1,660.07	1,826.08
% Revenue	4%	3%	3%	3%	4%	3%	3%	3%	3%	3%
Other Operating Expense/(Income)	669.0	4,866.0	1,323.0	(626.0)	(758.0)	(850.82)	(1,001.49)	(1,196.45)	(1,438.73)	(1,704.34)
% Revenue	0.92%	9.12%	5.05%	-1.96%	-2.16%	-2.16%	-2.25%	-2.40%	-2.60%	-2.80%
Other Operating Exp., Total	17,314	16,201	4,917	2,662	3,477	3,482	3,672	3,789	4,095	4,383
Operating Income	(1,300)	(4,936)	2,658	6,871	8,515	9,943	11,481	13,656	15,235	17,446
EBIT	(1,300)	(4,936)	2,658	6,871	8,515	9,943	11,481	13,656	15,235	17,446
Tax Rate	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
Tax Affected EBIT	(1,027)	(3,899)	2,100	5,428	6,727	7,855	9,070	10,788	12,036	13,782
Depreciation & Amortization	2,128.0	1,622.0	846.0	797.0	834.0	787.8	890.2	997.0	1,106.7	1,217.4
% Revenue	3%	3%	3%	2%	2%	2%	2%	2%	2%	2%
Change in Net Working Capital	(30,055.0)	(997.0)	(43.0)	1,683.0	405.0	213	256	267	274	277
% Revenue	-41%	-2%	0%	5%	1%	1%	1%	1%	0%	0%
Capital Expenditures		466.0	451.0	(200.0)	(170.0)	827	935	1,047	1,162	1,278
% Revenue		1%	2%	-1%	0%	2%	2%	2%	2%	2%
Unlevered Free Cash Flow		(3,740)	2,452	8,108	8,136	7,603	8,770	10,471	11,706	13,445
Discount Period						1	2	3	4	5
WACC						10.47%	10.47%	10.47%	10.47%	10.47%
PV of Free Cash Flow						6,882	7,187	7,768	7,861	8,174



Appendices: Bear Case DCF

Fiscal Year	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Revenue	72,969.0	53,368.0	26,182.0	31,959.0	35,121.0	38,990	43,045	46,936	50,691	54,746
% Growth		-27%	-51%	22%	10%	11%	10%	9%	8%	8%
Insurance Div. Revenue	2,865.0	3,101.0	2,957.0	3,389.0	3,581.0	3,795.86	3,985.65	4,145.08	4,269.43	4,354.82
% Growth		8%	-5%	15%	6%	6%	5%	4%	3%	2%
Cost Of Goods Sold	57,301.0	43,030.0	18,972.0	22,929.0	24,281.0	28,073	30,992	33,794	36,498	39,417
% Revenue	79%	81%	72%	72%	69%	72%	72%	72%	72%	72%
Insurance Div. Operating Exp.	2,519.0	2,174.0	2,592.0	2,886.0	2,429.0	2846.90	2989.24	3108.81	3159.38	3222.57
% Ins Revenue	88%	70%	88%	85%	68%	75%	75%	75%	74%	74%
Gross Profit	16,014	11,265	7,575	9,533	11,992	11,866	13,049	14,178	15,304	16,461
% Growth		-30%	-33%	26%	26%	-1%	10%	9%	8%	8%
Selling General & Admin Exp.	14,080.0	9,653.0	2,786.0	2,277.0	2,949.0	3,899	4,304	4,694	4,562	4,927
% Revenue	19%	18%	11%	7%	8%	10%	10%	10%	9%	9%
Stock-Based Compensation										
% Revenue										
R&D Expense	2,565.0	1,682.0	808.0	1,011.0	1,286.0	1,169.70	1,291.35	1,408.09	1,520.73	1,642.39
% Revenue	4%	3%	3%	3%	4%	3%	3%	3%	3%	3%
Other Operating Expense/(Income)	669.0	4,866.0	1,323.0	(626.0)	(758.0)	(779.80)	(860.90)	(938.72)	(1,013.82)	(1,094.93)
% Revenue	0.92%	9.12%	5.05%	-1.96%	-2.16%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%
Other Operating Exp., Total	17,314	16,201	4,917	2,662	3,477	4,289	4,735	5,163	5,069	5,475
Operating Income	(1,300)	(4,936)	2,658	6,871	8,515	7,577	8,314	9,015	10,234	10,987
	-1.78%	-9.25%	10.15%	21.50%	24.24%	19.43%	19.31%	19.21%	20.19%	20.07%
EBIT	(1,300)	(4,936)	2,658	6,871	8,515	7,577	8,314	9,015	10,234	10,987
Tax Rate	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
Tax Affected EBIT	(1,027)	(3,899)	2,100	5,428	6,727	5,986	6,568	7,122	8,085	8,679
Depreciation & Amortization	2,128.0	1,622.0	846.0	797.0	834.0	779.8	860.9	938.7	1,013.8	1,094.9
% Revenue	3%	3%	3%	2%	2%	2%	2%	2%	2%	2%
Change in Net Working Capital	(30,055.0)	(997.0)	(43.0)	1,683.0	405.0	193	203	195	188	203
% Revenue	-41%	-2%	0%	5%	1%	0%	0%	0%	0%	0%
Capital Expenditures		466.0	451.0	(200.0)	(170.0)	819	904	986	1,065	1,150
% Revenue		1%	2%	-1%	0%	2%	2%	2%	2%	2%
Unlevered Free Cash Flow		(3,740)	2,452	8,108	8,136	5,754	6,322	6,881	7,847	8,422
Discount Period						1	2	3	4	5
WACC						10.47%	10.47%	10.47%	10.47%	10.47%
PV of Free Cash Flow						5,208	5,181	5,104	5,270	5,120



Appendices: SWOT Analysis

Strengths

- 33.5% market share, with leading joint venture, CFM International
- Continuous contract renewals with the U.S Army, Air Force, and Navy
- Robust MRO investments domestically
- High level of backlog orders, leading to recurring revenue

Weaknesses

- Supply chain bottlenecks when sourcing raw materials
- Dependence on key customers such as Boeing & Airbus
- Regulatory compliance in foreign countries

Opportunities

- Sustainability initiatives with investments into the RISE program rolling out in mid-2030's
- Increased DoD spending budget which can increase defense contracts
- Expanding market demands in Commercial Airlines to pre-COVID levels

Threats

- Macroeconomic forces such as tariffs and trade wars can lead to higher production costs
- Industry competition from Rolls Royce and Pratt & Whitney when creating new jet engine technology



Appendices: Liabilities

Jeju Air flight 7C2216

The Boeing 737-800 uses the CFM56-7B engines (has a dispatch reliability rate of 99.96% & an in-flight shutdown rate of 0.002 per 1,000 hours). CFM has joined the investigation to provide technical expertise.

Southwest Airlines flight WN1380

Involved a Boeing 737-700 aircraft. Two engine fan blade-out (FBO) events resulted in the separation of the CFM56 inlet cowl and fan cowl parts from the aircraft. The FAA mandated Boeing to determine the critical fan blade impact location(s) on the CFM56 engine fan case and redesign the fan cowl structure on all 737 NG aircraft.

Investor Lawsuit Settlement

Settled a \$362.5M lawsuit (11/2024) over allegations of inflating financial results of its power units between 2016-2018. Already allocated funds for the settlement. May redirect investor focus to GE Aerospace's streamlined operations while addressing lingering concerns about past disclosure practices.

Alleged Climate Data Misrepresentation

01/2024: Australian shareholder activist group filed a complaint with the SEC, accusing GE of misleading investors on critical greenhouse gas emission data from its power division. The complaint alleges that GE is lowballing the CO2 emissions of its gas-powered turbines.

Trump's 2019 Tariffs on Chinese Imports

GE's mitigants at the time: Reclassifying parts as something that wouldn't incur the costs, engineering replacements, location moves, new suppliers (Eastern Europe & SEA), insourcing



Appendices: Management



Chief Corporate
Affairs Officer
Tara DiJulio



Chief Information
Officer
David Burns



Chief Technology
& Operations
Officer
Mohamed Ali



Chairman and
CEO
H. Lawrence Culp,
Jr.



Chief Financial
Officer
Rahul Ghai



Chief Strategy
Officer
Patrick de
Castelbajac



Appendices: ESG Initiatives

Rise Program

- 20% lower fuel consumption and CO2 emissions
- Open Fan engine architecture



Goals

Net Zero carbon emissions by 2050



Appendices: Manufacturing

Investing Nearly \$1B in U.S. Manufacturing

Explore the dozens of communities where we are investing.

— ALABAMA	— MONTANA
— DELAWARE	— NEW HAMPSHIRE
— FLORIDA	— NEW YORK
— INDIANA	— NORTH CAROLINA
— KENTUCKY	— OHIO
— MASSACHUSETTS	— SOUTH CAROLINA
— MICHIGAN	— VERMONT
— MISSISSIPPI	— VIRGINIA

International Facilities

- Italy (5) & Poland (1)
- 21+ country presence (MRO, On Wing support, manufacturing plants)

Domestic Facilities

- Mostly US, some Canadian locations
- Semiconductors produced domestically

■ **\$450 million**

To purchase new machines, inspection equipment, building upgrades, test cells and safety enhancements as well as create over 1,000 jobs at 22 facilities across 14 states.

■ **\$100 million**

Will go toward 16 of GE Aerospace's U.S. supplier partners in 12 states.

■ **\$100 million**

Will go toward international manufacturing facilities in Canada, Mexico, Europe and India.



Appendices: Competitors' Financials

	P/E	EV/EBITDA	Debt/Assets
 RTX	35.79	13.32	0.28
 Rolls-Royce	26.8	23.7	0.16
 GE Aerospace	33	23.53	0.16



Appendices: Internationality.

Defense

- U.S. gov’t Foreign Military Sales (FMS) program allows GE to engine foreign defense aircraft
- Examples: Indian AF Apaches, Polish AF Apaches, Israeli Black Hawks

Commercial

- MRO facilities in Singapore, Malaysia, Australia
- Powers every major fleet across Middle East: Emirates, FlyDubai, Qatar Airways, etc.

