

Initiating Coverage:

General Electric Co (\$GE)

Thrust and Trust: GE Aerospace Bets on Every Takeoff to Boost Its Bottom Line

Key Take-away: Despite volatile tariff conditions and global trade disputes under the current presidential administration, GE Aerospace delivered strong results in Q1 2025 with order growth rising 12%, while adjusted revenue increasing by 11%. GE Aerospace exhibited strong performance across both operating segments. In Commercial Engines & Services (CES), service orders rose 31% and revenue increased 17%, driving a 35% increase in operating profit and signifying continued strong growth for 2025. In Defense & Propulsion Technologies (DPT), output continues to improve as operating profit rose 16% and is expected to see continued growth throughout the remainder of the year. Macroeconomic implications such as recent tariff exposure impacted GE's supply chains negatively incurring an overall \$500M loss for the business across both segments. Future tariff uncertainty and recent war developments in the Middle East are factors to consider as they could lead to supply chain disruptions impacting the company's future profitability and plans for growth and expansion. Additionally, fierce competition in the industry is another strategic risk that may impact future profitability.

CES segment deal development and momentum: In Q1 2025, GE Aerospace and Boeing secured \$96B of committed capital from Qatar Airways focused on the acquisition of 210 American-made Boeing 787 Dreamliner and 777x powered by GE Aerospace engines and a \$14.5B commitment from Etihad Airways focused on the acquisition of 28 American-made Boeing 787 and 777X powered by GE Aerospace engines. Additionally, there have been further agreements and committed capital from Ethiopian Airlines to add to their fleet and power new widebody aircrafts. Order backlog continues to grow, with strong demand for commercial engines totaling approximately \$140B in committed capital for future engine orders and recurring services contracts.

DPT segment strong contract volume and future, positive outlook: In 2025 Q1, defense-related government contracts awarded to GE Aerospace Was a major contributor to DPT segment profitability. In late March 2025, GE Aerospace secured a \$5B U.S Air Force Contract to provide F110-GE-129 engines for both the F-15 and F-16 aircrafts. The Defense Appropriations Bill of 2026, authored by the Pentagon, plans to provide a total discretionary allocation of \$831.5 billion for military-related spending. Notably, the bill contains a clause reversing the 'divest to invest' policy, supporting the preservation of F-15s and U-2s. If the bill is fully enacted, GE Aerospace stands to benefit through potential additional government service and maintenance contracts related to the upkeep of the F-15. Additionally, the bill includes further investment in the U.S. Improved Turbine Engine Program, which will replace Sikorsky UH-60 Black Hawks and Boeing AH-64 Apaches with new GE Aerospace T901 engines, ultimately benefiting GE. Further, in late April, GE Aerospace secured contracts with the Korean Military to produce major components for the F414-GE-400K aircraft engine for the Korean KF-21 aircraft program. With the ongoing flow of defense-related spending and contract awards, GE Aerospace's DPT segment serves to benefit and grow at a strong pace.

Valuation: We initiate coverage with a \$270.00 PT.



Consortium Research Group
Industrials | Aerospace & Defense
July 8th, 2025

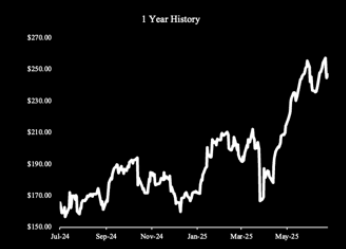
Stock Rating: Overweight

Price Target: \$270.00

Price: \$247.06

Potential Upside/Downside: 9.29%

Ticker: \$GE



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Company Overview

Company Description: General Electric Co (NYSE: GE) operates the aerospace portion of General Electric's business managing a current base of 45,000 commercial engines and 25,000 military engines in 120 countries, maintaining 67 facilities in the U.S. and 67 facilities abroad, thereby positioning itself as a global leader in the aerospace industry. GE Aerospace manages two divisions within the business: Commercial Engines & Services (CES) and Defense & Propulsion Technologies (DPT). Across both segments, approximately 70% of predictable, recurring revenue is generated by aftermarket services. By leveraging Flight Deck across both operating segments, the company's optimized management system, GE Aerospace can efficiently bridge strategy with execution while further emphasizing the importance of safety, quality, and delivery costs during each step of the process.

Commercial Engines & Services (CES): The Commercial Engines & Services (CES) segment of General Electric Co. is subdivided into two distinct categories: the manufacturing and services division. The engine manufacturing division of the segment is focused on designing, developing, and producing jet engines for commercial aviation, business aviation, and aeroderivative applications primarily delivering widebody, narrowbody, and regional engines for commercial aircraft. The servicing division of the segment is focused on the maintenance, repair, and overhaul (MRO) on engines, selling spare parts, and executing long-term service agreement contracts. Maintenance, repair, and overhaul (MRO) represents approximately 74% of the total revenue share within the Commercial Engines & Services (CES) segment. The main customers are major airlines, airframe developers mainly Boeing and Airbus, and third-party MRO shops which purchase licenses and equipment to sell.

Defense & Propulsion Technologies (DPT): The Defense & Propulsion Technologies (DPT) segment of General Electric Co. primarily serves governments, militaries and commercial airframers providing advanced aircraft systems, military-grade aircraft engines, and propulsion & additive Technologies. This includes designing, developing, and manufacturing aircraft components for military and commercial use such as turboprop engines, aeroengine mechanical transmissions, turbines, propeller systems, etc. Significant U.S.-based military platforms served consist of F110, F404, and F414 for combat engines, T408, T700, and T901 for rotorcraft engines, and LM2500 for mobility and marine engines. The DPT segment also provides maintenance, repair, and overhaul (MRO) support within this line of business for both militaries and commercial airframers. Maintenance, repair, and overhaul (MRO) represents approximately 56% of the total revenue share within the Defense & Propulsion Technologies (DPT) segment. Further, GE Aerospace has acquired subsidiary brands such as Avio Aero, Unison and to support its initiatives in the DPT segment both domestically and internationally.

Industry Overview

Tariffs: Tariff escalation perpetrated by the Trump Administration over the last year has destabilized rebounding aerospace supply chains leading to incurred increased production costs, reduced trade volumes, and further market realignments. Recently, the suspension of trade discussions between Canada and the U.S have been suspended, and Canada has implemented retaliatory tariffs on the U.S for American steel imports further fueling tensions and the potential for a trade war, which could significantly impact aerospace manufacturers. To mitigate recent tariff exposure, aerospace companies have heavily invested in U.S.-based manufacturing. GE Aerospace recently committed \$1 billion to domestic manufacturing and supply chain development, Joby Aviation has invested \$500 million and Boom Supersonic has similarly allocated \$500 million toward U.S.-based facilities representing a broader industry trend. Despite this, financing and tariff engineering are still major concerns as elevated input costs, access to raw materials, unpredictable regulatory landscapes are key barriers to successfully restructuring global supply chains.

Aerospace-focused Military Spending: In July 2025, the U.S Senate passed President Trump's 'Big, Beautiful Bill' which will add nearly \$3.3 trillion to the federal deficit over the next decade. A total of \$69 billion will be

allocated specifically to military-focused initiatives, including \$600 million for an Air Force long-range strike aircraft, \$25 billion for the development of the new "Golden Dome" missile defense system, and \$1 billion for the X-37B space plane. Furthermore, as outlined in the Defense Appropriations Bill of 2026, the U.S government is expected to spend an additional \$831.5 billion in discretionary military related spending. This includes investments in 5th/6th generation aircraft including F-47, F-35, F/A-XX, reversing the 'divest to invest' policy leading to the preservation of F-15s and U-2s aircrafts while additionally investing in the next-generation fighter aircraft, surveillance, and reconnaissance systems, as well as many other additional investments across various segments of the military.

Future Air Travel Outlook In 2024, air passenger traffic grew 10.6% YoY as international air travel frequency inches closer to 2019 pre-pandemic levels. This was largely a result of lower ticket prices, increased travel demand, and a 20% drop in fuel prices. Despite a strong increase in commercial aviation growth during the year, supply chain issues including aircraft delivery delays, increased wages for airline employees, and conflict zones led by global geopolitical tensions all affected international travel growth. In 2025, passenger travel growth is expected to slow down to 5.8% YoY fueled by the intensification of geopolitical tensions and further tariff escalation leading to supply chain disruptions. Conflict escalation developments in the Middle East [Israel-Iran, Ukraine-Russia Conflicts] and Eastern Europe have disrupted travel routes due to airspace complications while tensions have also affected international travel growth between Asia and North America. Additionally, overall lower fuel prices may drive extra demand; however, instability in the Middle East may lead to oil price volatility.

Peer Comparisons

Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Northrop Grumman Corporation (NYSE:NOC)	\$73,104	\$89,196	20.0x	\$40,368	\$6,341
RTX Corporation (NYSE:RTX)	\$194,942	\$234,559	42.8x	\$81,739	\$13,382
General Dynamics Corporation (NYSE:GD)	\$78,964	\$89,229	20.4x	\$49,208	\$5,908
Lockheed Martin Corporation (NYSE:LMT)	\$109,899	\$128,400	20.2x	\$71,811	\$8,689
General Electric Company	\$265,157	\$273,083	39.2x	\$39,681	\$9,761

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
Northrop Grumman Corporation (NYSE:NOC)	14.1x	19.3%	15.7%	12.2%	0.6%
RTX Corporation (NYSE:RTX)	17.5x	19.5%	16.4%	11.0%	15.1%
General Dynamics Corporation (NYSE:GD)	15.1x	31.9%	26.6%	22.9%	10.0%
Lockheed Martin Corporation (NYSE:LMT)	14.8x	(1.8%)	(11.1%)	(13.7%)	(9.2%)
General Electric Company	28.0x	31.9%	24.6%	21.6%	8.8%

High	27.98x	31.9%	26.6%	22.9%	15.1%
75th Percentile	17.53x	31.9%	24.6%	21.6%	10.0%
Average	17.89x	20.2%	14.4%	10.8%	5.1%
Median	15.10x	19.5%	16.4%	12.2%	8.8%
25th Percentile	14.78x	19.3%	15.7%	11.0%	0.6%
Low	14.07x	-1.8%	-11.1%	-13.7%	-9.2%

General Dynamics Valuation

Implied Enterprise Value (25th Percentile)	\$	144,241
Implied Enterprise Value (Median)	\$	147,421
Implied Enterprise Value (75th Percentile)	\$	171,091
Implied Share Price (25th Percentile)	\$	134.68
Implied Share Price (Median)	\$	137.66
Implied Share Price (75th Percentile)	\$	159.86

Source: CapIQ

Investment Theses

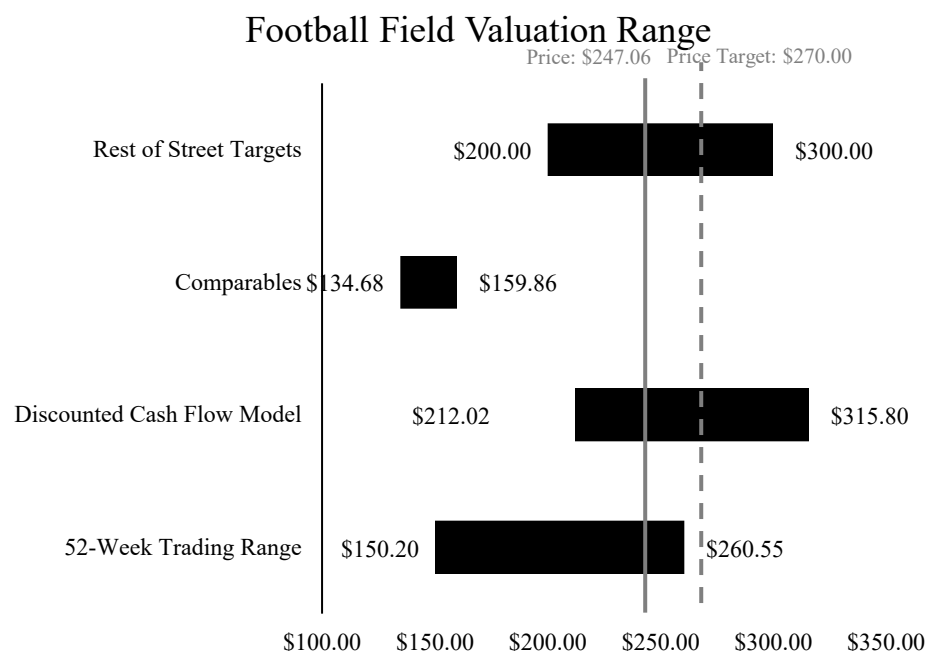
Service Focused Growth: GE Aerospace is well positioned to deliver resilient and recurring revenue growth fueled mainly by consistent demand and rapid expansion of its high margin services component across both segments. In both Commercial Engines & Services (CES) and Defense & Propulsion Technologies (DPT), services such as maintenance, repair, and overhaul (MRO) capture a significant portion of segment-based revenue, accounting for 74% of revenue in CES and 56% of revenue in DPT. Historically, services has delivered strong performance across both segments with company revenue rising \$6.2B (21%) in 2023 and an additional \$3.4B (9%) in 2024, driven by demand for spare parts, improved pricing, and increased internal shop visits. As global air travel rebounds to pre-pandemic levels, the volume of commercial aircraft servicing is expected to increase, further strengthening long-term demand for GE's service and repair operations.

Backlog-Driven Tailwinds: GE Aerospace maintains an order backlog totaling around \$140B in technology and equipment orders supported by recent deals to purchase GE Aerospace engines such as Etihad's \$14.5B commitment, Qatar Airways \$96B commitment, and Ethiopian Airlines Group's \$0.5B commitment. The strong demand and substantial order backlog combined with recent, developing supply chain disruptions indicate the potential for significant engine-related production delays in the coming years. As a result, airlines will be forced to operate aging fleets for longer than expected periods of time in anticipation of new aircraft deliveries. Extended use of older aircraft naturally requires an increased need for more frequent maintenance, repair, and overhaul (MRO) services to ensure the aircraft remains airworthy. GE Aerospace stands to benefit from this dynamic as it captures increased revenue from its high-margin MRO services, which are critical to supporting aging fleets.

Global Market Leader: CFM International, a joint venture operated by GE Aerospace and Safran, is globally recognized as the largest commercial engine manufacturer powering approximately 72% of active narrowbody aircraft as of 2025. Additionally, GE Aerospace is a leading wide body engine manufacturer holding approximately more than 50% market share in this segment. Between its personal and joint ventures, GE Aerospace controls a significant market share of both the wide and narrowbody engine manufacturing market. The company powers 75% of commercial flights internationally with a base of over 45,000 engines across the world, positioning itself as a dominant market leader in the commercial aerospace industry.

Price Target & Valuation

Our analysis gives \$GE a price target of \$270.00 and an Overweight rating.



Potential Downsides to Our Rating

Mounting Trade Tensions: In GE's most recent earning call, CEO Larry Culp reported that GE Aerospace expected to see a \$500 million loss in tariff-related impacts. To offset its \$0.5B loss, GE Aerospace plans to control costs relating to Selling, General, and Administrative expenses (SG&A), maintaining its current investments, and focusing on its pricing actions while also planning to mitigate future losses associated with tariffs through operation optimization and by leveraging its existing programs and strategies. Further tariff exposure may result in increased costs for the company and its suppliers, including delays in spare engine deliveries. Additionally, the three-month pause on most reciprocal tariffs is set to end in August as the Trump administration plans to renegotiate tariff agreements with 12 countries, some of which are considering raising tariffs by as much as 70%, significantly impacting aerospace supply chains. The administration has also canceled tariff trade talks with Canada, a key U.S. trading partner.

Air Travel Demand Volatility: While overall air travel demand has increased over the year, regions such as the U.S. domestic market have recently experienced a slight decline. Current capacity contractions due to supply chain disruptions around the globe impact aircraft delivery timelines limiting further expansion of airline networks. Further, current operational costs such as wages and maintenance in the commercial aviation industry are rising, compressing profit margins for airlines already facing weaker demand. Additionally, economic uncertainty and arising conflicts in the Middle East may negatively impact air travel demand over the next year and in the foreseeable future. GE

Our Price Target: \$270.00

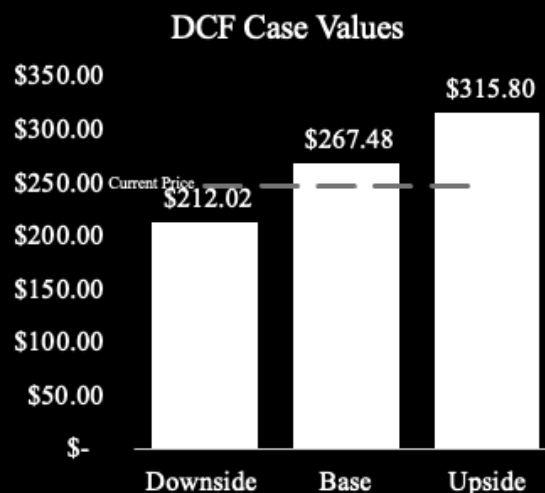
Our price target is based on sustained robust growth and expanding margins in MRO (maintenance, repair, and overhaul) for both GE Aerospace's Commercial Engines & Services (CES) segment and its Defense & Propulsion Technologies (DPT) segment, increase in demand for global air travel trending towards pre-pandemic levels, and minimal tariff exposure and supply chain disruptions that negatively impact the business's operating model.

Our Upside Case: \$315.00

Our upside case is based on surging revenue performance and steadily expanding margins, largely driven by MRO (maintenance, repair, and overhaul) in both the Commercial Engines & Services (CES) segment and its Defense & Propulsion Technologies (DPT) segment, a strong growth in global air travel exceeding pre-pandemic levels, and no further tariff exposure or supply chain disruptions worldwide.

Our Downside Case: \$212.00

Our downside case is based on negative tariff-related impacts ultimately leading to global supply chain disruptions in the aerospace manufacturing industry, weak growth and shrinking margins in maintenance, repair, and overhaul (MRO), and a sharp decline in global air travel demand.



Aerospace relies heavily on strong air travel demand to support its operations, and a decline could negatively impact the company's profitability.

Projections

Income Statement \$GE	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	38,702	42,922	47,881	53,226	58,954	15.1%
EBITDA	8,591	10,415	12,162	13,472	14,869	20.1%
EBIT	7,757	9,425	10,917	12,041	13,232	19.5%
NOPAT	(145)	687	3,812	5,251	6,795	-460.5%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	22.2%	24.3%	25.4%	25.3%	25.2%	24.5%
EBIT Margin	20.0%	22.0%	22.8%	22.6%	22.4%	22.0%
Revenue Growth	9.5%	10.9%	11.6%	11.2%	10.8%	10.8%
EBIT Growth	24.2%	21.5%	15.8%	10.3%	9.9%	16.3%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	32.1x	37.7x	31.7x	28.8x	26.4x	31.3x
EV/Sales	6.9x	6.2x	5.6x	5.0x	4.5x	5.6x
EV/EBITDA	30.9x	25.5x	21.9x	19.7x	17.9x	23.2x
FCF Yield	3.1%	2.6%	3.2%	3.5%	3.8%	4.1%

About \$GE

GE Aerospace (NYSE: GE) is a global leader in propulsion, services, and integrated systems for commercial, military, business, and general aviation aircraft. Headquartered in Cincinnati, Ohio, GE Aerospace operates with an installed base of 70,000 commercial and defense engines worldwide.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities.

Overweight means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

General Electric Company	
Discounted Cash Flow	
Active Case:	2 Base
Current Share Price	\$247.06

DCF Analysis (\$mm)																
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/2025	12/31/26	12/31/27	12/31/28	12/31/29	12/31/30	12/31/31	12/31/32	12/31/33	12/31/34	12/31/35
Stub						0.52	1.52	2.52	3.52	4.52	5.52	6.52	7.52	8.52	9.52	10.52
Discount Period						0.24	0.98	1.98	2.98	3.98	4.98	5.98	6.98	7.98	8.98	9.98
Revenue	75,833	56,469	29,139	35,348	38,702	42,922	47,881	53,226	58,954	65,059	71,530	78,347	85,487	92,917	100,597	108,483
Revenue Growth	0%	-26%	-48%	21%	9%	11%	12%	11%	11%	10%	10%	10%	9%	9%	8%	8%
Revenue	72,969	53,368	26,182	31,959	35,121	39,133	43,907	49,064	54,603	60,518	66,799	73,426	80,377	87,620	95,117	102,821
Insurance Div. Revenue	2,865	3,101	2,957	3,389	3,581	3,788	3,974	4,162	4,351	4,541	4,731	4,921	5,109	5,296	5,480	5,661
Other Revenue	(1)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	(632)	(70)	3,981	6,245	7,757	9,425	10,917	12,041	13,232	14,486	15,800	17,167	18,579	20,029	21,505	22,998
EBIT Margin	-1%	0%	14%	18%	20%	22%	23%	23%	22%	22%	22%	22%	22%	22%	22%	21%
Tax Expense	(487)	(757)	169	994	962	1,190	1,463	1,620	1,788	1,965	2,152	2,348	2,552	2,762	2,977	3,197
Effective Tax Rate	72%	1081%	6%	16%	12%	13%	13%	13%	14%	14%	14%	14%	14%	14%	14%	14%
NOPAT	(145.00)	687.00	3,812.00	5,251.00	6,795.00	8,234.76	9,454.09	10,420.88	11,444.05	12,521.13	13,647.77	14,818.72	16,027.62	17,266.95	18,528.14	19,801.53
D&A	2,128	1,622	846	797	834	990	1,245	1,431	1,638	1,865	2,114	2,385	2,679	2,994	3,331	3,688
Capex	(1,579)	(1,113)	(662)	(862)	(1,032)	1,150	1,317	1,490	1,680	1,887	2,110	2,350	2,607	2,880	3,169	3,471
Changes in NWC	(30,055)	(997)	(43)	1,683	405	1,050	1,006	1,165	1,343	1,540	1,756	1,994	2,251	2,529	2,828	3,146
UPCF	33,617	4,419	5,363	5,227	8,256	7,025	8,377	9,196	10,059	10,960	11,895	12,860	13,848	14,851	15,862	16,873
PV of FCF						6,855	7,584	7,525	7,438	7,325	7,185	7,020	6,831	6,621	6,391	6,144

Weighted Average Cost of Capital (\$mm)		
Market Risk Premium	4.33%	
Beta	1.46	
Risk Free Rate	4.39%	
Cost of Equity	10.62%	
Weighted Average Cost of Debt	4.50%	
Tax Rate	13.40%	
Cost of Debt	0.03%	
Total Equity	\$265,157	
Total Debt	\$618	
Equity/Total Capitalization	99.23%	
Debt/Total Capitalization	0.77%	
WACC	10.65%	

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$16,873
Growth	2.50%
Terminal Value	\$207,036
PV of Terminal Value	\$75,393
PV of Projection Period	\$76,921
PV of Terminal Value	\$75,393
Implied TEV	\$152,314
(-) Debt	\$2,038
(+) Cash	\$1,420
Implied Equity Value	\$151,696
Basic Shares Outstanding	1066
Implied Share Price	\$142.25
Upside/Downside	-42.42%
Implied Exit BF EV/EBITDA	
	6.6x

Terminal Value	
Exit Multiple Method	
2034 EBITDA	\$26,687
EV/EBITDA Exit Multiple	21.5x
Terminal Value	\$573,764
PV of Terminal Value	\$208,939
PV of Projection Period	\$76,921
PV of Terminal Value	\$208,939
Implied TEV	\$285,860
(-) Debt	\$2,038
(+) Cash	\$1,420
Implied Equity Value	\$285,242
Diluted Shares Outstanding	1,066
Implied Share Price	\$267.48
Upside/Downside	8.3%
Implied PGR	
	2.4%

Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$267.48
Upside/Downside	8.27%