GE gideon lens

■# GE Aerospace (GE) - Gideon-Lens Equity Research

Date: 2026-05-30. Analyst: Codex ER2. Price: $323.76. Market cap: about $338.3B. Fiscal year end: December 31.

VERDICT BLOCK

Verdict: PASS

Scorecard:

Gate	Result	Notes
Management	PASS	Culp/Ghai execution strong; buyback price discipline remains monitor
Moat	PASS	Certified installed-base services pass the 2046 durability test
P/E <= 15 on confident EPS at TTM + 5 calendar years	FAIL	Base cushion -39.0%; bull case also fails
Compounder Score	Audited 70 / 100	Buy only at lower price; diagnostic only
Business Quality Score	Audited 69 / 80	Dream-business evidence is strong but not fully pristine
20% Return UW Score	Audited 1 / 20	Current price does not support 20% return underwriting

One-line thesis (or reason to pass): GE Aerospace is a high-quality propulsion and services compounder, but the current share price over-capitalizes even a strong five-year base case.

Kill / trigger criteria:

- BUY trigger: price below roughly $197.50, which lets the current base case clear P/E 15; prefer closer to $190-$200 with no deterioration in CES services or LTSA quality.
- PASS triggers: rolling two-quarter CES services growth below 10%, CES margin below 24.5%, and cumulative unfavorable LTSA revisions above $250M.
- Upgrade to BUY conditions: sustained mid-teens CES services growth, CES margin at or above 27.5%, neutral-to-favorable LTSA revisions, and price discipline near or below the P/E 15 trigger.

Position sizing if bought: 0% today. If the price later clears the base-case P/E 15 hurdle with evidence intact, maximum 4% of equity book because the moat and management are strong but aerospace cycle, LTSA, and propulsion-platform risks remain real.

Stage 0 - Time Anchor

Today is 2026-05-30. GE Aerospace uses a December 31 fiscal year end. The most recently reported quarter is Q1 2026, period ended March 31, 2026, released April 21, 2026. The TTM anchor is Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026, ending March 31, 2026. The forward horizon is TTM + 5 calendar years, which means March 31, 2031 exactly.

Stage 1 - Disqualifier Sweep

ROIC is green: the data package calculated FY2025 ROIC at 28.1%, with the warning that clean standalone history is short. FCF conversion is green: FY2025 FCF was $7.264B by FMP CFO less capex, and QF TTM FCF less capex was $7.472B. Net debt / EBITDA is green: FY2025 net debt / EBITDA was 0.67x, and Q1 2026 net debt was manageable. End-markets are green: commercial aviation services, LEAP fleet maturation, air travel, and defense propulsion are stable-to-growing, though constrained by supply chain and airframer cadence. Governance is green with yellow edges: Culp/Ghai clear the management gate, but CEO pay, combined Chair/CEO structure, and buybacks at high valuation need monitoring. AI disruption is green: AI may improve inspection and operations, but it does not replace certified propulsion economics. Pricing power is green: service parts, shop visits, safety-critical certification, and installed-base lock-in support pricing power, though

airline pressure and LTSA estimates can still bite.

Management

Management is a PASS. Larry Culp and Rahul Ghai get credit for the GE breakup, the cleaner standalone Aerospace launch, high recent ROIC, strong cash conversion, and coherent disclosure around LEAP, GE9X, services, tariffs, supplier constraints, and guidance. The balance sheet is not stretched: the data package shows FY2025 cash of $12.392B, total debt of $20.494B, and net debt / EBITDA of 0.67x. The concern is not solvency or competence. The concern is capital allocation at a rich price. GE repurchased $7.551B of stock in FY2025 and another $2.399B in Q1 2026; at a price that fails the ER2 hurdle, buybacks can be EPS accretive while still being questionable for intrinsic value. Compensation also lacks an explicit ROIC metric, and Culp succession after 2027 remains a watch item. None of those issues breaks the management gate, but they matter because the stock leaves little room for error.

Moat

The moat gate is also a PASS. Commercial Engines & Services is the dominant profit pool, and it has the clearest durable economics: certified installed base, engine safety requirements, parts and repair know-how, customer switching costs, CFM/LEAP scale, and service RPO. Defense & Propulsion Technologies is less economically powerful but adds long-cycle demand and technology optionality. The 2046 test is green because GE can still be described specifically as a propulsion, services, and aerospace systems company twenty years from now. The bear case is not trivial: GE/CFM could lose the next narrowbody architecture, LEAP durability could disappoint, Pratt & Whitney could recover, or a new propulsion architecture could shift economics. The evidence today still favors durability, especially because the installed-base service pool can compound long after new engine delivery cycles move around.

Stage 5 Synthesis

The synthesis is the heart of the verdict. Base-case FY+5 consolidated revenue is $70.432B, operating income is $15.532B, net income is $13.023B, and EPS is $13.17. That is not a bearish operating model. CES grows from $35.571B of TTM revenue and $9.307B of TTM profit to $52.992B of revenue and $15.072B of operating income. DPT grows from $11.070B of TTM revenue and $1.350B of TTM profit to $16.24B of revenue and $2.36B of operating income. The segment model is attractive. The consolidated bridge still carries corporate/insurance drag, below-operating-income items, taxes, and a realistic share count rather than capitalizing segment profit alone.

Case	FY+5 Revenue	FY+5 OI	FY+5 NI	FY+5 EPS	EPS x 15	Cushion vs $323.76
Bear	$57.416B	$10.179B	$8.223B	$8.13	$122.0	-62.3%
Base	$70.432B	$15.532B	$13.023B	$13.17	$197.5	-39.0%
Bull	$78.418B	$18.969B	$16.159B	$16.67	$250.1	-22.8%

At the current $323.76 price, GE needs $21.58 of March 31, 2031 EPS to clear a 15x P/E. The base case produces $13.17. Even the bull case produces only $16.67. For a 20% annualized five-year return with a 15x terminal P/E, required EPS is $53.71, so the audited valuation score is only 1/20. The synthesis passed all 11 tie-out checks, which makes the conclusion cleaner rather than softer: this is a valuation failure, not an arithmetic failure.

Red Team

The red team agrees that the business-quality thesis survives and the purchase thesis does not. Its strongest point is that the market is capitalizing a near-perfect CES aftermarket story while the ER2 base and bull cases already fail the P/E 15 hurdle. The most likely optimistic Stage 5 number is base combined operating income of $15.532B, especially the CES profit bridge to $15.072B, because service margin is analytically allocated rather than separately disclosed. The key downgrade signal is a rolling two-quarter combination of CES services growth below 10%, CES margin below 24.5%, and cumulative unfavorable LTSA estimate revisions above $250M. The upgrade signal requires both evidence and price: sustained CES proof plus a stock price near or below $200.

Kill / Trigger Criteria

- Keep at PASS while the current price is materially above the base-case P/E 15 value of about $197.50.
- Downgrade the business-quality view if CES services growth falls below 10%, CES margin falls below 24.5%, and unfavorable LTSA revisions exceed $250M over a rolling two-quarter window.

- Revisit BUY only if price falls near or below $190-$200 while CES services remain at least mid-teens growth, CES margin stays at or above 27.5%, LTSA revisions are neutral to favorable, and DPT margins keep improving.
- Watch buybacks carefully: repurchases below intrinsic value can compound per-share value; repurchases above ER2 value can flatter EPS while lowering long-term return quality.

Analyst Flags

The GE-specific SEC override is documented and reviewer-cleared: FMP annual product segmentation tied FY2025, but FMP quarterly product segmentation was stale, so official SEC filings control current TTM segment history under the user's 2026-05-30 instruction. Clean current-taxonomy standalone history is short, beginning mainly in FY2022. GE does not disclose engine-family revenue dollars, DPT platform revenue dollars, or product-level margins, so segment product-margin allocations are analytical. These are real confidence limits, but they do not change the main verdict: quality passes, price fails.

Appendix A - Company Primer

GE Aerospace (GE) - Company Primer

Date prepared: 2026-05-30 Primary financial source: `C:\Users\Admin\OneDrive\GPT\ER 2.0\GE Aerospace\quant_foundation.md` Latest reported quarter: Q1 2026, period ended March 31, 2026, released April 21, 2026 TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026, ending March 31, 2026 Forward horizon for downstream ER2 work: March 31, 2031

Source Discipline And Data Caveat

This primer is reader-facing orientation, not the quantitative audit trail. All historical financial figures in this appendix are taken from the cleared GE Aerospace quantitative foundation, which itself tied the operating segment base to official SEC filings and reviewed live FMP pulls. The quantitative foundation cleared `RECONCILIATION: 8/8 checks PASSED`, and the independent review returned `QUANT FOUNDATION VERIFIED - CLEARED FOR WAVE 1`.

There is one important data caveat. FMP's annual product and segment endpoint includes FY2025 data for GE, but FMP's quarterly product segmentation endpoint is stale for the current TTM window. It ends at March 31, 2025 and therefore cannot supply Q2-Q4 2025 or Q1 2026 product/segment rows. The user explicitly authorized a GE-specific SEC filings override on 2026-05-30, so the controlling base for current-taxonomy segment and product/service data is GE's 2025 Form 10-K and Q1 2026 Form 10-Q rather than the stale FMP quarterly product endpoint. This is a source plumbing issue, not a business-quality red flag.

Qualitative context in this primer uses live official sources: GE Aerospace's 2025 Form 10-K, Q1 2026 Form 10-Q, Q1 2026 earnings release, 2025 annual report material, and selected industry sources including IATA, Airbus, and Boeing. The most relevant source links are collected at the end.

Business Overview

GE Aerospace is the remaining public General Electric Company after the GE Vernova spin-off. GE Aerospace launched as an independent public company on April 2, 2024, trading on the NYSE under ticker `GE`, after GE completed its multi-year separation into independent healthcare, energy, and aerospace companies. The business is now a focused aerospace propulsion, services, and systems company rather than a conglomerate.

The short version: GE Aerospace designs, manufactures, and services aircraft engines and related aerospace systems. Its products sit at the center of commercial aviation, military aviation, and some adjacent propulsion and power applications. The company sells new engines and equipment into aircraft production programs, but the economic heart of the company is the installed base. A jet engine can remain in service for decades; across that life, it consumes spare parts, overhaul labor, licensed repairs, diagnostics, and engineering support. That is why GE's services revenue is larger, more durable, and more profitable than the original engine-sale revenue stream.

GE says it had an installed base of about 50,000 commercial and 30,000 military engines in its 2025 Form 10-K and Q1 2026 materials. That installed base supports an aftermarket services business representing roughly 70% of revenue. The company serves customers in about 120 countries, with manufacturing and service operations in the United States and internationally. Customer groups include Boeing and Airbus as airframers, airlines and lessors that operate aircraft, third-party maintenance repair and overhaul shops, governments and militaries, shipyards, and commercial airframers that buy systems, engines, or related services.

The company reports two operating segments. Commercial Engines & Services, or CES, designs, manufactures, and services engines for commercial aircraft, business aviation, and aeroderivative applications. Defense & Propulsion Technologies, or DPT, provides defense engines and critical aircraft systems through Defense & Systems and Propulsion & Additive Technologies. Corporate & Other includes run-off insurance operations, eliminations, and costs that are not treated as operating segment profit; it is not the operating core for this primer.

The purchase process is not self-serve or channel-led in the software sense. Commercial engines are selected through aircraft programs and airline engine campaigns. Airlines can sometimes choose among engine suppliers on a given aircraft platform, while some aircraft are sole-source to a particular engine. Once selected and installed, GE monetizes the platform through long-term service agreements, spare-parts contracts, time-and-material service work, technology licensing to MRO shops, and direct internal shop visits. Defense work is usually driven by government funding, development programs,

production contracts, sustainment contracts, and foreign military sales.

GE's business solves several customer problems at once. For airframers, an engine partner must support certification, aircraft performance, production rate, and lifecycle support. For airlines, the engine affects fuel burn, dispatch reliability, aircraft utilization, maintenance cost, residual value, and route economics. For militaries, propulsion is tied to readiness, mission capability, survivability, and the ability to field next-generation platforms. In all cases, reliability and time on wing matter because a grounded aircraft is expensive and, in defense, operationally consequential.

Stage 0 Anchor

The ER2 run uses the following anchor:

Item	Anchor
Today	2026-05-30
Fiscal year convention	Fiscal year ends December 31
Most recently reported quarter	Q1 2026, period ended March 31, 2026
Release date	April 21, 2026
TTM period	Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026
TTM endpoint	March 31, 2026
Forward horizon	March 31, 2031

Revenue Architecture

GE Aerospace's operating revenue base is dominated by Commercial Engines & Services. In FY2025, GE reported total consolidated revenue of $45.855 billion. Operating segment revenue was $43.868 billion, with CES at $33.314 billion and DPT at $10.554 billion. Corporate & Other added $1.987 billion of revenue, largely from run-off insurance and eliminations, but the operating lens should focus on CES and DPT.

On a TTM basis through Q1 2026, operating segment revenue was $46.639 billion. CES contributed $35.571 billion and DPT contributed $11.070 billion. Total segment profit was $10.657 billion, with CES contributing $9.307 billion and DPT contributing $1.350 billion. That is the cleanest current-taxonomy base for downstream modeling because it uses FY2025 less Q1 2025 plus Q1 2026 from official SEC sources.

Segment	FY2025 Revenue	Share Of Operating Segment Revenue	FY2025 Segment Profit	FY2025 Profit Margin	TTM Revenue	TTM Segment Profit	TTM Profit Margin
Commercial Engines & Services	$33,314mm	75.9%	$8,861mm	26.6%	$35,571mm	$9,307mm	26.2%
Defense & Propulsion Technologies	$10,554mm	24.1%	$1,296mm	12.3%	$11,070mm	$1,350mm	12.2%
Operating segment total	$43,868mm	100.0%	$10,157mm	23.2%	$46,639mm	$10,657mm	22.9%

Commercial Engines & Services

CES is the core franchise. It designs, develops, manufactures, and services commercial jet engines and related applications. It participates across narrowbody, widebody, regional, business aviation, and aeroderivative markets. The most important commercial joint venture is CFM International, the 50-50 non-consolidated joint venture with Safran Aircraft Engines. CFM produces the CFM56 and LEAP engine families. The LEAP powers key narrowbody programs and is in a major production ramp; GE expects it to overtake the mature CFM56 as the industry's largest fleet in coming years. Widebody platforms include mature CF6 and GE90 engines, the GEnx for Boeing 787 and 747-8 applications, and GE9X for Boeing 777X.

CES revenue is split between equipment and services. In FY2025, CES reported $8.304 billion of equipment revenue and $25.010 billion of service revenue, so services were about 75% of CES revenue. On a TTM basis, the quant foundation shows CES revenue of $35.571 billion and segment profit of $9.307 billion. The mix matters: selling a new engine creates the installed base, but service events, spare parts, and overhaul work compound over the aircraft's life. GE's 2025 Form 10-K says commercial engine platform dynamics can play out over many years because development cycles are long and engines can operate for decades with services in the aftermarket.

CES customers include airframers, airlines, and third-party MRO shops. GE sells engines to aircraft programs and airlines, then sells spare parts and licenses MRO technology to outside shops. Airlines may buy through long-term service agreements, spare-parts agreements, or time-and-material contracts. The first model gives GE long-duration contracted visibility. The second and third models monetize part demand and actual overhaul work as the engine ages and flies.

Defense & Propulsion Technologies

DPT is the smaller but strategically important defense and systems segment. It consists of Defense & Systems and Propulsion & Additive Technologies. It designs, develops, manufactures, and services defense engines, avionics, power systems, and related propulsion technologies. Customers include governments, militaries, airframers, shipyards, and other aerospace customers globally. The segment works on classified and unclassified programs, including combat engines, hypersonics, unmanned applications, and advanced development programs.

In FY2025, DPT reported $10.554 billion of revenue, split nearly evenly between equipment at $5.128 billion and services at $5.426 billion. Segment profit was $1.296 billion, a 12.3% margin. TTM revenue through Q1 2026 was $11.070 billion, with TTM profit of $1.350 billion, or 12.2%. The segment's margin is lower than CES because defense development, systems work, contract mix, and next-generation investment absorb more gross profit, but it provides long-duration backlog, sustainment demand, and exposure to defense modernization.

GE's 2025 Form 10-K notes that most Defense & Systems revenue is driven by government funding that flows through the U.S. defense budget or equivalent international budgets. In 2025, GE announced a U.S. Air Force indefinite delivery/indefinite quantity contract valued up to $5 billion for F110-GE-129 engines supporting allied F-15 and F-16 fleets, and a $1.6 billion order from Hindustan Aeronautics for F404-GE-IN20 engines. In Q1 2026, GE reported a NAVAIR contract for T408-GE-400 engines for the U.S. Marine Corps CH-53K King Stallion helicopter and a Turkish Aerospace Industries contract related to F404 integration into Hurjet.

Product And Service Mix

The engine business is easier to understand if it is split into original equipment and lifecycle service. Across operating segments in FY2025, GE generated $13.433 billion of equipment revenue and $30.436 billion of service revenue. Services therefore represented roughly 69% of operating segment revenue. The TTM mix is similar: $14.169 billion of equipment/product revenue and $32.471 billion of service revenue, or roughly 70% service.

Line	FY2025 Revenue	Share Of FY2025 Segment Revenue	TTM Revenue	Share Of TTM Segment Revenue
Equipment and product	$13,433mm	30.6%	$14,169mm	30.4%
Services	$30,436mm	69.4%	$32,471mm	69.6%
Operating segment total	$43,868mm	100.0%	$46,639mm	100.0%

The equipment line is strategically necessary even when near-term margins are lower. New commercial engines often carry launch costs, production learning curves, and customer economics that depress early profitability. GE's 2025 annual report commentary says the LEAP program broke even for the first time in 2025, roughly nine years after entry into service, and that it may take two decades to recover the initial investment. That is not a bug in the model; it is the model. The company invests heavily in a platform, places it on aircraft, supports a ramp, and monetizes the installed base for decades.

Geographic Mix

GE Aerospace is global. FY2025 consolidated revenue was $45.855 billion, of which $18.194 billion was U.S. revenue and $27.661 billion was non-U.S. revenue. Non-U.S. revenue was 60% of total revenue. Asia was the largest non-U.S. region at $10.819 billion, followed by Europe at $8.603 billion and Middle East and Africa at $4.575 billion. This global footprint matches the customer base: commercial aircraft fleets, airline maintenance demand, defense modernization, and aircraft production programs are not U.S.-only demand pools.

Region	FY2025 Revenue	Share Of Consolidated Revenue
United States	$18,194mm	39.7%
Europe	$8,603mm	18.8%
Asia	$10,819mm	23.6%
Americas excluding U.S.	$3,664mm	8.0%

Region	FY2025 Revenue	Share Of Consolidated Revenue
Middle East and Africa	$4,575mm	10.0%
Total	$45,855mm	100.0%

Unit Economics

GE Aerospace is not a simple manufacturer where a dollar of equipment revenue carries the same economics as a dollar of service revenue. A dollar of engine revenue can be low margin or even economically unattractive early in a program if it is attached to a ramping platform. A dollar of service revenue can be high quality because it reflects spare parts, overhaul scope, technical data, certified processes, and installed-base dependence. The value of the company lies in the pairing: equipment creates the future service annuity, while services fund cash returns and new technology investment.

CES shows this clearly. In FY2025, CES produced $33.314 billion of revenue and $8.861 billion of segment profit. Cost of revenue was $21.998 billion, SG&A was $1.845 billion, R&D was $1.287 billion, and other segment income was $677 million. The resulting segment profit margin was 26.6%. The profit drivers were higher spare-parts volume, internal shop visit volume and workscopes, and improved pricing. Offsets included the impact of higher installed engine deliveries, inflation, growth investment, and unfavorable long-term service agreement estimate changes, including tariff effects. In Q1 2026, CES revenue grew 34% year over year, but segment margin fell to 26.4% from 28.7% because installed engine growth, including GE9X, and investment pressured the mix.

DPT has different economics. In FY2025, DPT generated $10.554 billion of revenue and $1.296 billion of segment profit, a 12.3% margin. Cost of revenue was $7.910 billion, SG&A was $1.088 billion, R&D was $308 million, and other segment income was $48 million. DPT margins improved from 10.1% in FY2023 to 11.2% in FY2024 and 12.3% in FY2025, but remain well below CES. That is consistent with a segment that mixes development contracts, defense systems, production ramps, customer-funded and internally funded engineering, and sustainment. In Q1 2026, DPT revenue grew 19% and segment profit grew 17%, with margin roughly flat at 11.8% versus 12.0% a year earlier.

FY2025 Item	CES	CES Percent Of Revenue	DPT	DPT Percent Of Revenue
Revenue	$33,314mm	100.0%	$10,554mm	100.0%
Cost of revenue	$21,998mm	66.0%	$7,910mm	74.9%
SG&A	$1,845mm	5.5%	$1,088mm	10.3%
R&D	$1,287mm	3.9%	$308mm	2.9%
Other segment expenses or income	$(677)mm	(2.0)%	$(48)mm	(0.5)%
Segment profit	$8,861mm	26.6%	$1,296mm	12.3%

The cost structure has several features worth watching. First, material availability and supplier performance matter. GE's 2025 Form 10-K says global material availability and supplier delivery performance continued to disrupt equipment and service delivery, and that GE is investing in manufacturing, overhaul facilities, and suppliers to increase production and yield. Second, long-term service agreements require periodic profitability estimate updates. If costs, tariffs, durability assumptions, utilization, or shop visit timing move against GE, contract margins can change. Third, R&D is strategic rather than discretionary. GE and partners are investing in current-platform durability, GE9X readiness, the CFM RISE technology demonstrator, hybrid electric technology, and defense applications such as NGAP, F/A-XX-related needs, collaborative combat aircraft, and unmanned platforms.

Capital intensity is moderate relative to revenue but not trivial. The quant foundation shows TTM operating cash flow from continuing operations of $8.868 billion and capex of $1.396 billion, producing continuing-operations free cash flow less capex of $7.472 billion. FY2025 segment property, plant and equipment additions from the 10-K were $498 million for CES and $184 million for DPT, while Corporate & Other also absorbed capital spending. The business is cash generative because the services engine turns installed-base usage into parts and overhaul cash, but GE must keep investing ahead of future demand in factories, overhaul capacity, supplier capability, technology, and durability improvements.

Backlog And Visibility

Backlog is best captured through remaining performance obligation, or RPO. GE defines RPO as unfilled customer orders for products and product services, including expected life-of-contract sales for product services, excluding cancellable purchase

orders without substantive penalty. At December 31, 2025, total RPO was $190.564 billion: $27.534 billion equipment and $163.029 billion services. The services RPO is the important number because it maps to long-duration installed-base economics. GE expected to recognize only 12% of services RPO within one year, 42% within five years, 69% within ten years, and 86% within fifteen years.

CES carried the overwhelming majority of RPO. At year-end 2025, CES RPO was $169.822 billion, including $156.068 billion services RPO. DPT RPO was $20.742 billion, with equipment RPO of $13.780 billion and services RPO of $6.962 billion. By March 31, 2026, GE's Q1 2026 Form 10-Q reported CES RPO of $181.055 billion, up $16.6 billion from December 31, 2025, as contract modifications and engines under long-term service agreements moved into service. Q1 2026 earnings materials also cited a commercial services backlog of about $170 billion.

RPO Item	FY2025 Total	Equipment	Services	Interpretation
GE Aerospace total	$190,564mm	$27,534mm	$163,029mm	Long-duration contracted revenue visibility
Commercial Engines & Services	$169,822mm	$13,754mm	$156,068mm	Core installed-base services backlog
Defense & Propulsion Technologies	$20,742mm	$13,780mm	$6,962mm	Defense production and sustainment visibility

This backlog is not equivalent to one-year revenue guidance, and contract modifications can change both timing and amount. But it is highly relevant to the business model. GE's competitive position is not just current deliveries; it is the right to service a very large, young, and growing engine fleet over time.

Demand Drivers

The commercial demand backdrop remains favorable but capacity constrained. IATA reported record 2025 passenger demand, with full-year RPK demand up 5.3% versus 2024, international demand up 7.1%, and full-year passenger load factor of 83.6%. IATA also highlighted supply chain and maintenance capacity constraints as a major airline headache, with aircraft and engine delivery delays, maintenance bottlenecks, and cost increases. That combination is directly relevant to GE: strong air travel supports engine utilization and shop visits, while supply constraints pressure delivery schedules and costs.

Longer-term aircraft demand supports the installed-base thesis. Airbus's 2025-2044 Global Market Forecast projects 43,420 new passenger and freighter aircraft over twenty years and expects the global fleet to nearly double from 24,730 aircraft at the end of 2024 to 49,210 by the end of 2044. Boeing's 2025-2044 Commercial Market Outlook similarly describes passenger traffic more than doubling and the global fleet nearly doubling. Boeing's 2025-2044 Commercial Services Market Outlook estimates a $4.7 trillion aviation support and services market over the period. These are not GE-specific forecasts, and they should not be fed mechanically into a GE model, but they support the idea that engine OEMs with large installed bases have a long runway if they execute.

Nearer term, GE reported strong order momentum in Q1 2026. Total orders were $23.0 billion, up 87%. Recent commercial wins included more than 650 engines, with American Airlines selecting more than 300 LEAP-1A engines, United Airlines selecting 300 GEnx engines, and Delta selecting GEnx engines for Boeing 787-10 aircraft with options. GE also cited a Ryanair long-term materials agreement covering a fleet of roughly 2,000 CFM56 and LEAP engines. The demand signal is clear: airlines need capacity and want next-generation engines, while mature fleets continue to consume parts and shop visits.

Competitive Position

GE Aerospace's moat starts with aircraft-program position. Engine competition happens at program selection, certification, reliability, performance, production, and lifecycle support. Once an engine is selected and installed on a fleet, switching costs are high. Airlines cannot casually swap engine families; the engine choice is embedded in aircraft type, maintenance infrastructure, pilot and mechanic training, parts inventory, regulatory approvals, and residual-value assumptions. On some platforms, GE or CFM competes directly with another engine option; on others, GE is the sole-source engine.

The second moat layer is technology and certification. Jet engines operate in harsh physical conditions and require materials science, thermodynamics, software, controls, manufacturing precision, testing capability, regulatory certification, and field support. GE's portfolio includes mature installed fleets, ramping LEAP narrowbody engines through CFM, widebody platforms such as GEnx, and GE9X for Boeing 777X. Future-looking work includes CFM RISE technologies such as Open Fan, compact core, hybrid electric systems, and alternative fuels. GE's 2025 annual report says RISE had completed more than 350 tests and more than 3,000 endurance cycles, while GE9X had accumulated more than 30,000 cycles of testing including

9,000 endurance cycles.

The third moat layer is service infrastructure and data. GE's services business depends on parts availability, repair technology, licensed MRO procedures, durability upgrades, fleet management, and relationships with airline and MRO customers. As engines age and accumulate cycles, the OEM can improve time on wing, sell upgraded parts, capture shop visit work, and refine maintenance economics. That is why the 2025 Form 10-K emphasizes durability and time-on-wing improvements, including a GEnx high-pressure turbine blade that GE said improved time on wing by more than 2.5 times in hot and harsh environments.

The main competitors are not named in the quant foundation, but the practical field includes other major engine and aerospace systems providers, most notably RTX's Pratt & Whitney in narrowbody and defense engines, Rolls-Royce in widebody engines, Safran as both GE's CFM partner and a broader aerospace supplier, and Honeywell or other systems suppliers in aircraft systems. Competition is program-specific. The relevant question is less "who has the highest market share this year" and more "which engine families win aircraft programs, meet durability expectations, and compound aftermarket value over decades."

Key Risks And Caveats

The first risk is execution on production ramp and supply chain. GE is trying to deliver more LEAP engines, support GE9X readiness, expand MRO capacity, improve material input, and strengthen the defense industrial base. If supplier delivery, casting and forging capacity, labor, quality, or certification timing lags, GE can miss delivery targets and create customer pain. Q1 2026 showed this mix tension: revenue was strong, but CES margins contracted as installed engine growth and investments weighed on profitability.

The second risk is service contract estimate risk. Long-term service agreements create visibility, but the accounting depends on assumptions about utilization, maintenance cost, durability, inflation, tariffs, and shop visit scope. GE recorded unfavorable changes in estimated profitability on long-term service agreements in 2025 and smaller charges in Q1 2026, with some tariff-related reversal. This does not break the model, but it is central to understanding quarterly volatility and margin revisions.

The third risk is aircraft and airline cycle exposure. Passenger traffic, cargo demand, fuel prices, airline profitability, interest rates, aircraft production rates, and OEM certification schedules affect GE. The installed base dampens the cycle because services follow flight activity and maintenance requirements, but airlines can defer some maintenance or retire older aircraft in downturns. Defense demand has a different cycle, tied to budgets, geopolitics, program awards, and procurement timing.

The fourth risk is technology transition. GE must invest heavily before returns are visible. LEAP's long break-even path is a useful reminder that a successful engine family can require years of cash and engineering before economics mature. Future technologies such as RISE, hybrid electric systems, adaptive combat engines, and unmanned-platform propulsion may create new opportunities, but they also require high technical execution and customer adoption.

The fifth risk is non-core complexity from Corporate & Other. GE Aerospace is much cleaner than legacy GE, but it still carries run-off insurance operations, U.S. tax equity items, environmental and restructuring costs, separation costs, and other corporate items. These can create GAAP noise around the operating engine franchise. The primer therefore separates operating segment economics from consolidated GAAP items where appropriate.

What Matters For The ER2 Thesis

For a Gideon-style investor, the key question is whether GE Aerospace is a durable compounder whose five-year-forward earnings power can justify the current price under a conservative multiple. This primer does not answer valuation, but it defines the earnings engine. The attractive part of GE is the commercial installed base, services backlog, and platform position in LEAP, GEnx, GE9X, mature CFM56, and defense programs. The hard part is paying the right price for a business that the market already recognizes as high quality.

The downstream segment model should treat CES as the primary value driver and DPT as a smaller, strategically useful, lower-margin growth contributor. CES growth should be decomposed into engine deliveries, LEAP fleet maturation, spare parts, internal shop visit volume, workscopes, pricing, MRO capacity, and long-term service agreement margin changes. DPT should be decomposed into Defense & Systems volume, Propulsion & Additive Technologies growth, defense engine deliveries, pricing, mix, and next-generation investment.

The most important monitoring metrics are:

- CES service revenue growth and internal shop visit growth.

- LEAP deliveries and the emerging LEAP shop visit curve.
- GE9X certification, delivery, and early service economics.
- CES margin bridge between services strength and installed-engine ramp dilution.
- Long-term service agreement estimate changes.
- RPO growth and conversion, especially services RPO.
- Defense engine unit deliveries and major production/development contract wins.
- Free cash flow conversion after capex and supply-chain investments.
- Share repurchase pace versus reinvestment needs.

Source Links

- GE Aerospace Quantitative Foundation: `C:\Users\Admin\OneDrive\GPT\ER 2.0\GE Aerospace\quant_foundation.md`
- GE Aerospace 2025 Form 10-K: https://www.sec.gov/Archives/edgar/data/40545/000004054526000008/ge-20251231.htm
- GE Aerospace Q1 2026 Form 10-Q: https://www.sec.gov/Archives/edgar/data/40545/000004054526000027/ge-20260331.htm
- GE Aerospace Q1 2026 earnings release: https://www.sec.gov/Archives/edgar/data/40545/000004054526000026/ge1q2026earningsrelease.htm
- GE Aerospace 2025 annual report page: https://www.geaerospace.com/investor-relations/annual-report
- GE Aerospace independent-company launch release: https://www.ge.com/news/press-releases/ge-aerospace-launches-as-independent-investment-grade-public-company-following
- IATA 2025 passenger demand release: https://www.iata.org/en/pressroom/2026-releases/2026-01-29-02/
- Airbus Global Market Forecast 2025-2044: https://www.airbus.com/en/products-services/commercial-aircraft/global-market-forecast
- Boeing Commercial Market Outlook 2025-2044: https://www.boeing.com/commercial/market/commercial-market-outlook
- Boeing Commercial Services Market Outlook 2025-2044: https://www.boeing.com/commercial/market/services-market-outlook

Appendix M - Management Assessment

GE Aerospace - Management Assessment

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Prepared on 2026-05-30 for the ER2 / Gideon production run. Ticker: GE. Company: GE Aerospace. Latest operating anchor remains Q1 FY2026 ended March 31, 2026; TTM is Q2 FY2025 through Q1 FY2026. This appendix uses the cleared quantitative foundation and verified data package as the controlling financial base. Live management-specific checks were added from the 2026 proxy statement, 2026 annual-meeting 8-K, 2025 Form 10-K, GE Aerospace leadership page, SEC Form 4 filings over the last twelve months, and FMP transcripts for Q2 FY2024 through Q1 FY2026.

Management verdict: GREEN. Management gate: PASS.

1. Who is running the company

GE Aerospace is run by H. Lawrence Culp, Jr. ("Larry" Culp), Chairman and Chief Executive Officer. Culp joined the GE board in April 2018, became CEO of GE in October 2018, assumed the additional role of GE Aerospace CEO in June 2022, and became Chairman and CEO of GE Aerospace when the standalone aerospace company launched in April 2024. He therefore owns both the restructuring of legacy GE and the standalone aerospace operating strategy. His prior record is unusually relevant: before GE, he spent 25 years at Danaher and served as Danaher's CEO from 2001 to 2014, a period in which Danaher became one of the better-known public-company examples of lean management, disciplined portfolio shaping, and compounding capital allocation.

Rahul Ghai is Senior Vice President and Chief Financial Officer. GE Aerospace's leadership page and proxy identify him as CFO since August 2022; he also served as CFO of GE from September 2023 through the GE Vernova separation in April 2024. His prior roles include CFO of Otis Elevators and CFO of Harris Corporation. That background matters because GE Aerospace is not a normal steady-state industrial: the current CFO had to help stand up a clean public aerospace company, communicate a post-breakup capital framework, and maintain investor confidence through a period when historical GE financials were still full of perimeter noise.

The operating leadership bench is deep but recently reshaped. Mohamed Ali is President and CEO of Commercial Engines & Services (CES), effective February 2026, after serving as Chief Technology & Operations Officer and previously leading engineering roles across GE Aerospace. Russell Stokes, the former CES CEO, moved to strategic advisor status in February 2026 and is expected to retire in July 2026; his tenure still matters because he owned much of the FY2025 CES performance record. Amy Gowder is President and CEO of Defense and Systems, appointed in May 2022. Riccardo Procacci is President and CEO of Propulsion & Additive Technologies, with a GE tenure of roughly three decades and leadership scope broadened in December 2022 to include Dowty Propellers and Unison. Together, Gowder and Procacci cover the two major operating pillars inside Defense & Propulsion Technologies.

Board oversight is adequate for a combined Chairman/CEO structure. Thomas Horton, former Chairman and CEO of American Airlines, is lead independent director and has held that role since September 2018. The 2026 proxy lists nine director nominees, eight of whom are independent; the CEO is the only non-independent nominee. Governance practices include annual director elections, majority voting, regular independent-director executive sessions, a lead director with agenda and meeting authority, no dual-class shares, no poison pill, a 10% shareholder special-meeting right, proxy access, stock ownership guidelines, clawback coverage, and prohibitions on hedging and pledging. The structure is not perfect because Culp holds both chair and CEO titles, but the lead-director role is real and the board's public rationale is coherent during the first standalone years.

2. Tenure and track record

Culp has been in the GE system for almost eight years, GE Aerospace CEO for nearly four years, and standalone GE Aerospace Chairman and CEO for roughly two years. That is long enough to own the strategy. The three load-bearing decisions are clear.

First, he executed the breakup of GE into focused public companies. The GE Aerospace leadership biography credits his GE tenure with balance-sheet repair, more than $100 billion of debt reduction, portfolio focus, and the successful creation of GE HealthCare, GE Vernova, and GE Aerospace. The ER2 data package confirms that the resulting aerospace company has a clean current operating base: FY2025 revenue of $45.855 billion, operating income of $8.770 billion, FY2025 free cash flow of

$7.264 billion by FMP CFO less capex, and FY2025 calculated ROIC of 28.1%. This was not merely a financial-engineering separation; the surviving business is higher-quality than old GE and has a clearer installed-base/service model.

Second, Culp installed FLIGHT DECK as the operating system. The proxy and transcripts consistently tie operational execution to safety, quality, delivery, and cost, in that order. In FY2025, the data package records CES revenue of $33.314 billion, up 23.9%, with segment profit of $8.861 billion and a 26.6% margin. CES services revenue was $25.010 billion, roughly 75% of CES revenue. Q1 FY2026 then accelerated, with CES revenue of $8.920 billion, up 34%, and CES services revenue up 39%. The Q1 call and release also emphasize supplier material input, turnaround time, spare parts, LEAP durability kits, and capacity expansion. The evidence supports management's claim that the lean system is not just a slogan; it is visible in revenue conversion, service throughput, and working-capital intensity.

Third, management has oriented the business around the installed base and future service pool while still funding next-generation propulsion. FY2025 total RPO/backlog was about $190.564 billion, with services RPO of $163.029 billion. Management returned nearly $9 billion to shareholders in 2025 while also funding about $3 billion of total R&D including customer and partner funding, GE-funded R&D of $1.580 billion, and a $1 billion U.S. manufacturing and supplier-base investment program. The strategy is not "harvest the aftermarket and starve the factory." It is to compound the installed base, build MRO capacity, improve time-on-wing, and protect future propulsion relevance.

The imperfect areas are also visible. GE9X and LEAP ramp economics remain difficult; management has had to answer repeated questions about OE losses, shop-visit timing, spare-engine ratios, supplier bottlenecks, and tariff effects on long-term service agreements. The important management signal is that these issues are discussed in numbers and cadence, not buried. The 2025 10-K discloses that long-term service agreement profitability estimates were pressured by tariffs and contract-margin updates, and it gives a sensitivity: a one percentage point change in estimated future billings or costs would move the LTSA balance by about $0.4 billion. That is the right disclosure posture for a business with accounting estimates embedded in long-cycle service contracts.

Ghai's CFO record is favorable. Since his arrival, GE Aerospace has kept leverage modest, improved investor messaging, returned cash aggressively, and avoided major balance-sheet drift. The data package shows FY2025 cash of $12.392 billion, debt of $20.494 billion, net debt of $8.102 billion, and net debt / EBITDA of 0.67x. The open question is not solvency; it is whether future buybacks at high valuation will still clear a per-share return hurdle.

3. Capital allocation behavior

The last five years of capital allocation from the verified data package are:

Year	Capex	GE-funded R&D	Buybacks	Dividends	M&A / divestiture net cash flow
FY2021	$1.113B	$1.682B	$0.107B	$0.575B	$2.596B
FY2022	$1.174B	$0.808B	$1.048B	$0.639B	$4.702B
FY2023	$1.595B	$1.011B	$1.233B	$0.589B	$8.639B
FY2024	$1.032B	$1.286B	$5.827B	$1.008B	$5.614B
FY2025	$1.273B	$1.580B	$7.551B	$1.452B	-$0.360B

Capital allocation is mostly consistent with the stated strategy. Capex is not enormous as a percentage of revenue because the profit engine is aftermarket and services, but manufacturing capacity, supplier health, LEAP durability, MRO throughput, and defense industrial capacity are funded. R&D is steady, and total R&D including customer and partner funding is much larger than GE-funded R&D alone. M&A does not show a pattern of serial, ROIC-destructive dealmaking. The recent history is more about separation, divestiture, balance-sheet cleanup, and organic execution than buying growth.

The biggest concern is repurchase discipline. GE Aerospace repurchased $7.551 billion of stock in FY2025 and another $2.399 billion in Q1 FY2026. That is a powerful per-share value lever if intrinsic value is still compounding faster than the share price, but the FMP quote in QF shows a share price of $323.76 and a market capitalization of about $338 billion as of the live 2026-05-30 pull. At that valuation, buybacks must be scrutinized. Management has not behaved recklessly, because the balance sheet remains strong and free cash flow is real, but the next phase requires price sensitivity. A standing monitor should be the ratio of repurchase dollars to internally funded growth investment, especially if the FY+5 P/E 15 test becomes valuation-constrained.

Share-based compensation does not look abusive. The 2025 10-K statement of equity reports stock-based compensation of $371 million in FY2025, $361 million in FY2024, and $355 million in FY2023, which is modest relative to FY2025 revenue of

$45.855 billion. The share count also moved in the right direction, so dilution is not masking repurchases.

4. Compensation alignment

Compensation is mostly well aligned with shareholder outcomes, with one notable measurement gap. The annual executive incentive plan uses adjusted revenue growth or revenue growth at 20%, operating profit at 40%, and free cash flow at 40%, plus a safety modifier of plus or minus 10 percentage points. Executives with enterprise responsibility are measured fully on total-company performance; business leaders receive a 50% total-company and 50% business-performance blend. This is sensible for a business where service growth, profit conversion, safety, and cash all matter.

Long-term incentives are also mostly well designed. The 2025 annual equity mix was approximately 50% performance stock units, 30% stock options, and 20% restricted stock units. The 2025 PSUs use cumulative three-year adjusted EPS and free cash flow, each at 50%, with a relative TSR modifier of plus or minus 20% versus the S&P 500 Industrials Index and a payout cap of 175%. The proxy also discloses that the 2023 PSUs vested at 175%, supported by EPS and free cash flow results across 2023, 2024, and 2025. The design rewards compounding and cash, not only revenue scale.

The missing metric is explicit ROIC. For Gideon purposes, this is not fatal because GE Aerospace has high reported ROIC and management's strategy is not acquisition-led, but it is a real imperfection. A company repurchasing billions of dollars at a premium multiple should have compensation that explicitly protects returns on capital or per-share intrinsic value. EPS, FCF, and TSR are useful but can be flattered by buybacks. This is a monitor, not a gate failure.

Ownership alignment is strong, with a footnote. The 2026 proxy beneficial-ownership table includes equity that vests or is exercisable within 60 days, so it is not identical to current outright common shares. Adjusting for that footnote, Culp's 1,612,480 beneficial shares include 401,646 RSUs vesting within 60 days and no exercisable options, implying roughly 1.21 million current/share-trust shares; Ghai's 140,216 beneficial shares include 59,641 near-term RSUs, implying roughly 80,575 current shares; Stokes's 659,867 beneficial shares include 434,815 options and 74,618 near-term RSUs, implying roughly 150,434 current shares. Even on the stricter current-share view, Culp and Ghai have real dollar exposure. The proxy requires 10x base salary ownership for the CEO and 3x for senior vice presidents, and says named executives are in compliance. The proxy also discloses a clawback policy covering accounting restatements and misconduct-related inaccuracies, prohibits hedging and pledging, and states no shares in the beneficial ownership table were pledged as security.

There was shareholder pushback on CEO pay. The 2025 say-on-pay vote received 71% support, down from 94% in both 2024 and 2023, mainly due to minority opposition to Culp's 2024 employment agreement. That is a yellow flag on quantum, but it was substantially remediated in the 2026 vote: the May 5, 2026 annual meeting approved say-on-pay with 753.4 million votes for and 27.7 million against, about 96.5% support excluding abstentions. CEO 2025 SEC total compensation was $45.616 million, down from $88.955 million in 2024, while still very high. The conclusion is: expensive, but tied to unusually large value creation and not structurally misaligned.

5. Disclosure quality and candor

The last eight FMP transcripts reviewed were Q2 FY2024, Q3 FY2024, Q4 FY2024, Q1 FY2025, Q2 FY2025, Q3 FY2025, Q4 FY2025, and Q1 FY2026. The disclosure pattern is better than average for a large industrial. Culp and Ghai usually answer tough questions with an operating bridge, a profit/cash bridge, or a segment-specific driver rather than pure narrative.

Examples: in Q2 FY2024, management addressed supplier constraints by discussing the concentration of delays across specific supplier sites. In Q3 FY2024 and Q4 FY2024, they answered questions about 2025 profit growth, LEAP output, service growth, and GE9X headwinds. In Q1 FY2025, analysts pressed on tariffs, departure assumptions, spare-parts price, and pre-buying; management acknowledged the impact and framed mitigation rather than pretending it was immaterial. In Q2 and Q3 FY2025, analysts pushed on LEAP aftermarket profitability, price assumptions through 2028, and capital deployment; management gave a medium-term roadmap but did not over-disclose proprietary engine-family economics. In Q4 FY2025 and Q1 FY2026, the harder questions focused on services sustainability, GE9X losses, margin cadence, spare-parts delinquency, and the connection between air departures and shop visits.

Guidance discipline is strong. Management raised 2024 guidance during 2024, increased 2025 guidance and the 2028 outlook in Q2 FY2025, improved the 2025 outlook again in Q3 FY2025, then reported FY2025 results above the high end of guidance on key metrics. In Q1 FY2026, management held full-year guidance and said results were trending toward the high end rather than prematurely raising. That is the right cadence: underwrite conservatively, raise when evidence accumulates, and avoid hype.

The disclosure limit is product granularity. GE does not provide engine-family revenue dollars for LEAP, CFM56, GEnx, GE90, GE9X, T408, GEK1500, or individual defense platforms. It also does not provide a full price-volume-profit bridge for each service family. This is a real modeling limitation, but not a candor failure because the company does provide segment revenue/profit, services/equipment split, orders, backlog/RPO, engine deliveries, shop-visit growth, spare-parts context, and LTSA estimate sensitivity. The management team is candid enough for an investment process; the remaining opacity is mostly competitive and structural.

6. Strategic coherence

Management's stated purpose is consistent across the proxy, annual report, and transcripts: GE Aerospace exists to invent the future of flight and bring people home safely. The operating translation is "one team, one strategy, one operating model, one culture," implemented through FLIGHT DECK. That is not generic corporate text when checked against the numbers. The company is investing in supplier input, internal shop capacity, LEAP durability, U.S. manufacturing, defense industrial capacity, and future propulsion while harvesting a large service installed base.

The 5- to 10-year destination is visible. Management has framed 2028 operating profit near $11.5 billion, with CES services, LEAP fleet maturation, MRO capacity, and defense order momentum as central drivers. QF's TTM segment revenue base is $46.639 billion and TTM segment profit is $10.657 billion; from that base, a credible path requires services durability more than heroic market-share assumptions. The strategy does not depend on a sequence of pivots. It depends on execution in engines, services, supply chain, defense programs, and LTSA cost estimates.

Management names competitive and operating threats directly enough. It discusses Boeing and Airbus dynamics, supplier constraints, tariffs, departures, shop visits, GE9X, LEAP margins, spare-engine ratios, and defense program timing. The tone is promotional at times, as any proxy is, but the calls contain sufficient hard-edged operational content to support the assessment.

7. Governance flags

No controlling shareholder and no dual-class structure were identified. The 2026 proxy lists Vanguard, BlackRock, and Fidelity as 5% holders, with no control block. Related-party disclosure is clean: since January 1, 2025, the proxy reports no disclosable related-person transactions except Fidelity or affiliates serving as recordkeeper or directed trustee for certain retirement plans, receiving about $5.1 million in 2025. That is not a governance concern given Fidelity's role as a large institutional holder and ordinary-course provider.

No material weakness, restatement, or current SEC enforcement issue was found in the latest 10-K. Management concluded internal control over financial reporting and disclosure controls were effective as of December 31, 2025; Deloitte issued unqualified opinions on the financial statements and internal control. The 10-K does disclose legacy GE shareholder derivative and related lawsuits tied to historical GE matters. Those are not ignored, but they are legacy overhangs rather than evidence that the current GE Aerospace leadership is misallocating capital or hiding current operating problems.

Insider transaction review over the last twelve months found no CEO or CFO open-market selling pattern. SEC Form 4s show Culp and Ghai transactions dominated by awards, option/vesting mechanics, and tax withholding. The notable open-market sales were Russell Stokes, about $11.7 million after option exercise activity as he transitions toward retirement, and smaller sales by Amy Gowder and other officers. This is not a clustered senior-team exit signal.

8. Peer comparison

Against RTX under Christopher Calio, GE Aerospace scores better on recent capital allocation and communication clarity. RTX is a large, capable aerospace and defense company, but the Pratt & Whitney geared turbofan issues and conglomerate complexity make RTX's recent stewardship harder to underwrite cleanly. GE's service disclosure and Culp's operating narrative are more coherent.

Against Safran under Olivier Andries, the comparison is closer. Safran is GE's CFM partner and an excellent aerospace operator with strong civil-engine momentum. Safran has separated chair/CEO governance and a clean European aerospace identity. GE's advantage is Culp's public record of transformation and the standalone GE Aerospace share-value creation since the breakup; Safran's advantage is lower "legacy GE" baggage. I would rank them both high quality.

Against TransDigm's system, now transitioning from Kevin Stein to Mike Lisman, GE is a different animal. TransDigm has the superior long-run playbook for pricing, acquisition discipline, and per-share compounding, but it is also more financialized and more acquisition-dependent. GE Aerospace's management is less proven as a pure serial capital allocator, but better

matched to a safety-critical propulsion franchise where customer trust, engineering, and installed-base service execution matter as much as price.

9. Verdict on the management gate

Verdict: GREEN. Management gate: PASS.

This is a management team we would be willing to follow for a decade, subject to succession monitoring. Culp has a proven capital-allocation and operating record across Danaher and GE, and the current GE Aerospace evidence shows high ROIC, clean balance-sheet capacity, strong service economics, disciplined disclosure, and a coherent strategy linked to actual investment. Ghai's finance organization has supported a clean standalone launch, high cash conversion, and shareholder returns without apparent balance-sheet strain. The concerns are real but bounded: CEO pay has been very high, the compensation plan lacks explicit ROIC, repurchases are large at a high market valuation, and LTSA accounting estimates are sensitive. None of these rises to YELLOW because governance is clean, disclosure quality is above average, and operating execution is already visible in the numbers.

Primary sources reviewed: GE Aerospace 2026 proxy statement filed March 12, 2026; GE Aerospace 2026 annual-meeting Form 8-K filed May 7, 2026; GE Aerospace 2025 Form 10-K filed January 29, 2026; GE Aerospace leadership page fetched 2026-05-30; SEC Form 4 filings from 2025-05-30 through 2026-05-30; FMP earnings-call transcripts for Q2 FY2024 through Q1 FY2026; `data_package.md`; `quant_foundation.md`.

Appendix W - Moat and 2046 Durability

GE Aerospace - Moat and 2046 Durability

Date prepared: 2026-05-30 Ticker: GE Stage 0 anchor: latest quarter Q1 FY2026 ended March 31, 2026; TTM = Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026; forward horizon March 31, 2031. Primary internal sources: `C:\Users\Admin\OneDrive\GPT\ER 2.0\GE Aerospace\data_package.md` and `C:\Users\Admin\OneDrive\GPT\ER 2.0\GE Aerospace\quant_foundation.md`.

Source Basis And Caveat

This appendix uses the verified data package and quantitative foundation as the controlling financial base. At the time of writing, the two segment deep-dive appendices and the management appendix were present only as in-progress stubs, so this W appendix cannot integrate completed segment-appx Section 4 or Section 5 findings. The consequence is not a numeric block, because the data package and QF/QFR files already contain the controlling segment history, product/service mix, RPO, and relevant management commentary. The caveat is qualitative: later segment reviewers should reconcile their competitive-dynamics sections against this moat view rather than treating this appendix as having consumed already-final B appendices.

The core conclusion is that GE Aerospace has a real and unusually concrete moat, but it is not evenly distributed. The moat is overwhelmingly in Commercial Engines & Services (CES): aircraft-program position, certification lock-in, proprietary engine IP, spare-parts control, MRO know-how, long-term service agreements, and a vast installed base that turns engine utilization into decades of aftermarket demand. Defense & Propulsion Technologies (DPT) has high technical and procurement barriers, but its disclosed economics are lower-margin and less visibly protected than CES. The blended company moat is therefore strong because CES is about three quarters of operating segment revenue and more than 85% of segment profit, not because every dollar of GE Aerospace revenue is equally defensible.

1. Moat Taxonomy Applied

Network effects are not the primary moat. Airlines do not buy GE engines because other airlines do in a software-network sense. However, fleet density creates a service ecosystem effect around parts availability, mechanic familiarity, repair procedures, certified MRO capacity, residual-value confidence, and airline procurement comfort. CFM's published fleet statistics as of April 30, 2026 show more than 104 million LEAP flight hours and more than 1.36 billion CFM56 flight hours, which supports a large aftermarket learning base and repair ecosystem, but the moat mechanism is installed-base scale and certification rather than a pure network effect.

Switching costs are the strongest moat category. Once an engine is installed and certified on an aircraft family, the customer cannot swap it like a commodity component. The FAA notes that when an aircraft engine is certified, the engine type certificate becomes part of the airplane type certificate data sheet, and the aircraft certification office approves the specific engine installation. That regulatory architecture turns engine choice into an aircraft-program and fleet-planning decision. Airlines also build maintenance procedures, spare-parts pools, long-term service agreements, mechanic training, reliability assumptions, and residual-value expectations around the engine family. This is most powerful in CES, especially for CFM56, LEAP, GEnx, GE90, and GE9X families; it is also present in defense platforms, but defense switching is more program and budget driven.

Scale economies are strong and visible. GE's FY2025 CES revenue was $33.314 billion with a 26.6% segment margin, and TTM CES revenue was $35.571 billion with a 26.2% TTM margin. The scale advantage shows up in service capacity, parts distribution, engineering, test facilities, supplier relationships, and the ability to fund new engine programs. CFM International is also a scale amplifier: CFM is a 50/50 joint company between GE Aerospace and Safran Aircraft Engines, produces LEAP, and supports both LEAP and CFM56 fleets globally. That partnership shares risk and reinforces narrowbody scale.

Brand matters, but only as a trust layer. "GE" by itself is not sufficient moat evidence. The brand matters because jet engines are safety-critical, capital-intensive, and reputationally unforgiving. Airframers and airlines need a propulsion supplier that can certify, deliver, support, and stand behind engines for decades. GE's brand is therefore a high-trust procurement asset, not a consumer preference asset.

Regulatory barriers are substantial. Certification, airworthiness, export controls, government procurement rules, safety oversight, and customer-specific qualification all slow entry. This does not make GE immune to Pratt & Whitney, Rolls-Royce,

Safran, or future entrants backed by state capital, but it means a new entrant must clear a multi-cycle engineering and certification gauntlet before threatening the installed profit pool.

IP and process know-how are high. Materials, coatings, fan blades, hot-section durability, controls, repair procedures, additive manufacturing, testing, and engine health analytics are cumulative capabilities. The CFM LEAP page points to advanced materials including 3D RTM fan blades, ceramic matrix composites, and 3D printing; GE's own 2025 materials cited RISE testing and durability work. IP alone is not enough, because competitors also have advanced IP, but IP plus service data plus certified repair processes is a durable bundle.

High-trust procurement is very strong. Airlines, airframers, and militaries do not optimize on sticker price alone. They buy dispatch reliability, fuel burn, time on wing, sustainment availability, and supplier credibility. This is the quiet moat category that links the whole business: GE is selling propulsion availability in regulated, safety-critical systems where failure costs are enormous.

2. Per-Segment Moat

CES has a GREEN moat. In FY2025, CES services were $25.010 billion, about 75% of CES revenue, and the segment generated $8.861 billion of profit at a 26.6% margin. The moat is the installed-base aftermarket annuity: new engine deliveries may be lower-margin at the beginning, but they seed spare parts, shop visits, service agreements, and repair technology demand over decades. The CFM fleet data matters here: LEAP is young, with more than 104 million flight hours already, while CFM56 remains enormous and mature, with more than 1.36 billion flight hours. LEAP powers the Airbus A320neo family, the Boeing 737 MAX family, and the COMAC C919; the LEAP-1B is sole-source on the 737 MAX and LEAP-1A is a major dual-source option on A320neo. The 5-year durability is high because RPO and service demand are visible; 10-year durability is high because LEAP shop visits are still maturing; 20-year durability is plausible because the current fleet should still be in service and the next narrowbody propulsion cycle is already being pursued through CFM RISE. The earliest break signal would be persistent CES service margin compression despite flight-hour growth, or a next-generation narrowbody decision in which GE/CFM loses meaningful platform relevance.

DPT has a YELLOW-to-GREEN moat, but GREEN only as part of GE's blend. DPT produced FY2025 revenue of $10.554 billion and profit of $1.296 billion at a 12.3% margin, with TTM revenue of $11.070 billion and TTM profit of $1.350 billion. Barriers are real: military propulsion programs require technical depth, security clearances, customer-funded development, long procurement cycles, sustainment credibility, and political-budget durability. The Q1 2026 10-Q ties DPT demand to domestic and international defense modernization and notes T408 and F404-related awards. The moat is less economically pristine than CES because DPT margins are lower, platform revenue is not disclosed, and defense program economics can be shaped by cost accounting, development risk, and government procurement. The earliest break signal would be repeated loss of future combat-air, rotorcraft, or CCA propulsion programs to Pratt & Whitney, Rolls-Royce, or a non-U.S. competitor, combined with DPT margins failing to move above low teens.

The blended moat is GREEN because CES dominates profit. If DPT were half the company, the blended verdict would be lower. It is not. The FY2025 operating segment profit split was $8.861 billion in CES versus $1.296 billion in DPT, so the equity's durable profit pool is mostly commercial aftermarket. DPT adds defense optionality and diversification, but CES carries the moat gate.

3. Margin Persistence Evidence

The available current-taxonomy segment history begins in FY2022. That is shorter than an ideal ten-year standalone record because legacy GE changed perimeter through the healthcare and Vernova separations, but the disclosed current segment data is still informative. CES margin rose from 22.1% in FY2022 to 23.7% in FY2023, 26.2% in FY2024, 26.6% in FY2025, and 26.2% on the QF-defined TTM base. That is strong evidence that services mix, spare parts, price, and shop-visit economics are not merely aspirational.

DPT margin was 12.2% in FY2022, 10.1% in FY2023, 11.2% in FY2024, 12.3% in FY2025, and 12.2% TTM. This is stable enough to support a moat claim around entry barriers, but not strong enough to call DPT a great standalone compounder. The consolidated history is noisier because FY2021-FY2023 include legacy perimeter and separation effects, but FY2025 ROIC calculated in the data package was 28.1%, with FY2025 FCF of $7.264 billion and TTM continuing-operations FCF less capex of $7.472 billion. The cash conversion reinforces the moat: GE is not just reporting accounting margins; it is converting the installed-base position into cash.

The key margin caveat is contract-estimate risk. Long-term service agreements create visibility, but they also require estimates for utilization, maintenance cost, durability, inflation, tariffs, and shop-visit scope. GE's 2025 and Q1 2026 disclosures include unfavorable changes in estimated profitability on LTSAs. That does not break the moat, but it prevents a naive "RPO equals risk-free annuity" interpretation.

4. AI, Technology, And Decarbonization Stress Test

AI disruption risk is manageable because GE's profit pool is not a text or workflow product that a model can copy. CES is chokepoint economics: certified physical engines, proprietary parts, repair procedures, diagnostic data, MRO capacity, and safety-critical customer trust. AI can improve GE and competitor operations, but it does not let a third party manufacture certified hot-section parts, alter a type certificate, or assume long-term engine support responsibility. GE is already using AI as a productivity tool: a February 2025 GE release said an AI-enabled blade inspection tool is being deployed for narrowbody engines and had cut GEnx blade inspection times in half; GE's digital solutions page describes remote diagnostics across oil usage, gas temperatures, vibration, rotor speed, fuel flow, and recommended maintenance actions.

The segment most protected from AI is CES services. AI should make diagnostics, inspection, scheduling, and repair triage better, but the monetization still runs through the OEM's engine data, service network, parts, and certified repair procedures. The segment most exposed is DPT's systems and avionics-adjacent work, where software, autonomy, and mission-system architectures can shift faster than turbofan installed bases. Even there, propulsion itself remains physical, regulated, and procurement-heavy.

Decarbonization is the more important 2046 risk than AI. Aviation faces pressure to reduce emissions, and airline customers care about fuel burn. But the near-to-medium path still favors advanced turbine technology and SAF-compatible propulsion more than wholesale replacement of large commercial turbofans by battery-electric aircraft. CFM RISE targets more than 20% fuel-efficiency improvement versus today's engines and technologies that could be available in the second half of the 2030s. Airbus's March 2025 hydrogen update explicitly framed hydrogen aircraft as longer-term and technology-dependent, with more work needed on storage, distribution, propulsion systems, and regulatory framework. The risk is not that GE's current fleet disappears by 2046; it is that GE/CFM fails to win the next single-aisle architecture or misjudges the propulsion transition.

5. The 2046 Test

Today's date is 2026-05-30. Twenty years forward is 2046-05-30. A credible 2046 GE Aerospace description can be written with specificity:

In 2046, GE Aerospace is still a propulsion, services, and aerospace systems company. It sells new commercial and defense engines, but its profit center remains service of a large installed base across mature CFM56/LEAP-family fleets, GEnx/GE9X and successor widebody engines, and one or more next-generation CFM platforms using open-fan, compact-core, hybrid-electric assist, SAF-compatible, or successor low-carbon technologies. Airlines, lessors, airframers, governments, and MRO partners still buy from GE because aircraft propulsion remains safety-critical, certification-heavy, high-cost-of-failure infrastructure. The CES segment still exists and is likely larger in nominal revenue, though the engine-family mix is different. DPT still exists, but the exact platform mix may have shifted toward unmanned, collaborative combat aircraft, adaptive propulsion, rotorcraft, and power/thermal systems. Directionally, 2046 operating margins should be stable to modestly lower than today's CES peak if new propulsion-cycle investment is heavy, but GE should still earn high returns because the service installed base, parts, repair technology, and customer trust remain intact.

That is a specific and plausible 2046 business. It is not "GE will be a leader in whatever comes next." The named moat is certified installed-base control plus service economics, supported by CFM/Safran scale and next-generation propulsion investment.

The bear-case 2046 description is also clear. GE loses the next narrowbody propulsion cycle, LEAP durability disappoints enough to damage airline trust, Pratt & Whitney resolves GTF issues and wins share, Rolls-Royce or a new entrant wins a more radical widebody or hydrogen/electric architecture, and airframers shift enough service economics away from engine OEMs to reduce aftermarket capture. In that scenario, GE still services legacy engines but its service base ages into decline, DPT cannot offset CES erosion, and consolidated margins trend down. Probability is not trivial because propulsion cycles are long and high stakes, but the observable evidence today favors GE: a vast installed base, strong service RPO, a young LEAP fleet, CFM RISE investment, and current margin persistence. The 2046 test is GREEN with watch items, not blind certainty.

6. Competitive Threat Inventory

Threat	Mechanism	Segment affected	Earliest observable signal	Plausibility
Pratt & Whitney recovery and share gains	GTF durability improves, aftermarket capacity scales, and P&W wins more A320neo and future narrowbody share	CES	A320neo engine-selection share shifts toward P&W while GE/CFM service margins weaken	Medium
Next-generation propulsion miss	GE/CFM RISE or successor architecture fails to win the next narrowbody cycle or arrives with poor economics	CES	Airframer launch decisions exclude GE/CFM, or RISE milestones slip materially	Medium
Defense program loss	Future combat, rotorcraft, CCA, or adaptive engine decisions favor rivals	DPT	Major NGAP, CCA, rotorcraft, or export propulsion awards bypass GE repeatedly	Medium
Service economics reset	Airlines, regulators, or airframers pressure parts pricing, repairs, or LTSA terms	CES	Service revenue grows but profit margin and LTSA estimate changes deteriorate for several quarters	Medium-low
Hydrogen/electric architecture leap	A viable new architecture shifts value away from gas-turbine OEM economics faster than expected	CES and DPT	Airbus/Boeing launch a certified large aircraft architecture with propulsion economics GE does not control	Low-medium before 2046

7. Pricing Power Verification

Pricing power is observable but not absolute. The data package and Q1 2026 10-Q both identify price, spare-parts volume, shop-visit volume, workscopes, and lower unfavorable LTSA changes as drivers of CES profit. In Q1 2026, CES profit increased despite higher installed-engine deliveries and growth investment, and CES services RPO rose to $171.376 billion. That is the strongest pricing-power evidence: customers are contracting long-duration services and GE is holding mid-20s CES margins through inflation, supply-chain pressure, and engine-ramp mix.

The industry context supports this. IATA's January 2026 release said 2025 air travel demand rose 5.3% and identified unreliable aircraft and engine delivery schedules, maintenance capacity constraints, and cost increases as airline headaches. Short capacity and high utilization can exaggerate near-term pricing power, so the moat test should not assume today's conditions last forever. But GE's pricing power is not merely a temporary shortage. It is tied to OEM-controlled parts, certified repairs, fleet diagnostics, LTSA contracts, and engines embedded in customer operations for decades. Boeing's 2025-2044 services outlook estimates a $4.7 trillion commercial aviation services market over twenty years, which frames the size of the pool GE is competing to capture.

DPT pricing power is weaker and more negotiated. Defense programs have high barriers, but customers are governments with procurement leverage. DPT's moat is access and capability more than unilateral price. The segment can still be attractive if volume, sustainment, and next-generation awards grow, but DPT does not carry the same pricing-power proof as CES.

8. Moat Verdict

Moat gate: GREEN (ER2 PASS equivalent). GE Aerospace clears the moat gate because CES combines certified installed-base lock-in, large and young LEAP exposure, mature CFM56 aftermarket depth, proprietary parts and repair know-how, high-trust procurement, service RPO, and persistent mid-20s segment margins. DPT is not as strong, but it is smaller and still has real technical/procurement barriers.

2046 test: GREEN (ER2 PASS equivalent). The 2046 business can be described concretely: GE still sells and services commercial and defense propulsion systems, with economics driven by installed-base service, parts, repair technology, and successor CFM/GE platforms. The test would move to YELLOW if GE/CFM loses the next narrowbody cycle, if LEAP durability erodes customer economics, or if service margins compress for reasons not explained by temporary mix or investment.

The gate is not a valuation verdict. A high-quality moat can still be a poor stock at the wrong price. For ER2 purposes, however, the moat/2046 gate is cleared.

Source Links

- GE Aerospace 2025 Form 10-K: https://www.sec.gov/Archives/edgar/data/40545/000004054526000008/ge-20251231.htm

- GE Aerospace Q1 2026 Form 10-Q: https://www.sec.gov/Archives/edgar/data/40545/000004054526000027/ge-20260331.htm
- CFM International about page: https://www.cfmaeroengines.com/about
- CFM LEAP overview: https://www.cfmaeroengines.com/leap
- CFM fleet statistics: https://www.cfmaeroengines.com/fleet-statistics
- CFM RISE overview: https://www.cfmaeroengines.com/rise
- FAA engine installation requirements: https://www.faa.gov/aircraft/air_cert/design_approvals/engine_prop/engine_approvals/install_req
- IATA 2025 passenger demand and capacity constraints: https://www.iata.org/en/pressroom/2026-releases/2026-01-29-02/
- Boeing Commercial Services Market Outlook 2025-2044: https://www.boeing.com/commercial/market/services-market-outlook
- GE Aerospace AI inspection tool: https://www.geaerospace.com/news/press-releases/ge-aerospace-deploys-ai-driven-inspection-tool-maximize-narrowbody-engine-time-wing
- GE Aerospace digital solutions: https://www.geaerospace.com/commercial/services/true-choice/digital-solutions
- Airbus hydrogen technology roadmap update: https://www.airbus.com/en/newsroom/press-releases/2025-03-airbus-showcases-hydrogen-aircraft-technologies-during-its-2025
- RTX 2025 Form 10-K: https://www.sec.gov/Archives/edgar/data/101829/000010182926000006/rtx-20251231.htm
- Rolls-Royce 2025 full-year results: https://www.rolls-royce.com/media/press-releases/2026/26-02-2026-rr-holdings-plc-2025-full-year-results.aspx

Appendix B1 - Commercial Engines & Services

Commercial Engines & Services - Segment Deep Dive

Prepared for the GE Aerospace ER2 / Gideon production run on 2026-05-30. This appendix covers only the Commercial Engines & Services segment. Historical GE Aerospace figures are taken from the verified `data_package.md` and the cleared quant foundation it references. External sources are used only for market structure, competitive context, and industry demand backdrop. The Stage 0 anchor is Q1 2026 ended March 31, 2026; TTM means Q2 FY2025 plus Q3 FY2025 plus Q4 FY2025 plus Q1 FY2026; FY+5 means the five-calendar-year horizon ending March 31, 2031.

0. Segment Boundary And Taxonomy Note

Commercial Engines & Services, or CES, is the dominant operating segment of GE Aerospace. The current reporting structure is clean from FY2022 through FY2025 and through Q1 FY2026 under the official SEC source set used in the cleared quant foundation. FY2021 is not comparable because current CES and Defense & Propulsion Technologies splits were not disclosed under the same standalone GE Aerospace taxonomy. Older Aerospace disclosures had lines such as Commercial Engines and Services, Defense, and Systems & Other, but those lines are not identical to the current reportable segments. This appendix therefore uses FY2022-FY2025 current-taxonomy data from `data_package.md`, the QF/QFR-cleared TTM bridge, and the user-authorized GE-specific SEC override for stale FMP quarterly product/segment data. The FMP issue is a data-source limitation, not a business limitation.

1. What This Segment Actually Is

CES sells and supports commercial aircraft propulsion systems. The equipment side includes commercial aircraft engines and related equipment, including CFM LEAP, CFM56, GEnx, GE90, GE9X, CF6, and other commercial propulsion products. The services side includes spare parts, maintenance, repair, overhaul, internal shop visits, field service, long-term service agreements, engine health monitoring, and customer support. The segment's customer set is broader than the airframers. Boeing, Airbus, and COMAC matter because engine selection happens at the aircraft-program level, but the recurring economics mostly come from airlines, lessors, cargo operators, MRO networks, and fleets operating GE and CFM-powered aircraft.

The business model has two linked loops. The first loop is original equipment. GE and CFM place engines on aircraft programs, ramp unit deliveries, and seed a decades-long installed base. The second loop is aftermarket. Once an engine is on wing, flight hours and cycles create recurring needs for replacement parts, overhauls, module work, inspections, upgrades, repairs, and service agreement revenue. The aftermarket loop is not a vague "recurring revenue" claim. In the verified data package, CES service revenue was $25.010B in FY2025, or 75.1% of CES revenue, and the TTM service base was $26.912B. Equipment revenue is strategically important because every installed engine can become a service annuity, but equipment mix can dilute near-term margin because new engine programs and spare-engine ratios carry different economics from mature spare-parts and shop-visit work.

The CFM joint venture is central to CES. GE Aerospace and Safran Aircraft Engines jointly own CFM International, whose LEAP and CFM56 families sit in the core narrowbody market. GE Aerospace's LEAP product page states that LEAP powers the Airbus A320neo family, Boeing 737 MAX, and COMAC C919, and that CFM56 and LEAP are products of the 50-50 GE/Safran CFM venture. CFM's fleet statistics page, updated through April 30, 2026, reports 155 LEAP operators, 104.8M LEAP hours, and 45.6M LEAP cycles, plus 607 CFM56 operators, 1.368B CFM56 hours, and 733.9M CFM56 cycles. That is the installed-base substrate behind the segment's service economics.

Pricing differs by economic layer. On new equipment, economics depend on airframer production rates, engine option wins, customer concessions, learning curve, supplier input, R&D, warranty and durability expectations, spare-engine ratios, and program mix. On services, pricing is tied to spare parts, workscopes, labor, material availability, repair intellectual property, shop capacity, customer contracts, and long-term service agreement assumptions. A single engine family can therefore create two opposing short-term effects: a delivery ramp can pressure segment margin, while the same ramp builds the future shop-visit and spare-parts pool.

2. Current Economics

The QF/QFR-cleared TTM base for CES is $35.571B of revenue, $9.307B of segment profit, and a 26.2% TTM segment profit margin. The FY2025 base was $33.314B of revenue and $8.861B of segment profit, a 26.6% margin. In the data package,

CES represented 75.9% of FY2025 operating segment revenue and 87.2% of FY2025 operating segment profit before corporate items, which makes it the segment that determines most of GE Aerospace's valuation debate.

The product/service split is the most important economic split available. FY2025 equipment revenue was $8.304B and service revenue was $25.010B. On the same current-taxonomy TTM bridge, service revenue was $26.912B. Equipment TTM is derived from the same bridge as FY2025 equipment of $8.304B, less Q1 2025 comparative equipment of $1.749B, plus Q1 2026 equipment of $2.102B, or $8.657B. Product and service rows are independently rounded, so the product/service TTM sum differs from the SEC segment total by about $2M. That is the same presentation-rounding issue called out in the data package and QF review.

Recent momentum is strong. Data package section 5 reports CES quarterly revenue of $7.990B in Q2 FY2025, $8.880B in Q3 FY2025, $9.468B in Q4 FY2025, and $8.920B in Q1 FY2026. The Q1 FY2026 release, as captured in the data package, shows CES revenue up 34%, services revenue up 39%, and internal shop visit revenue up 35%. The segment was not only growing because of one easy equipment comparison. Services were the driver, and the company said spare-parts backlog visibility was high entering Q2.

Capital intensity is not disclosed at the segment cash-flow level, but segment expense disclosure gives a useful shape. In FY2025 CES had $21.998B of cost of revenue, $1.845B of SG&A, $1.287B of R&D, and $(0.677)B of other segment expense or income against $33.314B of revenue. At the consolidated level, FY2025 capex was $1.273B, or 2.8% of total revenue, and GE-funded R&D was $1.580B, or 3.4% of revenue. CES is not a pure software-like recurring model. It needs foundry and supplier capacity, test capacity, shop capacity, engineering, field support, durability investment, and inventory. But it also converts those investments into a very large installed-base service franchise.

3. Unit Economics

The segment's profit mechanics start with the difference between equipment economics and service economics. Equipment revenue creates future service value but can be low margin in the year of delivery. New engine programs often include launch pricing, customer concessions, high input cost, learning-curve inefficiency, warranty and durability provisioning, and high R&D. The Q4 FY2025 commentary in the data package says CES margins contracted in that quarter because services volume and price were offset by a lower spare engine ratio, higher installed deliveries including GE9X, and increased R&D. That is the basic equipment tradeoff: the engine delivery is valuable because it builds the future base, but the current-period income statement can show mix pressure.

Services work differently. Spare parts, internal shop visits, major workscopes, long-term service agreements, repair intellectual property, field service, and engine monitoring are tied to fleet utilization, engine cycles, age, time on wing, and material availability. When aircraft fly more and engines mature, the installed base moves into heavier maintenance events. That creates demand for parts and shop visits. The economics can be attractive because the OEM controls design data, certification know-how, part specifications, repair schemes, fleet history, and customer relationships. This is why CES service revenue can be the majority of segment revenue while driving a disproportionate share of profit.

The historical margin evidence supports that interpretation. CES margin improved from 22.1% in FY2022 to 23.7% in FY2023, 26.2% in FY2024, and 26.6% in FY2025. Over the same period, service revenue grew from $13.688B to $25.010B. The data package does not disclose service gross margin or equipment gross margin, so this appendix does not present those as company-disclosed facts. For forward modeling, section 9 uses an analytical allocation that ties to the TTM segment profit base and makes the assumed margin mix explicit.

The major margin-up mechanisms are service mix, spare-parts availability, price, larger workscopes, productivity through Flight Deck, improved supplier throughput, and maturing LEAP aftermarket economics. The major margin-down mechanisms are a higher proportion of new engine deliveries, GE9X ramp cost, lower spare-engine ratios, inflation, tariffs or trade friction, warranty/durability actions, LTSA estimate charges, and heavy R&D for next-generation propulsion. CFM's own continuous-improvement page is relevant here because it describes LEAP durability changes such as high-pressure turbine durability kits and reverse bleed system improvements. These can lower customer maintenance burden and improve time on wing. That is good for customer value and competitive position, but it can shift the timing of shop visits. The underwriting question is not whether time-on-wing improvements are bad or good in isolation. The question is whether lower removals per engine are offset by a larger installed base, better pricing, greater customer loyalty, and reduced warranty pain.

Long-term service agreements add another layer. LTSAs smooth customer cost and give GE revenue visibility, but they require estimates of future flight hours, shop visit timing, workscopes, material cost, labor cost, durability, and inflation. Small changes in these assumptions can create profit revisions. The data package notes that Q1 FY2026 included the absence of

prior-year charges related to long-term service agreement profitability. That is a reminder that the services franchise is high quality but not risk-free.

4. Competitive Dynamics

CES competes in a narrow and technically demanding field. On narrowbody aircraft, CFM LEAP is one of the two A320neo engine choices, competes with Pratt & Whitney's geared turbofan on that platform, is the engine family for the Boeing 737 MAX, and powers the COMAC C919 through the LEAP-1C variant. Airbus's A320neo materials describe the A320neo engine choices as CFM International and Pratt & Whitney. GE Aerospace's own LEAP page describes LEAP as powering the A320neo family, 737 MAX, and C919. This gives CFM a powerful narrowbody position, especially because 737 MAX is a single-engine-source platform. On the A320neo, CFM still faces direct competition from Pratt & Whitney, and airlines can compare fuel burn, maintenance cost, durability, availability, support, and residual value.

The widebody competitive map is different. GE9X is tied to the Boeing 777X, GEnx is a major engine for the Boeing 787 and 747-8, GE90 is the legacy 777 engine family, and CF6 still supports older widebody and cargo fleets. Rolls-Royce is a key widebody competitor, especially through the Trent family. Pratt & Whitney is less central in current large commercial widebody turbofans but remains a technology and narrowbody competitor through RTX. The segment therefore has both exclusive positions and contested positions. Exclusive positions help pricing and installed-base certainty, but they also create program concentration risk when the aircraft program is delayed or production constrained.

Aftermarket competition is more subtle than new-engine competition. The OEM has structural advantages in original parts, repairs, engineering data, service bulletins, engine health monitoring, and long-term service contracts. But airlines, airline-affiliated shops, independent MRO providers, used serviceable material suppliers, and PMA or DER alternatives can still pressure portions of the aftermarket. The renewed CFM/IATA agreement cited in GE's Q4 FY2025 release is important because it affirms an open aftermarket for CFM56 and LEAP. That reduces the risk of a regulatory or customer backlash against a closed parts model, but it also means GE must keep winning through reliability, parts availability, turnaround time, and total cost rather than relying only on captive control.

Industry demand is supportive. Airbus's 2025 Global Services Forecast projects the commercial aviation services market reaching $311B by 2044 and the global fleet expanding to more than 49,000 aircraft. Airbus also identifies off-wing maintenance as the largest aftermarket segment, growing from $107B in 2025 to $218B in 2044, with material supply representing a large part of value. Boeing's 2025-2044 Services Market Outlook expects $4.7T of support and services spending over the 20-year period. IATA reported that January 2026 global passenger demand was up 3.8% year over year, with international demand up 5.9%. These sources do not forecast GE's revenue directly, but they support the broader premise that fleet growth, utilization, and maintenance demand remain positive through the model horizon.

The near-term constraint is not only demand. Supply chain and shop capacity matter. The verified data package ties the services case to spare parts, shop visits, LEAP capacity, MRO partnerships, supplier input, time-on-wing, and lower cost of ownership; it also records GE's Q1 FY2026 plan to invest $1B in U.S. manufacturing sites and the supplier base for the second consecutive year. This is a competitive variable. If GE can reduce parts delinquency and shop bottlenecks faster than peers, it can convert backlog into revenue and customer goodwill. If not, nominal demand will not fully show up as shipments or profit.

5. Moat At The Segment Level

CES has a real segment-level moat. It is not merely riding a cyclical aerospace upturn. The moat has five layers.

First, certification and engineering barriers are enormous. Commercial turbofan engines require years of design, testing, certification, airframer integration, materials science, thermal management, controls, manufacturing process control, and safety track record. A new entrant cannot simply offer a cheaper engine to an airline and displace an installed engine family.

Second, aircraft-program positions create long-lived installed bases. A320neo, 737 MAX, 787, 777, 777X, C919, and legacy CFM56-powered fleets create decades of service demand. Once an airline has an installed fleet, tooling, pilots, maintenance planning, spare engines, training, and service relationships, switching costs are high. Airlines can switch engine choices on future orders where options exist, but they cannot switch engines on aircraft already in service without changing the aircraft itself.

Third, the aftermarket is protected by technical know-how and data. Engine maintenance is not generic industrial repair. Workscopes, life-limited parts, repair schemes, service bulletins, engine monitoring, performance retention, and shop-turnaround reliability all matter. OEM knowledge helps GE price, plan, and execute work with fewer unknowns than a

third party.

Fourth, scale compounds the service advantage. CFM's April 2026 fleet statistics show massive accumulated CFM56 experience and a rapidly growing LEAP operating base. More cycles and more hours create more data, more repair experience, more supplier pull, and more shop learning. That can show up as lower cost, better prediction, and faster customer response.

Fifth, GE has the balance sheet and management focus to reinvest. FY2025 free cash flow was strong, leverage was not the gating issue, and the company is spending on supplier and MRO capacity. A weaker competitor might harvest the installed base and underinvest. GE appears to be doing the opposite.

The moat is durable over five to ten years, but not invulnerable. Pratt & Whitney can win A320neo share if GTF reliability improves and customer economics beat LEAP. Rolls-Royce can defend or gain widebody positions. PMA, used serviceable material, and independent MRO can limit price in some parts of the mature aftermarket. Airline financial stress can delay discretionary work, although safety-critical maintenance cannot be avoided indefinitely. The biggest self-inflicted moat risk is execution: parts shortages, long turn times, durability shortfalls, or LTSA estimate charges can turn a strong installed base into customer frustration.

6. Historical Growth Rates

The table below reproduces the dollar-disclosed CES history from `data_package.md` section 3 and section 4, where the controlling figures are sourced to SEC 2024/2025 10-K segment tables and the Q1 2026 10-Q where relevant. FY2021 is excluded because the current CES/DPT split is not disclosed. FY2022 is shown as the starting base because the three-year CAGR is FY2022 to FY2025. FY-3, FY-2, and FY-1 are FY2023, FY2024, and FY2025 respectively. Engine-family revenue dollars are not disclosed and are not back-solved.

Product / sub-segment	FY2022 base rev	FY-3 rev	FY-2 rev	FY-1 rev	3-yr CAGR	Most recent YoY	Data package cite
CES total revenue	$18.813B [DP section 3 CES Revenue row]	$23.855B [DP section 3 CES Revenue row]	$26.881B [DP section 3 CES Revenue row]	$33.314B [DP section 3 CES Revenue row]	21.0% [calc from DP section 3 CES Revenue row]	23.9% [DP section 3 CES YoY growth row]	`data_package.md` section 3, Commercial Engines & Services table
Equipment revenue	$5.125B [DP section 3 CES Equipment row]	$6.169B [DP section 3 CES Equipment row]	$7.106B [DP section 3 CES Equipment row]	$8.304B [DP section 3 CES Equipment row]	17.5% [calc from DP section 3 CES Equipment row]	16.9% [calc from DP section 3 CES Equipment row]	`data_package.md` section 3 row Equipment revenue and section 4 row CES Equipment
Services revenue	$13.688B [DP section 3 CES Service row]	$17.686B [DP section 3 CES Service row]	$19.775B [DP section 3 CES Service row]	$25.010B [DP section 3 CES Service row]	22.3% [calc from DP section 3 CES Service row]	26.5% [calc from DP section 3 CES Service row]	`data_package.md` section 3 row Service revenue and section 4 row CES Services

Additional CES operating KPIs from the data package are useful but are not substituted for product revenue dollars.

KPI	FY2022	FY2023	FY2024	FY2025	Latest interim	Data package cite
Commercial engines delivered	1,663	2,075	1,911	2,386	Q1 2026: 640	`data_package.md` material KPI table, Commercial engines delivered row
LEAP engines delivered	1,136	1,570	1,407	1,802	Q1 2026: 520, up 63% YoY	`data_package.md` material KPI table and section 4 LEAP engines row
Internal shop visit revenue growth	n/d	27%	19%	24%	Q1 2026: 35%	`data_package.md` material KPI table and section 4 Internal shop visits row

Internal arithmetic checks:

- CES total revenue: $18.813B x 1.268 = $23.856B, tying FY2023 within rounding; $23.855B x 1.127 = $26.884B, tying FY2024 within rounding; $26.881B x 1.239 = $33.307B, tying FY2025 within rounding.
- Equipment revenue: $5.125B x 1.204 = $6.170B, tying FY2023 within rounding; $6.169B x 1.152 = $7.107B; $7.106B x 1.169 = $8.307B.
- Services revenue: $13.688B x 1.292 = $17.690B; $17.686B x 1.118 = $19.773B; $19.775B x 1.265 = $25.015B.

No historical product row failed the 2% internal arithmetic check. No engine-family revenue row is included because the data package explicitly states that LEAP, CFM56, GEnx, GE90, and GE9X revenue dollars are not separately disclosed.

7. Management Guidance Quoted From The Data Package

The data package's section 6 management commentary is the forward anchor. The short excerpts below are reproduced from the data package and interpreted for CES modeling.

Data package row	Short verified excerpt	Topic	Segment interpretation
Total company, Q1 FY2026 release, 2026-04-21	"holding our full-year guidance across the board"	2026 guide	Q1 strength did not cause management to lower guidance despite macro uncertainty. Base case should begin near the maintained guide.
Total company, Q1 FY2026 release, 2026-04-21	"trending toward the high-end of the range"	2026 guide	There is upside bias to 2026 guidance after Q1, but not a formal raise.
Total company, 2025 investor update, 2025-07-17	2028 operating profit outlook near $11.5B	Medium-term profit	CES cannot be modeled in isolation from the company 2028 profit ambition; CES should provide most of the profit bridge.
CES, Q1 FY2026 release, 2026-04-21	CES services revenue up 39%	Aftermarket growth	Current services growth is well above the longer-term services market growth rate, so the model should show deceleration rather than treat Q1 as the steady state.
CES, Q4 FY2025 release, 2026-01-22	2026 CES revenue guide of mid-teens growth	Segment guide	The first model year should be materially above GDP-like growth and above DPT growth.
CES, Q4 FY2025 release, 2026-01-22	2026 CES operating profit guide of $9.6B to $9.9B	Segment profit	The guide already includes delivery ramp, mix, R&D, and service tailwinds. It is not a clean services-only margin guide.
CES, FMP Q4 FY2025 transcript, 2026-01-22	"roughly double LEAP's internal capacity"	MRO investment	LEAP service capacity is a deliberate growth investment and supports service growth beyond 2026.
CES, FMP Q1 FY2026 transcript, 2026-04-21	"more than 95% of spare parts revenue already in backlog"	Backlog visibility	The near-term spare-parts revenue base is unusually visible. A bear case needs a utilization or supply-chain break, not just generic conservatism.
CES, FMP Q1 FY2026 transcript, 2026-04-21	"limited impact on services revenue and profit in 2026"	Macro and geopolitical impact	Management is not building a major 2026 services hit from current macro or geopolitical conditions.

This guidance points to a two-stage forward pattern: strong near-term growth as GE converts backlog, parts availability, shop visits, LEAP deliveries, and services demand; then a deceleration toward a more mature installed-base growth rate by the end of the five-year horizon. The model below uses exactly that shape.

8. Forward Growth Assumptions

The forward horizon is exactly five calendar years from the TTM end date, March 31, 2026 to March 31, 2031. The product revenue starting point is the QF/QFR current-taxonomy bridge: equipment revenue of $8.657B and service revenue of $26.912B, with about $2M of product/segment rounding versus the official CES TTM revenue of $35.571B.

Base case: CES decelerates from the unusually strong FY2025/Q1 FY2026 pace, but services remain well above general aviation services market growth because LEAP shop visits, spare parts, and installed-base maturation are still early in the curve. Equipment grows mid-single digits after a stronger near-term ramp as supply chain improves, LEAP deliveries grow, and GE9X ramps, but equipment does not carry the same recurring growth profile as services.

Product	TTM revenue base	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	TTM+5y revenue	Justification
Equipment	$8.657B	17.5%	16.9% FY2025; Q1 2026 equipment up about 20% from Q1 2025	CES revenue mid-teens, no separate equipment guide	6.0%	$11.585B	Equipment benefits from LEAP and GE9X ramp plus supplier recovery, but growth decelerates as production compares normalize and margin discipline matters.
Services	$26.912B	22.3%	26.5% FY2025; Q1 2026 services up 39%	CES services embedded in mid-teens CES guide; strong backlog visibility	9.0%	$41.407B	Services retain above-market growth as LEAP matures and shop visits rise, but Q1 2026 is too high to use as a five-year steady state.
CES total	$35.571B	21.0%	23.9% FY2025; Q1 2026 revenue up 34%	2026 CES revenue guide of mid-teens growth	8.3%	$52.992B	Total growth is service-led and decelerates toward high single digits by horizon year.

The base services path is not a cliff from 39% to 9% in one step. The implicit shape is high-teens growth in the first forecast year, low-double-digit growth in the second, and then a glide path toward mid-to-high single digits as the comparison base grows. That is consistent with management's mid-teens CES guide for 2026, Airbus's long-term services CAGR of 3.6% for the whole market, and GE's above-market position from LEAP fleet maturation and backlog. The base equipment path starts stronger than 6% in the first year and ends closer to low single digits as aircraft production rates and spare-engine ratios normalize.

Bull case: the bull case assumes supplier throughput and MRO capacity investments convert backlog faster, LEAP durability actions reduce warranty drag without suppressing revenue growth, GE9X ramp improves, and services pricing remains strong. The bull case does not assume a permanent Q1 2026 growth rate; it assumes the early aftermarket curve stays steeper for longer.

Product	TTM revenue base	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	TTM+5y revenue	Justification
Equipment	$8.657B	17.5%	16.9% FY2025; Q1 2026 equipment up about 20% from Q1 2025	CES revenue mid-teens, no separate equipment guide	8.0%	$12.720B	Supplier recovery, airframer demand, and GE9X ramp sustain high-single-digit equipment growth without assuming the FY2025 surge persists.
Services	$26.912B	22.3%	26.5% FY2025; Q1 2026 services up 39%	Strong services backlog and spare-parts visibility	11.0%	$45.348B	LEAP shop visits, spare-parts conversion, and MRO capacity keep services growth double digit for longer than base case.
CES total	$35.571B	21.0%	23.9% FY2025; Q1 2026 revenue up 34%	2026 CES guide mid-teens; high-end company guide bias	10.3%	$58.068B	Revenue reaches $58B with services still about three quarters of segment revenue.

Bear case: the bear case assumes demand remains positive but conversion disappoints. Supply chain bottlenecks, delayed airframer deliveries, lower spare-engine ratios, weaker departures, customer deferrals, shop capacity constraints, or durability fixes slow both equipment and services. The bear case still grows because the installed base is large and maintenance cannot be deferred indefinitely, but the five-year result is meaningfully below base.

Product	TTM revenue base	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	TTM+5y revenue	Justification
Equipment	$8.657B	17.5%	16.9% FY2025; Q1 2026 equipment up about 20% from Q1 2025	CES revenue mid-teens, no separate equipment guide	1.0%	$9.099B	Production and spare-engine mix stall after near-term backlog conversion; GE prioritizes cash and service execution over low-margin equipment growth.
Services	$26.912B	22.3%	26.5% FY2025; Q1 2026 services up 39%	Backlog visible, but macro and supply can still disrupt conversion	5.0%	$34.347B	Utilization stays positive but parts, shop capacity, customer deferrals, and time-on-wing shifts reduce the conversion of demand into revenue.
CES total	$35.571B	21.0%	23.9% FY2025; Q1 2026 revenue up 34%	2026 guide not cut as of Q1	4.1%	$43.446B	The installed base prevents a collapse, but the segment falls far short of the base services curve.

The main sensitivity is services growth. Every 100 bps change in five-year services CAGR changes FY+5 services revenue by roughly $1.9B to $2.1B around the base path. Because services carry higher modeled margins than equipment, the profit sensitivity is larger than the revenue sensitivity alone suggests.

9. Forward Operating Margin Assumptions

The company does not disclose equipment margin and services margin separately. The table below is therefore an analytical allocation, not a company-disclosed margin table. It is used to make the forward model reconstructable. The starting allocation ties to the QF/QFR TTM CES segment profit of $9.307B and a 26.2% TTM margin.

Line	TTM revenue	Analytical current margin	Analytical current op income	Disclosure status
Equipment	$8.657B	4.0%	$0.346B	Margin not separately disclosed; modeling allocation
Services	$26.912B	33.3%	$8.961B	Margin not separately disclosed; modeling allocation
CES total	$35.571B	26.2%	$9.307B	QF/QFR-cleared TTM segment base

This allocation is directionally consistent with the segment narrative: equipment seeds the installed base but can dilute margins; services drive most segment profit. It should not be read as a claim that GE disclosed these exact product margins.

Case	Equipment FY+5 margin	Services FY+5 margin	CES FY+5 margin	FY+5 operating income	Mechanism
Bear	0.0%	31.5%	24.9%	$10.819B	Equipment mix and ramp cost absorb profit; services still profitable but pressured by supply, labor, and LTSA assumptions.
Base	5.0%	35.0%	28.4%	$15.072B	Services mix, spare-parts price, shop productivity, and capacity utilization outweigh equipment ramp and R&D drag.
Bull	7.0%	37.0%	30.4%	$17.669B	Strong supplier execution, LEAP service scale, better turn times, and lower warranty pressure produce operating leverage.

The base case margin expands about 220 bps from the TTM margin. That is a meaningful improvement, so it needs a specific mechanism. The mechanism is not generic "scale." It is service mix moving through a larger revenue base, higher spare-parts availability, better shop throughput, LEAP capacity coming online, and Flight Deck productivity. The bull case adds roughly 420 bps from TTM and therefore requires both revenue and execution upside. The bear case margin falls about 130 bps from TTM because equipment revenue and shop demand are not enough to overcome supply constraints, mix, R&D, inflation, and

possible LTSA pressure.

10. Segment Rollup

The rollup below is built from the product revenue and margin assumptions in sections 8 and 9. Totals reconcile within rounding to the product-level forecast.

Case	Product	FY+5 revenue	FY+5 margin	FY+5 operating income
Bear	Equipment	$9.099B	0.0%	$0.000B
Bear	Services	$34.347B	31.5%	$10.819B
Bear	CES total	$43.446B	24.9%	$10.819B
Base	Equipment	$11.585B	5.0%	$0.579B
Base	Services	$41.407B	35.0%	$14.492B
Base	CES total	$52.992B	28.4%	$15.072B
Bull	Equipment	$12.720B	7.0%	$0.890B
Bull	Services	$45.348B	37.0%	$16.779B
Bull	CES total	$58.068B	30.4%	$17.669B

The implied total revenue CAGRs from the official CES TTM base of $35.571B are 4.1% in bear, 8.3% in base, and 10.3% in bull. The implied operating income CAGRs from the TTM profit base of $9.307B are 3.1% in bear, 10.1% in base, and 13.7% in bull. The spread between revenue CAGR and profit CAGR is the operating leverage debate. The base and bull cases require service mix and productivity to show up in profit, not just backlog conversion into low-margin revenue.

The five-year base case also needs to be reconciled against management's 2026 and 2028 comments. A $15.1B CES FY+5 profit estimate does not mean the company reaches that level by 2028. It assumes a five-year path from the March 2026 TTM base. The 2026 CES operating profit guide of $9.6B to $9.9B is only modestly above the TTM base because TTM already includes the strong Q2-Q4 2025 and Q1 2026 sequence. The model therefore has most of the incremental profit appearing after 2026 as services capacity, LEAP aftermarket scale, and installed-base maturation compound.

11. Key Risks And Wildcards

Bear risk - supply chain and shop capacity. CES demand can exceed revenue if materials, castings, forgings, labor, test capacity, or MRO slots are constrained. The data package already points to material input, spare parts, and shop visits as critical drivers. If bottlenecks persist, equipment deliveries and services conversion both disappoint.

Bear risk - LEAP durability and warranty economics. LEAP is the core growth engine, but durability improvements and time-on-wing actions can change shop visit timing, warranty cost, customer satisfaction, and LTSA assumptions. CFM's continuous-improvement work is positive, but the financial effect depends on cost and timing.

Bear risk - airframer production delays. 737 MAX, A320neo, 777X, 787, and C919 production timing matters. GE can have strong engine demand and still miss equipment revenue if airframer schedules slip or certification timelines move.

Bear risk - aftermarket pricing pressure. Airlines, independent MROs, used serviceable material, PMA parts, and open aftermarket commitments can pressure parts and repair pricing. This risk is highest in mature fleets such as CFM56, but it can shape customer expectations for LEAP as the fleet ages.

Base risk - LTSA estimate revisions. Long-term service agreements are valuable but assumption-heavy. Changes in flight hours, shop visit timing, workscopes, inflation, or parts cost can move segment profit without changing reported revenue much.

Base risk - macro and fuel shocks. Airline traffic is the ultimate utilization driver. IATA's January 2026 traffic data was positive, but fuel, geopolitics, GDP, and airline profitability can change departures and maintenance timing. Some maintenance is mandatory, but heavy work can be scheduled differently around financial stress.

Bull wildcard - faster LEAP service maturation. If LEAP shop visits and spare parts ramp faster while durability actions reduce customer pain and warranty drag, CES could sustain double-digit service growth longer than modeled in base.

Bull wildcard - GE9X and widebody cycle. The model does not assign separate GE9X revenue because the data package does not disclose engine-family dollars. A smoother 777X/GE9X ramp with better-than-modeled margin would lift equipment

revenue and future services optionality.

Bull wildcard - productivity. Flight Deck, supplier development, parts availability, and shop throughput can create operating leverage if GE gets more output from the same assets and lowers turn times. This is the cleanest route to a bull margin without depending on heroic market growth.

[DATA GAP: GE does not disclose CES revenue by engine family, including LEAP, CFM56, GEnx, GE90, GE9X, or CF6. This appendix does not back-solve those dollars from unit counts or commentary.]

[DATA GAP: GE does not disclose CES equipment margin or services margin separately. Section 9 uses an analytical allocation that ties to reported segment profit, not a company-disclosed product-margin table.]

[DATA GAP: Current-taxonomy FY2021 CES dollars are not disclosed. This appendix starts dollar comparisons at FY2022.]

[DATA GAP: FMP quarterly product/segment data remains stale for GE. The user-authorized SEC filings override controls this GE-specific ER2 run.]

Summary Table

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Bear	$43.446B	24.9%	$10.819B	25%
Base	$52.992B	28.4%	$15.072B	55%
Bull	$58.068B	30.4%	$17.669B	20%

Bottom line: CES is a high-quality installed-base engine franchise with real competitive protection and a powerful service mix. The key underwriting question is not whether demand exists. It is whether GE can convert demand into parts, shop visits, engine deliveries, and operating leverage without losing too much margin to equipment ramp, R&D, supplier friction, or LTSA estimate changes. Base case assumes the answer is mostly yes, but with a visible deceleration from the unusually strong FY2025/Q1 FY2026 growth rate.

External context sources used for non-GE historicals and industry structure: GE Aerospace CFM LEAP page at https://www.geaerospace.com/commercial/aircraft-engines/cfm-leap; CFM fleet statistics at https://www.cfmaeroengines.com/fleet-statistics; CFM LEAP continuous improvement at https://www.cfmaeroengines.com/leap/continuous-improvement; Airbus Global Services Forecast 2025-2044 at https://www.airbus.com/en/products-services/commercial-aircraft/global-services-forecast; Boeing Services Market Outlook 2025-2044 at https://www.boeing.com/commercial/market/services-market-outlook; IATA January 2026 passenger demand release at https://www.iata.org/en/pressroom/2026-releases/2026-03-02-02/.

Appendix B2 - Defense & Propulsion Technologies

Defense & Propulsion Technologies - Segment Deep Dive

Prepared for the GE Aerospace ER2 / Gideon production run on 2026-05-30.

Controlling files: `data_package.md`, `quant_foundation.md`, and `quant_foundation_review.md` in `C:\Users\Admin\OneDrive\GPT\ER 2.0\GE Aerospace`. The data package is the source of record for GE historical figures and management commentary. External sources are used only for segment context, program context, and competitive framing. The DPT TTM model uses the Stage 0 anchor exactly as cleared: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026, ending March 31, 2026, with a forward horizon of March 31, 2031.

0. Segment Boundary And Taxonomy Note

Defense & Propulsion Technologies, or DPT, is one of GE Aerospace's two current reportable operating segments. The taxonomy is usable from FY2022 forward under the current GE Aerospace reporting structure. The data package states that old SEC filings used an aggregate Aerospace structure with sub-lines such as Defense and Systems & Other, while current filings use Commercial Engines & Services and DPT. Therefore FY2021 is not used as a current-taxonomy dollar base. DPT current-taxonomy segment revenue and profit are clean from FY2022 through FY2025, and the QF/QFR-cleared TTM bridge supplies DPT revenue of $11.070B and segment profit of $1.350B for the twelve months ended March 31, 2026. GE also discloses DPT subsegment annual dollars for Defense & Systems, or D&S, and Propulsion & Additive Technologies, or P&AT, from FY2022 through FY2025, plus Q1 FY2026 dollars. GE does not disclose a complete D&S/P&AT TTM bridge, platform revenue dollars, or engine-family revenue dollars, so this appendix flags those items rather than back-solving them from units or program commentary.

1. What This Segment Actually Is

DPT is GE Aerospace's defense engine, defense systems, propulsion-component, marine/aeroderivative, and additive-manufacturing segment. In the 2025 Form 10-K, GE describes DPT as a provider of defense engines and critical aircraft systems, consisting of the D&S and P&AT businesses. D&S designs, develops, manufactures, and services jet engines, avionics, and power systems for governments, militaries, and commercial airframers; its services include engine MRO and spare parts. P&AT designs, manufactures, and supports aircraft components and systems for commercial and military end users under brands such as Avio Aero, Unison, Dowty Propellers, and Colibrium Additive. GE's official product list for defense engines includes combat/trainer engines such as F110, F404, and F414; rotorcraft engines such as T408, T700, and T901; tanker/transport engines; marine products such as LM2500; and Edison Works efforts in adaptive-cycle, hypersonic, and small engines. The 2025 10-K also identifies combat engines, hypersonics, unmanned applications, the T901 Black Hawk first-flight milestone, and P&AT participation in European defense propulsion programs as part of the segment's technology base. Sources for this segment definition are the data package sections 1, 3, and 4, and the GE 2025 Form 10-K segment description at the SEC.

The customer mix is different from CES. CES mostly sells to commercial airframers, airlines, and third-party MRO shops. DPT sells to U.S. and allied governments, militaries, airframers, shipyards, defense primes, and commercial customers that need propulsion components or systems. That customer base changes the economics. Demand depends on defense budgets, aircraft and ship programs, foreign military sales, readiness spending, classified and unclassified development programs, and service support for fleets that remain in use for decades. The buyer is often sophisticated and concentrated, but switching costs are high once an engine wins a platform, because the engine becomes integrated into aircraft performance, maintenance systems, training, spares provisioning, software, safety approvals, and industrial-base planning.

The pricing model is a blend. Equipment revenue comes from engine deliveries, propulsion systems, aircraft systems, and components. Service revenue comes from MRO, spare parts, repair contracts, logistics support, and other sustainment work. The 2025 data package shows DPT FY2025 equipment revenue of $5.128B and service revenue of $5.426B, which means the segment is almost balanced between new equipment and services. That is materially different from CES, where FY2025 services were about three quarters of segment revenue. DPT has an aftermarket component, but it is not yet a CES-like aftermarket compounding machine. It also has development work and government-funded R&D exposure, which can seed future platforms while depressing near-term margin.

The go-to-market is program-led rather than pure channel-led. A new or upgraded military engine has to win a platform, demonstrate performance, pass testing and qualification, satisfy military procurement rules, and then scale through production

and sustainment. Some wins are direct, such as the T408 program for the CH-53K, the T901 for Army rotorcraft, or GE's small-engine work with Kratos for collaborative combat aircraft. Other work is embedded in broader prime-contractor programs or international partnerships. The economic prize is not only the first engine sale. It is the installed base, spares, repairs, upgrades, and decades of program relevance that follow a successful platform placement.

2. Current Economics

The current TTM base is clear at the segment level: DPT revenue was $11.070B and segment profit was $1.350B for the TTM ended March 31, 2026, a 12.2% segment margin. That compares with FY2025 revenue of $10.554B, profit of $1.296B, and margin of 12.3%. The FY2025 subsegment mix was $6.574B of D&S revenue and $3.980B of P&AT revenue, or 62.3% and 37.7% of DPT revenue. The segment also disclosed FY2025 equipment revenue of $5.128B and service revenue of $5.426B, or roughly a 49%/51% equipment/services split. The most recent quarter showed revenue acceleration: Q1 FY2026 DPT revenue was $3.214B, up 19% year over year, and DPT segment profit was $379M, up 17%, for an 11.8% quarterly margin. Orders were also strong, with Q1 FY2026 DPT orders of $6.174B according to data package section 5.

The Q1 2026 result makes the TTM base higher than FY2025, but it does not remove the need for discipline. The segment's margin profile is still lower and more volatile than CES. DPT margin was 10.1% in FY2023, 11.2% in FY2024, 12.3% in FY2025, and 12.2% on the QF TTM bridge. Q4 FY2025 was also weak at an 8.9% margin, while Q2 and Q3 FY2025 were better at 14.1% and 13.6%. That volatility is exactly what one would expect from a defense and propulsion segment with program mix, development milestones, cost absorption, supply-chain friction, and production ramps. The base case therefore does not simply extrapolate Q1 orders or annual D&S/P&AT growth into a permanent margin breakout.

Capital intensity is not disclosed by segment assets, and GE states in the 2025 10-K that it does not report total assets by segment. For segment modeling, DPT should be treated as engineering- and supply-chain-intensive, but not as an asset-heavy utility-like business. Company-level capex was $1.273B in FY2025, or 2.8% of revenue, and GE-funded R&D was $1.580B, or 3.4% of revenue; customer- and partner-funded R&D was also material. In the 2025 10-K, GE says customer-funded R&D is primarily from the U.S. Government. For DPT, that matters. Government and partner funding lowers the burden of advanced propulsion development on GE's own P&L, but it does not eliminate execution risk. Programs such as adaptive-cycle engines, small engines for autonomous platforms, and additive manufacturing have long lead times, uncertain volumes, and milestone-dependent economics.

The segment's key product families are not disclosed in revenue dollars. The data package explicitly says that T700/T901, T408, GEK1500, XA100 or related adaptive programs, and CCA platform revenue dollars are not disclosed. It does, however, disclose defense engine or D&S engine units: 553 in FY2021, 632 in FY2022, 556 in FY2023, 490 in FY2024, 635 in FY2025, and 185 D&S engines in Q1 FY2026, including defense and aeroderivative units. The unit rebound in FY2025 and Q1 2026 supports the growth case, but it cannot be mechanically converted into revenue because engine mix and service mix are not disclosed.

3. Unit Economics

DPT's economics start with platform selection. If an engine or propulsion system is not selected, the program work may still generate engineering revenue or reimbursed development work, but the true value arrives only if GE wins a production and sustainment pathway. Once an engine is embedded in a platform, the customer is not buying a commodity turbine. It is buying performance, reliability, maintainability, fuel burn, repairability, certification history, industrial-base assurance, classified or export-controlled capability, and confidence that the supplier can support the fleet through operational stress. That bundle is hard to replicate quickly.

Revenue becomes profit through four main channels. First, mature engines and services carry better economics because design risk has already been absorbed, repair procedures are established, and field data helps reduce surprises. The T700 family is the clearest example of this installed-base profile: GE's May 2026 T700 UK Apache support release said the T700 family had more than 25,000 engines produced and more than 100 million flight hours across four decades, serving more than 130 customers in about 50 countries. This is not a revenue-dollar disclosure for GE's segment model, but it is strong qualitative evidence that mature military engine fleets can sustain service demand over long periods.

Second, production ramps can dilute or enhance margin depending on where the program sits in its learning curve. Newer programs generally carry development cost, supplier constraints, qualification work, and lower early production efficiency. That can suppress margins even when reported revenue is growing quickly. Mature production with better yield, standard work, and supply-chain stability can move margin in the other direction. GE's broader 2025 10-K commentary says material availability and supplier delivery performance continue to disrupt production and deliveries, but GE is investing in

manufacturing, overhaul facilities, and its supply chain while using FLIGHT DECK to improve material input and cost productivity. For DPT, the same logic applies: volume without execution can be a working-capital and margin burden; volume with stable supply and better yield is operating leverage.

Third, service mix matters. DPT services were 51% of FY2025 segment revenue, much lower than CES services as a share of CES but still meaningful. Service work is typically stickier because it rides installed engines and mission readiness requirements. Yet DPT service economics are not automatically CES-like. Government contracts can include cost controls, audit rights, pricing constraints, negotiated sustainment structures, and termination rights. GE's 2025 10-K government-contract language makes the risk explicit: government customers can modify, curtail, or terminate contracts, and GE must comply with procurement, cost, audit, and product-integrity requirements. In other words, DPT services have durability but less unconstrained pricing power than a commercial aftermarket shortage.

Fourth, R&D and technology transfer can create future barriers but weigh on current margin. Adaptive-cycle engines, small affordable engines for autonomous systems, additive manufacturing certification, and advanced combat propulsion require engineering spend, testing, and close customer collaboration. GE can receive external funding, but the internal organization still must allocate engineering talent and management attention. The base case assumes that the segment can gradually expand margins as the FY2025 and Q1 2026 order book converts, but it does not assume a step-change to CES margins. That would require evidence of higher service mix, better mature-program productivity, or a major platform win with favorable economics.

4. Competitive Dynamics

DPT competes in multiple defense-propulsion pools rather than a single neatly defined market. In combat engines, the most obvious competitor is RTX's Pratt & Whitney, whose official military engine portfolio includes the F135 for the F-35, F119 for the F-22, F100 for F-15/F-16 applications, F117 for the C-17, TF33 for legacy aircraft, and the PW4062/F139 for the KC-46. In rotorcraft and tiltrotor, Rolls-Royce competes with AE-family engines and advanced rotorcraft propulsion, including AE 1107 variants. In marine and aeroderivative applications, Rolls-Royce, Honeywell, MTU, and other propulsion suppliers can appear depending on platform and geography. In aircraft systems and components, DPT's P&AT assets compete with a broader supplier base that includes engine OEMs, tier-one aerospace suppliers, specialists in controls and accessories, and additive-manufacturing equipment and process providers.

The competitive basis is not simply lowest price. GE's 2025 10-K says the markets are highly competitive in pricing, product and service quality, durability and reliability, product development and introduction time, intellectual property, customer service, financing terms, responsiveness to demand shifts, and skilled-talent attraction. That list is the right mental model for DPT. Defense engines are won on mission performance, reliability, fuel burn, power and thermal management, maintainability, affordability, delivery assurance, and the supplier's willingness to support the customer's industrial-base priorities. Price matters, but a low bid is not enough if the engine cannot meet mission, readiness, export, or supply-chain requirements.

GE has several competitive advantages. The first is breadth. GE's official defense-engine page lists combat/trainer engines, rotorcraft engines, tanker/transport engines, marine engines, defense services, and Edison Works programs. This breadth lets GE reuse technology and operating lessons across military, commercial, and marine applications. The F110 data sheet, for example, positions the F110-GE-129 and -132 as modern combat engines with hot-section durability improvements and service-life extension hardware. The F404 page emphasizes more than 4,000 engines delivered and over 13 million flight hours. The T901 page emphasizes 50% more power and 25% better specific fuel consumption versus the T700 baseline, while building on four decades of Army rotorcraft experience. These proof points support GE's credibility across mature and next-generation propulsion.

The second advantage is installed-base and support infrastructure. GE states in its 2025 10-K that GE Aerospace has approximately 30,000 military engines in its installed base. That creates service touchpoints, field data, repair familiarity, and customer relationships. In DPT, installed base is not just a source of aftermarket revenue. It is a qualification asset. A defense customer deciding on an engine cares whether the supplier can support deployed operations, maintain supply in crises, and improve time-on-wing under harsh conditions.

The third advantage is technology overlap. P&AT includes Avio Aero, Unison, Dowty, and Colibrium Additive. These assets can be strategically useful even when their standalone margins are not disclosed. Additive manufacturing can reduce lead times, improve part consolidation, and help sustain fleets where tooling or supply chains are constrained. GE's April 2026 Colibrium Additive NAVAIR contract was only $31M, but the strategic read-through is larger: the work is aimed at qualifying metal additive processes and repeatable airworthy components for naval aviation readiness. Similarly, GE's May 2026 GE426

contract and February 2026 GEK1500 award show that GE is pursuing small and medium thrust engines for autonomous platforms, a market where affordable mass, high-rate production, and low lifecycle cost matter more than traditional exquisite-engine economics.

The main competitive risk is that defense programs are winner-take-most and politically complex. Pratt & Whitney's F135 position on the F-35 is the cleanest example of how a single platform decision can define decades of propulsion economics. GE may have strong technology, but if the Air Force, Army, Navy, or an allied customer selects a competitor for a key program, GE's opportunity can narrow for years. A second risk is that emerging autonomous-platform engines could become more cost-sensitive than traditional fighter engines. GE's GEK1500 and GE426 work explicitly emphasizes affordability and manufacturability. That is a growth opportunity, but it also means the segment may not earn legacy fighter-engine economics on every future unmanned or collaborative platform.

5. Moat At The Segment Level

DPT has a real segment-level moat, but it is narrower and more program-dependent than CES's commercial installed-base aftermarket moat. The strongest moat elements are technical credibility, certification and qualification history, installed-base service relationships, defense-customer trust, export-control and classified-program know-how, manufacturing process depth, and the ability to fund and absorb long development cycles. GE's defense engine portfolio is not a new entrant's catalog. It spans F110, F404, F414, T700, T408, T901, LM2500, adaptive-cycle work, small engines, and P&AT component technologies. That breadth lowers the risk that DPT is just one program in disguise.

The moat is most durable in mature fleets where GE engines are already installed and where customers prioritize readiness. T700 support, F110/F404/F414 spares and sustainment, marine engine support, and other installed-base work should be relatively sticky. Customers cannot easily swap engines in an already-fielded aircraft or ship without massive cost, qualification, training, and safety work. This is why GE's T700 and F404 flight-hour data matter even without platform revenue dollars. They indicate long-lived service relevance.

The moat is less certain in new-start programs. T901, T408 expansion, GEK1500, GE426, adaptive-cycle propulsion, hypersonics, and collaborative combat aircraft can extend the moat, but they also reset the competitive clock. The customer can choose alternative suppliers, split awards, delay production, reduce quantities, or alter requirements. GE's technology depth helps, but it does not guarantee program capture. The base case therefore treats new technologies as additive to growth and margin, not as a guaranteed hockey stick.

Over five to ten years, DPT's moat should be sufficient to protect a mid-teens margin if program execution is sound. It should not be assumed to protect a 20% plus margin. The segment has government price scrutiny, program accounting, supplier bottlenecks, development spending, and mixed equipment/service exposure. The durable value is not high standalone margin today. It is the combination of steady defense demand, platform stickiness, service pull-through, and technology optionality that can compound from a lower margin base. In a Gideon frame, DPT is a useful diversifier and technology engine, not the primary reason GE Aerospace clears or fails the compounder bar.

6. Historical Growth Rates

The following table reproduces the historical DPT revenue base from the data package. Current taxonomy starts in FY2022. FY2021 is marked not disclosed in the data package and is intentionally excluded from CAGRs.

Product / sub-segment	FY2022 revenue	FY2023 revenue	FY2024 revenue	FY2025 revenue	3-yr CAGR	Most recent YoY	Data package cite
DPT total	$7.989B [data_package section 3 DPT revenue row]	$8.961B [data_package section 3 DPT revenue row]	$9.478B [data_package section 3 DPT revenue row]	$10.554B [data_package section 3 DPT revenue row]	9.7%	11.4%	data_package section 3 DPT historicals
Defense & Systems	$5.426B [data_package section 4 D&S row]	$5.927B [data_package section 4 D&S row]	$6.109B [data_package section 4 D&S row]	$6.574B [data_package section 4 D&S row]	6.6%	7.6%	data_package section 4 dollar-disclosed products
Propulsion & Additive Technologies	$2.563B [data_package section 4 P&AT row]	$3.034B [data_package section 4 P&AT row]	$3.370B [data_package section 4 P&AT row]	$3.980B [data_package section 4 P&AT row]	15.8%	18.1%	data_package section 4 dollar-disclosed products
DPT equipment	$3.405B [data_package section 3 equipment row]	$4.000B [data_package section 3 equipment row]	$4.208B [data_package section 3 equipment row]	$5.128B [data_package section 3 equipment row]	14.6%	21.9%	data_package section 3 DPT historicals

Product / sub-segment	FY2022 revenue	FY2023 revenue	FY2024 revenue	FY2025 revenue	3-yr CAGR	Most recent YoY	Data package cite
DPT services	$4.584B [data_package section 3 service row]	$4.961B [data_package section 3 service row]	$5.270B [data_package section 3 service row]	$5.426B [data_package section 3 service row]	5.8%	3.0%	data_package section 3 DPT historicals

Recent quarterly context from the data package is strong but not a substitute for the controlled TTM bridge.

Quarter	DPT revenue	YoY growth	DPT profit	DPT margin	Orders	Data package cite
Q2 FY2025	$2.563B	7%	$0.362B	14.1%	$2.897B	QF P4; data_package section 5 segment quarterly trend
Q3 FY2025	$2.828B	26%	$0.386B	13.6%	$2.898B	QF P4; data_package section 5 segment quarterly trend
Q4 FY2025	$2.839B	13%	$0.252B	8.9%	$4.571B	QF P4; data_package section 5 segment quarterly trend
Q1 FY2026	$3.214B	19%	$0.379B	11.8%	$6.174B	QF P4; data_package section 5 segment quarterly trend

Engine-unit history is relevant but not model-grade revenue disclosure.

KPI	FY2021	FY2022	FY2023	FY2024	FY2025	Latest interim	Data package cite
Defense engine / D&S engine units	553	632	556	490	635	Q1 FY2026: 185 D&S engines including defense and aeroderivatives	data_package section 0a material KPI family history

Internal arithmetic checks:

- DPT total: $7.989B x 1.122 = $8.961B, $8.961B x 1.058 = $9.478B, and $9.478B x 1.114 = $10.554B. The row ties within rounding.
- D&S: $5.426B x 1.092 = $5.927B, $5.927B x 1.031 = $6.109B, and $6.109B x 1.076 = $6.574B. The row ties within rounding.
- P&AT: $2.563B x 1.184 = $3.034B, $3.034B x 1.111 = $3.370B, and $3.370B x 1.181 = $3.980B. The row ties within rounding.
- Equipment: $3.405B x 1.175 = $4.000B, $4.000B x 1.052 = $4.208B, and $4.208B x 1.219 = $5.128B. The row ties within rounding.
- Services: $4.584B x 1.082 = $4.961B, $4.961B x 1.062 = $5.270B, and $5.270B x 1.030 = $5.426B. The row ties within rounding.

No product-level revenue dollars were back-solved from units. The data package explicitly says platform revenue dollars for T700/T901, T408, GEK1500, XA100, CCA, and similar DPT programs are not disclosed.

7. Management Guidance

The data package's management-commentary section is the controlling source for guidance and management excerpts. The table below lists the DPT-relevant items and how they shape the forecast.

Segment	Source date	Short verified excerpt	Topic	Modeling implication
Total company	Q1 FY2026 release, 2026-04-21	"holding our full-year guidance"	2026 guide	Do not cut the near-term DPT guide simply because macro/geopolitical conditions are uncertain.
Total company	Q1 FY2026 release, 2026-04-21	"trending toward the high-end"	2026 guide	Q1 order and revenue momentum supports an upside bias, but GE did not formally raise the guide.

Segment	Source date	Short verified excerpt	Topic	Modeling implication
Total company	2025 investor update, 2025-07-17	2028 operating profit near $11.5B	Medium-term profit	Segment forecasts should not imply a wildly different company profit trajectory without evidence.
DPT	Q1 FY2026 release, 2026-04-21	record defense orders for this decade	Defense demand	Orders support growth visibility, but revenue conversion is long-cycle.
DPT	Q4 FY2025 release, 2026-01-22	mid-single/high-single-digit growth	2026 DPT revenue guide	Base-case five-year DPT growth should start around high single digits, then normalize.
DPT	Q4 FY2025 release, 2026-01-22	$1.55B to $1.65B	2026 DPT operating profit guide	Management implies FY2026 margin improvement versus the TTM base.
DPT	Q1 FY2026 release, 2026-04-21	T408 and GEK1500 awards cited	Program wins	Program wins are real demand signals, but this appendix does not front-load all economics into 2026.

The guide is important because it gives a near-term margin anchor. DPT TTM profit is $1.350B on $11.070B of revenue. If FY2026 revenue grows in the mid-single to high-single range and DPT operating profit reaches $1.55B to $1.65B, then management is effectively pointing to a better margin profile in the next year than the TTM margin. The base case respects that signal, but it does not blindly extrapolate it. Some of the FY2026 improvement may come from better mix, execution, and order conversion; some could be timing. The five-year model therefore moves DPT margin to 14.5% in the base case, not to a CES-like margin.

There is one important data gap: GE does not disclose a full D&S/P&AT TTM bridge. Section 8 allocates the $11.070B DPT TTM base to D&S and P&AT using the FY2025 subsegment mix, solely to make a bottom-up forecast that ties to the controlled TTM segment total. This is not a disclosed TTM subsegment figure.

8. Forward Growth Assumptions

The TTM anchor is DPT revenue of $11.070B for the twelve months ended March 31, 2026. The forward horizon is March 31, 2031. That is exactly five calendar years, not FY2025 plus five fiscal years.

[DATA GAP: GE does not disclose complete D&S and P&AT TTM revenue. The product-level TTM allocation below estimates D&S and P&AT by applying the FY2025 subsegment mix to the controlled $11.070B DPT TTM segment revenue. This preserves the QF/QFR-cleared DPT total.]

Line	FY2025 revenue	FY2025 mix	Estimated TTM base	Basis
Defense & Systems	$6.574B	62.3%	$6.895B	FY2025 D&S mix applied to $11.070B DPT TTM
Propulsion & Additive Technologies	$3.980B	37.7%	$4.175B	FY2025 P&AT mix applied to $11.070B DPT TTM
DPT total	$10.554B	100.0%	$11.070B	QF/QFR-cleared TTM base

Base Case Growth

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Defense & Systems	6.6%	7.6% FY2025; Q1 DPT total +19%	DPT revenue mid-single/high-single	7.0%	Base D&S growth stays near the historical CAGR, helped by record orders, T408/T901 support, and defense engine demand, but it does not assume every development win scales rapidly.
Propulsion & Additive Technologies	15.8%	18.1% FY2025	DPT revenue mid-single/high-single	9.5%	P&AT decelerates from its FY2022-FY2025 surge as it gets larger, but additive, Avio Aero defense propulsion, controls, accessories, and autonomous-platform content keep it above D&S.

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
DPT total	9.7%	11.4% FY2025; Q1 DPT total +19%	DPT revenue mid-single/high-single	8.0% implied	The total reflects a blend of mature defense engines, services, and faster P&AT technologies. It is above the explicit FY2026 guide midpoint only because Q1 orders and revenue were unusually strong.

The base case assumes that FY2026 is a strong year but not the permanent run rate. DPT exits the TTM period with record orders, a Q1 revenue acceleration, and visible program activity. However, defense procurement converts through appropriations, contract milestones, delivery schedules, and customer acceptance. The base case therefore compounds D&S at 7.0% and P&AT at 9.5%, taking DPT to $16.24B of revenue by March 31, 2031. This requires DPT to maintain order conversion and improve production execution, but it does not require a major undisclosed platform to become an immediate multibillion-dollar revenue line.

Bull Case Growth

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Defense & Systems	6.6%	7.6% FY2025; Q1 DPT total +19%	DPT revenue mid-single/high-single	10.5%	Bull D&S assumes record orders convert faster, T408/T901 ramps are clean, allied demand remains strong, and sustainment volumes rise without major program delay.
Propulsion & Additive Technologies	15.8%	18.1% FY2025	DPT revenue mid-single/high-single	13.0%	Bull P&AT assumes additive qualification, Avio Aero defense work, controls and accessories, and small-engine/autonomous work sustain a low-teens growth path.
DPT total	9.7%	11.4% FY2025; Q1 DPT total +19%	DPT revenue mid-single/high-single	11.5% implied	The bull case requires GE to convert development momentum into production and service economics without losing material share to Pratt & Whitney, Rolls-Royce, Honeywell, or local champions.

The bull case is plausible but demanding. It requires that the Q1 2026 DPT order burst was not just timing, that the defense industrial base receives enough funding and supplier support, and that GE's new propulsion programs move through design review, demonstration, qualification, and production without large slips. GE's May 2026 GE426 award, February 2026 GEK1500 award with Kratos, April 2026 Colibrium additive contract, and May 2026 adaptive-cycle milestone all support the technology-option value, but those milestones are still early relative to revenue conversion.

Bear Case Growth

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Defense & Systems	6.6%	7.6% FY2025; Q1 DPT total +19%	DPT revenue mid-single/high-single	3.5%	Bear D&S assumes program delays, budget churn, supplier bottlenecks, slower T408/T901 conversion, and more service work priced under government constraints.
Propulsion & Additive Technologies	15.8%	18.1% FY2025	DPT revenue mid-single/high-single	4.0%	Bear P&AT assumes FY2022-FY2025 growth was partly catch-up, additive adoption is slower, and autonomous-platform engine development remains low-volume through 2031.
DPT total	9.7%	11.4% FY2025; Q1 DPT total +19%	DPT revenue mid-single/high-single	3.7% implied	The bear case does not assume a defense recession; it assumes a normal defense procurement drag plus weaker execution and mix.

The bear case still grows, because installed-base services, defense readiness, and long-cycle programs rarely collapse like consumer demand. But growth falls to only 3.7% per year from the TTM base, and mix and execution prevent margin expansion. This is the case to use if order strength proves front-loaded, if defense budgets shift away from GE-relevant propulsion, or if GE wins development work but fails to capture enough production economics.

9. Forward Operating Margin Assumptions

DPT margins are disclosed only at the segment level. GE does not disclose D&S or P&AT operating income, and it does not disclose equipment/service margin for DPT. The forecast therefore uses segment-level margin assumptions and explains the mechanisms behind each case. This is preferable to fabricating product margins.

Case	Current TTM margin	TTM+5y margin	Change	TTM+5y revenue	TTM+5y operating income	Mechanism
Bear	12.2%	11.0%	-120 bps	$13.27B	$1.46B	Program delays, cost growth, lower absorption, and government pricing pressure offset service durability.
Base	12.2%	14.5%	+230 bps	$16.24B	$2.36B	Order conversion, better factory yield, FLIGHT DECK productivity, service mix, and maturing programs lift margin above FY2025.
Bull	12.2%	16.0%	+380 bps	$19.05B	$3.05B	Strong volume, clean ramp execution, higher mature-service mix, additive productivity, and favorable program mix produce true operating leverage.

The base-case margin expansion is greater than 100 bps, so it needs a concrete mechanism. The mechanism is not "defense is good." It is a mix of order conversion, cost absorption on higher revenue, manufacturing and supplier productivity, service contribution from installed fleets, and maturation of newer programs. Management's FY2026 DPT operating profit guide of $1.55B to $1.65B also provides a near-term proof point: if revenue grows in the mid-single to high-single range, the guided profit implies a margin above the 12.2% TTM base. A 14.5% margin by March 2031 is therefore an extension of management's direction of travel, not a heroic assumption.

The bull-case 16.0% margin is possible but not central. It would require multiple favorable things at once: high revenue conversion, better service mix, clean supplier performance, and no major fixed-price development or production loss. It also likely requires GE to turn some advanced propulsion work into scalable production economics rather than keeping it as low-volume engineering activity. The bear-case 11.0% margin is also realistic if growth comes with development burden, supplier friction, or unfavorable contract structures. DPT has already shown quarterly margin volatility, including an 8.9% margin in Q4 FY2025, so the bear case is not merely theoretical.

10. Segment Rollup

The rollup below starts with the estimated D&S/P&AT TTM allocation and compounds each line for exactly five calendar years to March 31, 2031. The product-line figures sum to the segment revenue in each case. Operating income is calculated by applying the case margin to the case revenue. Because product-level margins are not disclosed, the operating income calculation is segment-level rather than product-level.

Case	D&S TTM base	D&S CAGR	D&S TTM+5y revenue	P&AT TTM base	P&AT CAGR	P&AT TTM+5y revenue	Segment TTM+5y revenue
Bear	$6.895B	3.5%	$8.19B	$4.175B	4.0%	$5.08B	$13.27B
Base	$6.895B	7.0%	$9.67B	$4.175B	9.5%	$6.57B	$16.24B
Bull	$6.895B	10.5%	$11.36B	$4.175B	13.0%	$7.69B	$19.05B

Case	Segment TTM+5y revenue	Segment TTM+5y margin	Segment TTM+5y operating income	Revenue CAGR from TTM	Arithmetic check
Bear	$13.27B	11.0%	$1.46B	3.7%	$8.19B + $5.08B = $13.27B
Base	$16.24B	14.5%	$2.36B	8.0%	$9.67B + $6.57B = $16.24B
Bull	$19.05B	16.0%	$3.05B	11.5%	$11.36B + $7.69B = $19.05B

The base case is the one to feed into synthesis unless the reviewer finds a better company-wide reconciliation need. It is neither punitive nor promotional. It assumes DPT remains a lower-margin segment than CES but becomes a more valuable contributor as defense orders, services, and P&AT technologies scale. If the synthesis needs a single sensitivity, use margin first. At the base-case revenue of $16.24B, each 100 bps of DPT operating margin is about $162M of segment operating income. At a 21% tax rate and roughly one billion shares, that is roughly $0.13 of EPS before corporate allocations and share-count changes. Revenue growth matters, but the investment debate will notice margin credibility quickly because DPT starts from a modest margin base.

11. Key Risks And Wildcards

The first risk is program timing. DPT has attractive named programs, but defense programs do not become revenue on press-release timing. T408, T901, GEK1500, GE426, adaptive-cycle work, hypersonics, and additive qualification all require design, testing, qualification, procurement, and production milestones. This primarily affects the bull and base cases. If milestones slip, the bull case collapses first, then the base case has to move toward the bear case.

The second risk is budget and political priority. The 2025 10-K states that GE demand tends to follow government funding for defense budgets. Defense budgets can grow in aggregate while specific programs lose funding, shift to competitors, or face continuing-resolution delays. This mostly affects D&S growth. It is also why this appendix does not turn every small-engine or autonomous-platform development award into revenue immediately.

The third risk is contract economics. Government contracts bring audit, cost, pricing, termination, and compliance obligations. GE can win more work and still disappoint investors if the work arrives with poor pricing, fixed-price cost overruns, or heavy engineering burden. This is the central bear-case margin risk.

The fourth risk is supplier and manufacturing execution. GE's own filings emphasize supplier constraints, material availability, delivery performance, and investments to strengthen the industrial base. DPT is exposed to the same constraints as CES, with the additional difficulty of defense-specific compliance and restricted suppliers. This risk affects all cases, but it is most dangerous in the bull case because the bull case assumes high volume and cleaner absorption.

The fifth risk is competitive displacement. Pratt & Whitney, Rolls-Royce, Honeywell, and international suppliers can win key opportunities. A single platform loss can remove years of future engine and service economics. GE's breadth gives it many shots on goal, but not every shot matters equally.

The sixth risk is technology-option monetization. GE's advanced propulsion and autonomous-platform work may be strategically important but economically small through 2031. GEK1500, GE426, adaptive-cycle, and additive programs may create future value beyond the five-year horizon; they may also stay as development revenue and low-volume demonstration work. This is the main wildcard for bull-case revenue and margin.

The seventh risk is disclosure opacity. GE does not disclose revenue by defense platform, by engine family, by D&S versus P&AT for TTM, or by product-level margin. The model is necessarily segment-level. This does not invalidate the forecast, because the total DPT TTM base is controlled and verified, but it limits precision.

Final summary:

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Bear	$13.27B	11.0%	$1.46B	25%
Base	$16.24B	14.5%	$2.36B	50%
Bull	$19.05B	16.0%	$3.05B	25%

Source notes: GE historical numbers and management commentary are from `data_package.md`. The controlled TTM base is from `quant_foundation.md` P4 and was independently verified by `quant_foundation_review.md`. External context used in the qualitative sections includes GE's 2025 Form 10-K at `https://www.sec.gov/Archives/edgar/data/40545/000004054526000008/ge-20251231.htm`, GE's Q1 2026 earnings release at `https://www.sec.gov/Archives/edgar/data/40545/000004054526000026/ge1q2026earningsrelease.htm`, GE's defense engine pages at `https://www.geaerospace.com/military-defense/engines`, the T901 page at `https://www.geaerospace.com/military-defense/engines/t901`, the GEK1500 press release at `https://www.geaerospace.com/news/press-releases/ge-aerospace-and-kratos-win-us-air-force-award-design-e`

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Appendix S - Synthesis (Combined Earnings Model)

GE Aerospace - Synthesis (Combined Earnings Model)

Prepared for the ER2 / Gideon production run on 2026-05-30. This appendix is the combined earnings model for GE Aerospace (GE). It uses the cleared quantitative foundation, the data package after data-review clearance, the reviewed segment appendices, the management appendix, and the moat appendix. The controlling financial base is the QF/QFR-approved SEC bridge because the user explicitly authorized a GE-specific official SEC filings override for stale FMP quarterly product/segment data on 2026-05-30.

The purpose of this appendix is narrow: translate the segment-level work into consolidated TTM+5y revenue, operating income, net income, and EPS; show the share-count path; test the P/E 15 hurdle at the current price; and run the required tie-out checks. The conclusion is not ambiguous. GE Aerospace clears the business-quality portions of the ER2 framework, but the base-case price math fails at the current share price. The business can compound operating income at an attractive rate and still be too expensive for Gideon's P/E 15 discipline.

1. Anchors

Anchor	Value
Today	2026-05-30
Company fiscal year end	December 31
Latest reported quarter	Q1 FY2026 ended March 31, 2026
TTM anchor	Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026
TTM end date	March 31, 2026
Latest completed FY label	FY2025, used only for historical tie-out
Forward horizon	March 31, 2031
Compounding span	Exactly 5.0 calendar years from March 31, 2026 to March 31, 2031
Current price	$323.76 from the live FMP quote saved in QF raw files
Starting diluted share count	1,049.2M, FMP Q1 FY2026 diluted weighted average share count
Starting shares outstanding cross-check	1,043.337M at March 31, 2026 from QF P6

Every "FY+5" figure below means TTM+5y at March 31, 2031. I do not use FY2025 plus five fiscal years. The segment appendices also use the same March 31, 2026 to March 31, 2031 horizon.

Source hierarchy: the quantitative foundation controls the TTM segment bridge and the FMP quote; the data package controls historical consolidated financials, capital allocation, balance sheet, and open data gaps; the segment appendices control segment revenue and operating profit forecasts; the management and moat appendices inform qualitative cross-checks but do not drive the arithmetic. The key data-source caveat remains visible: FMP annual product segmentation ties FY2025 operating segment revenue, but FMP quarterly product segmentation is stale and cannot build the current TTM segment bridge. The SEC override is GE-specific and user-authorized, not a general relaxation of the ER2 source rule.

2. Segment-level Forward Assumptions

The table reproduces the reviewed segment appendix outputs. I do not re-derive these forecasts in synthesis. The Commercial Engines & Services appendix gives the service-led CES case, and the Defense & Propulsion Technologies appendix gives the lower-margin but strategically useful DPT case.

Segment	TTM revenue ($B)	Bear TTM+5y rev	Base TTM+5y rev	Bull TTM+5y rev	Bear OI margin	Base OI margin	Bull OI margin	Source
Commercial Engines & Services	35.571	43.446	52.992	58.068	24.9%	28.4%	30.4%	`appendix_B_commercial_engines_services.md` sections 8-10
Defense & Propulsion Technologies	11.070	13.270	16.240	19.050	11.0%	14.5%	16.0%	`appendix_B_defense_propulsion_technologies.md` sections 8-10

Segment	TTM revenue ($B)	Bear TTM+5y rev	Base TTM+5y rev	Bull TTM+5y rev	Bear OI margin	Base OI margin	Bull OI margin	Source
Total operating segments	46.641	56.716	69.232	77.118	21.6% bear blended	25.2% base blended	26.9% bull blended	Sum of reviewed segment appendices

The TTM revenue total in this reproduction is $46.641B when the segment appendix figures are rounded to three decimals, compared with the QF official SEC total segment row of $46.639B. QF/QFR already classified this $1M-$2M difference as presentation rounding from independently rounded table rows. The model uses the official QF total for reported-financial tie-out, and the segment appendix rounded values for the forward rollup.

The segment cases are intentionally asymmetric. CES has the better economics and is the dominant value driver, so the base case gives it a 55% probability in the segment appendix. DPT carries a 50% base probability because the order book and program wins are real, but conversion depends on defense timing, contract economics, and program execution. For the consolidated summary, I use 25% bear, 55% base, and 20% bull. That weighting respects CES as the larger value driver while still recognizing that both segments face supply-chain and program execution risks.

3. Combined Revenue Build

Operating segment revenue is not the same as consolidated revenue. QF P3 gives TTM consolidated revenue of $48.312B, operating segment revenue of $46.639B, and Insurance / Corporate & Other revenue of $1.673B. The non-segment revenue is not modeled as a growth engine. It is run-off insurance and corporate/other revenue, so I let it decline from the TTM base in the bear and base cases and remain modest in the bull case. The value debate is CES and DPT, not an insurance revenue stub.

Line	Bear	Base	Bull
CES TTM+5y revenue	43.446	52.992	58.068
DPT TTM+5y revenue	13.270	16.240	19.050
Sum of segment TTM+5y revenue	56.716	69.232	77.118
Corporate / insurance / other revenue	1.000	1.200	1.300
Corporate eliminations	0.000	0.000	0.000
Combined TTM+5y revenue	57.716	70.432	78.418
Implied TTM to TTM+5y CAGR	3.6%	7.8%	10.2%

The base-case revenue CAGR of 7.8% is below the recent CES and DPT reported growth rates. That matters because it keeps the model from simply capitalizing a hot Q1 2026. Q1 2026 was unusually strong: CES revenue grew 34% year over year and DPT grew 19%. The base case assumes that the first forward year remains strong, consistent with management's low-double-digit adjusted revenue guide, but that the five-year CAGR decelerates as the base gets larger and supply-chain, shop-visit, airframer, and defense conversion constraints matter.

The bear case is not a recession collapse. It is a positive-growth disappointment case. Commercial engine services remain durable, but parts and shop constraints, customer deferrals, spare-engine mix, time-on-wing effects, and lower equipment profitability hold back the model. DPT still grows, but defense procurement drag and program timing prevent the segment from converting the Q1 2026 order strength into a high-margin five-year outcome. The bull case requires multiple things to work at the same time: LEAP aftermarket maturation, spare-parts availability, MRO capacity, GE9X ramp, defense order conversion, and clean DPT program execution.

4. Combined Operating Income Build

The segment appendices forecast segment operating income or segment profit. That is not yet consolidated operating income. The data package's FY2025 consolidated table gives FMP operating income of $8.770B versus SEC operating segment profit of $10.157B, a $1.387B operating-classification drag. The QF/QFR TTM bridge plus FMP quarterly income statements produce TTM operating income of about $8.952B against TTM segment profit of $10.657B, a $1.705B drag. This drag includes Corporate & Other, insurance/corporate operating items, and consolidated statement-classification items that are not allocated to CES or DPT.

For the horizon model, I use an explicit unallocated corporate/insurance operating drag rather than hiding the gap. Bear is $2.100B, base is $1.900B, and bull is $1.750B. The base case therefore grows the TTM operating drag only modestly despite much higher revenue, because a focused standalone aerospace company should have some operating leverage. The bear

case assumes insurance/corporate and overhead friction worsen. The bull case assumes better absorption and fewer drag items. This is not a plug: it is anchored to the TTM and FY2025 reconciliation gap and carried as a named line.

Line	Bear	Base	Bull
CES TTM+5y operating income	10.819	15.072	17.669
DPT TTM+5y operating income	1.460	2.360	3.050
Sum of segment TTM+5y OI	12.279	17.432	20.719
Unallocated corporate / insurance operating drag	(2.100)	(1.900)	(1.750)
Combined TTM+5y operating income	10.179	15.532	18.969
Implied OI margin on consolidated revenue	17.6%	22.1%	24.2%

This is the most important bridge in the appendix. If one simply capitalized segment profit, GE would look much cheaper. The ER2 model does not do that. It carries the consolidated operating drag forward and then asks whether the resulting EPS clears the P/E 15 hurdle. The answer is no, even with an attractive base-case operating income CAGR.

The base-case combined operating income of $15.532B represents a strong business outcome. It is not a bearish operating model. It assumes CES expands from $9.307B of TTM profit to $15.072B and DPT expands from $1.350B to $2.360B. That is meaningful profit compounding. The problem is the entry valuation, not the operating quality.

5. Net Income and EPS Build

The net income bridge uses separate assumptions for net interest, other income, tax, and share count. TTM interest and other financial charges were about $0.863B under the QF bridge. Non-operating benefit income was about $0.763B on the same official bridge, and the FMP operating-income-to-PBT bridge shows that below-operating-income items have recently been net positive. I do not assume that all of that benefit grows with segment profit. Base-case net interest is $(0.800)B and other income is $1.150B, for a net positive below-operating-income contribution of $0.350B. Bear is less favorable; bull is modestly more favorable.

The tax assumption is normalized above the FY2025 effective rate. FY2025 ROIC in the data package uses an effective tax rate of about 14.1%, and Q1 2026 official tax was also low. For the horizon, I use 20.0% in bear, 18.0% in base, and 17.0% in bull. This avoids overstating EPS by assuming the current low-teens tax rate persists unchanged for five years.

Line	Bear	Base	Bull
Combined TTM+5y operating income	10.179	15.532	18.969
Net interest expense	(0.850)	(0.800)	(0.750)
Other income / non-operating benefit	0.950	1.150	1.250
Pre-tax income	10.279	15.882	19.469
Tax rate assumed	20.0%	18.0%	17.0%
Tax expense	(2.056)	(2.859)	(3.310)
Net income attributable to common	8.223	13.023	16.159
Diluted share count at TTM+5y	1,011.0M	989.0M	969.2M
EPS at TTM+5y	8.13	13.17	16.67

The base-case EPS calculation is $13.023B of net income divided by 989.0M diluted shares, or $13.17. This is the number that matters for the ER2 P/E 15 gate. It is materially below the $21.58 EPS required to justify today's $323.76 price at 15x.

6. Share Count Path

The data package records large repurchases: $7.551B in FY2025 and $2.399B in Q1 FY2026. TTM FCF less capex from QF P6 is $7.472B. That means recent repurchases have been aggressive relative to FCF. Management's balance sheet has room, but the model should not assume that buybacks can compound forever at the Q1 2026 annualized rate without cost. I therefore use a lower forward base-case buyback pace of $5.0B per year. This is still large, but it is below recent repurchase intensity and allows room for dividends, capacity investment, R&D, working capital, and balance-sheet caution.

Share-based compensation is modest but real. The management appendix cites SEC stock-based compensation of $371M in FY2025, $361M in FY2024, and $355M in FY2023. At the current $323.76 quote, $371M equates to roughly 1.1M shares. I round to 1.2M shares of annual SBC issuance in the base path. This is deliberately simple and transparent. It is not a claim that every SBC share settles at today's price.

Base-case detailed path:

Year	Starting share count (M)	Buyback ($B)	Avg price assumed	Shares retired (M)	SBC issuance (M)	Ending share count (M)
2026-2027	1,049.2	5.0	340	14.7	1.2	1,035.7
2027-2028	1,035.7	5.0	360	13.9	1.2	1,023.0
2028-2029	1,023.0	5.0	380	13.2	1.2	1,011.0
2029-2030	1,011.0	5.0	400	12.5	1.2	999.7
2030-2031	999.7	5.0	420	11.9	1.2	989.0

Case-level share-count summary:

Case	Annual buyback pace	Buyback price path	Annual SBC issuance	Ending diluted shares	Rationale
Bear	$3.0B	$320 to $360	1.2M	1,011.0M	Lower FCF conversion and less willingness to repurchase at premium valuation
Base	$5.0B	$340 to $420	1.2M	989.0M	Below recent run-rate but still an active capital-return program
Bull	$7.0B	$360 to $460	1.2M	969.2M	Higher FCF and management willingness to keep repurchasing despite higher prices

The share-count path is meaningful but not enough to rescue the valuation. In the base case, repurchases reduce diluted share count by about 60.2M net shares over five years after SBC, or about 5.7% of the starting count. That helps EPS, but it cannot bridge the gap from $13.17 base EPS to the $21.58 P/E 15 hurdle.

7. P/E 15 Test

The P/E 15 test is the core Gideon valuation discipline. The required EPS at the current price is current price divided by 15. At $323.76, required TTM+5y EPS is $21.58. The base case is the case that matters. Bull-case upside does not rescue a base-case failure.

Case	EPS at TTM+5y	EPS x 15	Current price	Cushion	Pass?
Bear	8.13	122.0	323.76	-62.3%	Fail
Base	13.17	197.5	323.76	-39.0%	Fail
Bull	16.67	250.1	323.76	-22.8%	Fail

The base-case cushion is negative 39.0%. Said differently, GE Aerospace would need the base-case FY+5 EPS estimate to be about 64% higher than this model's $13.17 to clear P/E 15 at the current price. Or the current stock price would need to fall to roughly $197.50 for the base-case P/E 15 hurdle to clear without changing the model.

The bull case also fails. That is important. The bull case has GE reaching $78.418B of revenue, $18.969B of consolidated operating income, $16.159B of net income, and $16.67 of EPS by March 31, 2031. Even that gives an EPS x 15 value of only about $250.10, still below the current $323.76 price. Therefore the valuation issue is not a small modeling quibble. It is a large entry-price problem under ER2's rule.

8. Reflexivity Check

The model's forward build must tie back to the reported TTM base. The segment sum alone does not equal consolidated revenue because GE still has Insurance / Corporate & Other revenue. The segment profit sum alone does not equal consolidated operating income because GE has unallocated corporate, insurance, and operating-classification drag.

Check	TTM reported / controlled base	Reconstructed base	Difference	Status
Operating segment revenue	46.639	46.639	0.000	Pass
Consolidated revenue	48.312	46.639 + 1.673 = 48.312	0.000	Pass
Segment profit	10.657	9.307 + 1.350 = 10.657	0.000	Pass
Consolidated operating income	8.952	10.657 - 1.705 = 8.952	0.000	Pass
FY2025 segment profit	10.157	8.861 + 1.296 = 10.157	0.000	Pass
FY2025 consolidated operating income	8.770	10.157 - 1.387 = 8.770	0.000	Pass

This check is where the synthesis avoids the most tempting error. GE's segment profit base is attractive, but the market owns common-stock EPS after all consolidated items. The right anchor for EPS is not raw segment profit. The right anchor is the segment-profit build after the operating drag, interest/other bridge, taxes, and share count.

9. In-progress FY Reconciliation

Stage 0 does not treat FY2026 as effectively complete. The latest completed quarter is Q1 FY2026, and the TTM anchor uses Q2 FY2025 through Q1 FY2026. Still, the FY2026 guide and Q1 actuals are useful for a first-forward-year reasonableness check.

Q1 FY2026 reported revenue was $12.392B. Annualizing that quarter mechanically would produce $49.568B, but that is not the right forecast because GE has normal quarterly cadence, backlog conversion, and strong Q2-Q4 2025 already in the TTM base. The TTM consolidated revenue base is $48.312B. The base-case five-year revenue CAGR of 7.8% implies a first-forward-year revenue run-rate of roughly $52.1B if applied smoothly. That is 7.8% above the TTM base and within 10%, while also being below the Q1 2026 annualized run-rate. Management's FY2026 guide calls for low-double-digit adjusted revenue growth, so the base-case first year is not front-loaded beyond current evidence.

For operating income, TTM consolidated operating income is about $8.952B. The base-case five-year path to $15.532B implies an 11.6% operating-income CAGR and a first-forward-year operating income level close to $10.0B. That is slightly above a strict 10% recency band, but it is directly supported by management's FY2026 operating profit guide of $9.85B to $10.25B in the data package. Therefore the recency check passes with a guide-supported explanation rather than a silent exception.

10. Sensitivity

The variables that matter most are CES growth and consolidated margin conversion. DPT is strategically interesting, but it is too small to dominate the valuation by itself. Share count helps but cannot fix the valuation gap. Tax rate matters, but not enough to change the verdict.

Sensitivity	EPS at TTM+5y	EPS impact vs. base	Interpretation
Base case	13.17	0.00	Base consolidated model
CES revenue CAGR +200 bps, margin held at base	14.37	+1.20	Biggest positive swing because CES is the profit center
CES revenue CAGR -200 bps, margin held at base	12.06	-1.11	Core downside if services decelerate faster than expected
DPT OI margin +200 bps	13.44	+0.27	DPT margin helps, but segment is too small to rescue valuation
DPT OI margin -200 bps	12.90	-0.27	Program or contract margin pressure is visible but secondary
Share count 5% lower than base	13.86	+0.69	Buybacks help, but require meaningful capital deployment
Share count 5% higher than base	12.54	-0.63	Less repurchase capacity is a clear EPS headwind
Tax rate 300 bps lower	13.65	+0.48	Low tax helps but is not the central variable
Tax rate 300 bps higher	12.69	-0.48	Normalized tax pressure does not change the conclusion

The single variable that can change the investment debate fastest is CES services growth plus margin. If LEAP fleet maturation, shop visits, spare parts, and MRO capacity keep CES services growth high while margins expand, the model can move materially. Even then, the required move is large. A +200 bps CES CAGR sensitivity only lifts base EPS to about $14.37, still far below $21.58. Therefore the trigger for a future BUY would likely need both a materially lower share price and continued operating proof, not just one more strong quarter.

11. Combined Earnings Summary

Case	Revenue ($B)	OI ($B)	OI margin	NI ($B)	EPS	Probability	EPS x 15	vs. $323.76
Bear	57.716	10.179	17.6%	8.223	8.13	25%	122.0	-62.3%
Base	70.432	15.532	22.1%	13.023	13.17	55%	197.5	-39.0%
Bull	78.418	18.969	24.2%	16.159	16.67	20%	250.1	-22.8%
Probability-weighted EPS	n/a	n/a	n/a	n/a	12.83	100%	192.5	-40.6%

The probability weights are 25% bear, 55% base, and 20% bull. I overweight base because management and moat are both GREEN and recent trends are favorable. I do not give the bull case equal weight because it requires cleaner supply-chain, LEAP aftermarket, GE9X, defense, and corporate-drag outcomes at the same time. I do not give bear a token weight because the valuation debate is sensitive to CES services and margin disappointment.

The probability-weighted EPS is $12.83. That is lower than base because the bear case is much farther below base than the bull case is above it. This reinforces the price conclusion. Even if an investor likes the quality of the business, the ER2 valuation discipline does not accept "great business, premium price" as a BUY.

12. 20% Return Underwriting

The current ER2 synthesis reference asks for P/E 15 at today's price. The broader Gideon framework also asks whether a 20% annualized return can be underwritten without terminal multiple expansion when the scoring stage is run. I include the math here for continuity.

At a current price of $323.76, a 20% annualized five-year return requires a year-five value of $805.48 before dividends. If the terminal multiple is capped at 15x, the required March 31, 2031 EPS is $53.71. That is current price multiplied by 1.2 to the fifth power, divided by 15.

Test	Required EPS	Base EPS	Base shortfall	Status
P/E 15 entry hurdle at today's price	21.58	13.17	-39.0% value cushion	Fail
20% IRR with terminal P/E 15 and no dividend credit	53.71	13.17	-75.5% EPS shortfall	Fail

Dividends would reduce the 20% EPS requirement modestly, but not remotely enough to change the conclusion. GE's current dividend and dividend growth are not large enough to close a gap of this size. A 20% annualized return case at today's price would require either a much higher terminal multiple, a much higher EPS path than the segment model supports, or a large capital return assumption that is not supported by cash generation at this valuation. That should be carried into the compounder-score and red-team stages as a valuation weakness.

13. Tie-out Checks

#	Check	Result	Evidence
1	Reported-financial tie-out, TTM and FY2025	Pass	TTM consolidated revenue ties to $48.312B after adding $1.673B Corporate/Other revenue; TTM operating income ties to $8.952B after the $1.705B operating drag; FY2025 segment profit and operating income tie to the data package.
2	NI / shares = EPS	Pass	Bear $8.223B / 1.0110B = $8.13; Base $13.023B / 0.9890B = $13.17; Bull $16.159B / 0.9692B = $16.67.

#	Check	Result	Evidence
3	Segment sum tie-out at horizon	Pass	Segment revenue equals CES plus DPT in every case; corporate/insurance revenue is separately named and no hidden elimination is used.
4	Product-to-segment rollup	Pass	CES product rows sum to segment revenue; DPT D&S plus P&AT rows sum to segment revenue; both were also reviewed by the segment reviewers.
5	Weighted margin check	Pass	CES product margins mathematically tie to CES OI; DPT does not disclose product margins, so the appendix uses segment-level margin and OI = revenue x margin.
6	Share count path	Pass	Each case derives ending shares from starting diluted shares plus five years of buybacks and SBC issuance; no flat-share shortcut is used.
7	Growth plausibility	Pass	No base-case segment or product CAGR exceeds 1.2x the disclosed three-year historical CAGR; D&S at 7.0% is below 1.2x its 6.6% history.
8	Historical arithmetic	Pass	Segment appendix forward tables use TTM revenue x (1 + CAGR)^5 and tie within rounding; synthesis rechecked the key CES and DPT rows.
9	Recency anchor	Pass	Base first-forward-year revenue is within 10% of TTM; first-forward-year operating income is guide-supported by the $9.85B-$10.25B FY2026 operating profit guide.
10	Corporate / interest / tax bridge	Pass	Corporate operating drag, net interest, other income, tax rate, and tax expense are explicit; PBT and NI are not plugs.
11	Capital allocation affordability and valuation math	Pass	Base buyback pace is below recent TTM repurchase intensity and within a plausible FCF framework; required EPS, EPS x 15, and cushion calculations tie.

All 11 tie-out checks pass. The most judgment-heavy checks are 9 and 10, not because the arithmetic is unclear, but because GE has a live transition from legacy GE accounting geography into a cleaner standalone aerospace company. The model handles that by naming the corporate/insurance drag and by using a more normalized tax rate than the recent low-teens effective tax rate.

14. Synthesis Read-through

The synthesis is a clean example of a company that can be operationally excellent and still fail the ER2 valuation gate. Commercial Engines & Services is an unusually attractive industrial segment: the installed base is large, service revenue dominates, LEAP maturation still has room to run, and GE has credible management focus on shop capacity, supplier input, and time-on-wing. Defense & Propulsion Technologies is not as economically powerful, but it gives GE a second long-cycle demand stream and technology options in military propulsion, controls, additive, and autonomous-platform engines.

Management and moat are not the problem. The management appendix is GREEN. The moat appendix is GREEN and passes the 2046 test. Balance-sheet leverage is not the gating issue. The data package's FY2025 ROIC calculation of 28.1% is consistent with a high-quality business, even after acknowledging that older consolidated GE history is messy and not a pure standalone aerospace history.

The problem is that the market price already capitalizes a large amount of that quality. At $323.76, GE needs $21.58 of March 2031 EPS to clear P/E 15. The base model produces $13.17. The bull model produces $16.67. Therefore the stock fails the P/E 15 gate in all three cases. A buyer at today's price is underwriting a premium terminal multiple, a much more aggressive EPS path, or both. That may be defensible for some growth-quality investors, but it is not a Gideon BUY under ER2.

The most useful monitor is CES services conversion. If services growth remains elevated, parts availability improves, shop visits convert without margin leakage, and corporate/insurance drag does not grow, the model can be revised upward. The second monitor is buyback discipline. At lower prices, buybacks would be a powerful per-share compounding tool. At the current price, large buybacks are less obviously accretive to the ER2 hurdle. The third monitor is DPT margin. DPT does not need to become CES, but if DPT cannot sustain margin expansion above the low-teens base, the consolidated EPS path loses a meaningful support.

Current synthesis verdict for this appendix: P/E 15 gate FAIL. Business quality is strong, but price is too high for the required March 31, 2031 EPS. A future WATCH or BUY trigger would require either a much lower stock price, materially higher verified segment economics, or both.

Appendix CS - Compounder Score

GE Aerospace - Diagnostic Compounder Score

Prepared on 2026-05-30 for the ER2 / Gideon production run. Ticker: GE. Currency: USD. Reporting company: GE Aerospace. Exchange: NYSE. The latest operating anchor is Q1 FY2026 ended March 31, 2026; TTM means Q2 FY2025 plus Q3 FY2025 plus Q4 FY2025 plus Q1 FY2026; the five-year forward horizon is March 31, 2031.

This appendix is diagnostic only. It does not override the ER2 synthesis verdict. The synthesis appendix already shows that GE Aerospace fails the P/E 15 gate at the current price: base-case March 31, 2031 EPS is $13.17, while $21.58 is required to justify $323.76 at 15x. The compounder score answers a narrower question: does the business look like a high-quality, long-run compounder, and does the current stock price let a buyer underwrite the Gideon 20% annualized return hurdle without heroic terminal-multiple assumptions?

1. Executive Verdict

GE Aerospace scores 70 / 100 under the diagnostic compounder rubric: 69 / 80 for business quality and 1 / 20 for 20% return underwriting. The score-implied classification is **Buy only at lower price**.

The business-quality score is high because Commercial Engines & Services is a rare industrial installed-base franchise. The company has a large certified engine fleet, a young LEAP service runway, a mature CFM56 aftermarket, service RPO/backlog visibility, mid-20s CES segment margins, strong cash conversion, modest leverage, and GREEN management and moat appendices. Defense & Propulsion Technologies is lower margin and more program dependent, but it adds defense demand, installed-base support, and technology optionality without dominating the equity case.

The valuation score is almost zero because the current stock price already capitalizes a large amount of that quality. At $323.76, the base case using a 15x terminal P/E produces a March 2031 value of about $197.50 per share before dividends. Adding a rough dividend credit still implies a negative annualized return, not a 20% return. The broader 20% test is even more demanding: a five-year 20% return with a 15x terminal P/E requires about $53.71 of March 2031 EPS before dividend credit, versus the synthesis base case of $13.17. The evidence supports GE Aerospace as a high-quality compounder candidate. The evidence does not support owning it at the current price under the ER2/Gideon return hurdle.

Scorecard notes for Stage 7:

- Compounder Score note: 70 / 100. Strong compounder diagnostics, but the score is capped by a near-zero valuation score; diagnostic only and does not override the ER2 P/E 15 FAIL.
- Business Quality Score note: 69 / 80. CES installed-base services, high recent ROIC, cash conversion, GREEN moat, and GREEN management support a high quality score, while short standalone history, LTSA estimate sensitivity, and buyback price discipline cap the score.
- 20% Return UW Score note: 1 / 20. Base EPS of $13.17 is far below the $53.71 EPS required for a five-year 20% return at 15x terminal P/E; cash returns help only marginally.

2. Data Source Map

The source hierarchy follows the verified ER2 chain. QF and QFR cleared after the user authorized a GE-specific SEC filings override for stale FMP quarterly product/segment data. That override is carried forward as a data-source caveat, not as a business concern.

Evidence area	Primary source used	Local source file	Treatment in this appendix
Price / market cap	Live FMP quote saved in QF raw files	`quant_foundation.md` P6	Current price $323.76; market cap $338.274B
Enterprise value	Current market cap plus Q1 2026 net debt	`quant_foundation.md` P6; `data_package.md` balance sheet	EV estimated at $347.570B using $9.296B Q1 net debt
Income statement	Live FMP statements and SEC tie-outs	`data_package.md`; `quant_foundation.md`	FY2025 and TTM consolidated base
Cash flow	FMP cash flow plus QF continuing-operations bridge	`data_package.md`; `quant_foundation.md` P6	FY2025 FCF $7.264B; TTM continuing-operations FCF less capex $7.472B

Evidence area	Primary source used	Local source file	Treatment in this appendix
Balance sheet	FMP balance sheet plus QF P6	`data_package.md`; `quant_foundation.md`	Q1 2026 cash $10.981B, debt $20.277B, net debt $9.296B
Share count	FMP income statement and QF P6	`data_package.md`; `appendix_synthesis.md`	Starting diluted shares 1,049.2M; Q1 shares out 1,043.337M
SBC	SEC 2025 10-K as cited by management/synthesis	`appendix_management.md`; `appendix_synthesis.md`	FY2025 stock-based compensation $371M
Segment data	SEC segment tables via QF/QFR	`quant_foundation.md`; `data_package.md`; segment appendices	CES and DPT TTM and FY+5 segment models
Management	2026 proxy, annual-meeting 8-K, filings, transcripts	`appendix_management.md`	GREEN / PASS
Moat	SEC, GE/CFM, FAA, IATA, Boeing, Airbus, competitor sources	`appendix_moat.md`	GREEN / PASS; 2046 test GREEN
Valuation synthesis	Bottom-up segment rollup and P/E 15 gate	`appendix_synthesis.md`	11 / 11 tie-outs; P/E 15 gate FAIL
Data gaps	Verified source limitations	`data_package.md`; QF/QFR	Segment/product quarterly FMP stale; platform and engine-family revenue undisclosed

Source confidence is High for the key historical base because QF/QFR, DR, segment reviews, management, moat, and synthesis are all cleared. Confidence is Medium for ROIIC because GE's recent standalone history is short and legacy GE perimeter changes make 5-year and 10-year consolidated calculations less clean than the FY2022-FY2025 current-taxonomy segment record.

3. Key Financial and Quality Metrics

The cleanest current operating base is the QF-defined TTM ended March 31, 2026. QF P3 reports TTM consolidated revenue of $48.312B, operating segment revenue of $46.639B, TTM segment profit of $10.657B, and TTM consolidated operating income of about $8.952B after the unallocated corporate/insurance operating drag. QF P6 reports TTM continuing-operations operating cash flow of $8.868B and TTM continuing-operations FCF less capex of $7.472B.

The verified data package gives FY2025 consolidated revenue of $45.855B, operating income of $8.770B, net income of $8.704B, FY2025 FCF of $7.264B, and calculated FY2025 ROIC of 28.1%. The ROIC calculation uses operating income times one minus the effective tax rate, divided by debt plus equity less cash and short-term investments. FY2025 invested capital under that formula is $26.779B. This is a strong recent number, but the appendix does not pretend that legacy GE's FY2021-FY2023 consolidated history is a pure standalone aerospace record.

Metric	Evidence	Diagnostic read-through
FY2025 reported ROIC	28.1%	High recent return on capital; score capped because older consolidated years are perimeter-distorted
FY2024 reported ROIC	23.5%	Strong and improving before the full FY2025 step-up
FY2023 reported ROIC	15.1%	Positive but less mature as standalone simplification was still underway
FY2025 FCF / NOPAT	About 96%	$7.264B FCF versus $7.538B FY2025 NOPAT from data-package calculation
TTM FCF / normalized NOPAT	About 102%	$7.472B TTM FCF versus TTM operating income taxed at 18%
TTM CFO / TTM net income	About 103%	$8.868B continuing-ops CFO versus $8.630B TTM net income attributable to common
FY2025 SBC / revenue	0.8%	$371M stock-based compensation versus $45.855B revenue
FY2025 SBC / FCF	5.1%	SBC is real but not abusive
FY2025 net debt / EBITDA	0.67x	Balance sheet is not the gating risk
Current EV / normalized TTM NOPAT	About 47x	High multiple on current after-tax operating profit
Current market cap / TTM FCF	About 45x	FCF yield about 2.2%
FY2025 buyback yield on current market cap	About 2.2%	Useful cash return, but repurchases at premium price need scrutiny

Metric	Evidence	Diagnostic read-through
FY2025 dividend yield on current market cap	About 0.4%	Dividends are helpful but not valuation-changing

The best current-taxonomy growth record is FY2022-FY2025 segment history. CES revenue grew from $18.813B to $33.314B, a 21.0% three-year CAGR. DPT revenue grew from $7.989B to $10.554B, a 9.7% three-year CAGR. Those numbers are not normal-cycle steady-state assumptions; the segment appendices intentionally decelerate growth into the five-year base case. The synthesis base case reaches $70.432B of consolidated revenue, $15.532B of operating income, $13.023B of net income, and $13.17 of EPS by March 31, 2031.

4. Rubric Scorecard

Category	Score	Max	Evidence summary
Incremental returns on capital	21	25	FY2025 ROIC 28.1%, high cash conversion, and strong CES unit economics; score capped by short standalone history and incomplete working-capital ROIIC data
Reinvestment runway	18	20	LEAP, CFM56, shop visits, spare parts, services RPO, GE9X, defense programs, and manufacturing/MRO capacity investment support a long runway
Durability of moat	14	15	Moat appendix is GREEN and 2046 test is GREEN; main watch item is the next propulsion cycle and LEAP service economics
Accounting and financial quality	8	10	Cash flow supports earnings, leverage is modest, disclosures are above average; LTSA estimate sensitivity and legacy GE noise prevent a perfect score
Capital allocation discipline	8	10	Culp/Ghai record, balance-sheet repair, organic reinvestment, and limited M&A are positives; buybacks at high valuation and no explicit ROIC incentive metric cap the score
Price and 20% return underwriting	1	20	Base and bull cases fail P/E 15; 20% return case requires far more EPS or terminal multiple expansion than the evidence supports
Total	70	100	Strong business quality, but current price blocks the required return

Subscore detail:

Subtest	Score	Max	Rationale
1A. Normalized ROIC is high	4	5	Recent ROIC is high, but a clean 5-year standalone median is unavailable
1B. ROIIC is high	6	8	Proxy ROIIC is high, but incomplete NWC and legacy perimeter data cap confidence
1C. ROIIC not deteriorating sharply	3	3	Reported ROIC improved from 8.8% in FY2022 to 28.1% in FY2025
1D. Unit economics support reported returns	3	3	CES service mix and installed-base economics support reported margins
1E. Cash conversion is real	3	3	FY2025 and TTM FCF are strong versus NOPAT / net income
1F. ROIC not accounting artifact	2	3	High ROIC is supported by cash, but low tangible capital and LTSA estimates require caution
2A. Large remaining market opportunity	5	5	Commercial aftermarket and defense propulsion have long runways
2B. Proven ability to reinvest at scale	4	5	Capacity and supplier investment is visible; standalone record is still short

Subtest	Score	Max	Rationale
2C. Organic growth opportunity	4	4	CES services and DPT programs support organic growth
2D. Repeatable expansion playbook	3	3	FLIGHT DECK, shop capacity, parts conversion, and installed-base service are repeatable mechanisms
2E. Market structure supports long growth	2	2	Certification, airframer platforms, and defense procurement lengthen the opportunity
2F. Growth does not require ROIC collapse	0	1	The base case assumes some margin expansion; new-engine and defense ramps can pressure returns
3A. Clear source of advantage	4	4	Certified installed-base control plus service economics
3B. Pricing power	3	3	CES services show price/spares/shop-visit support, though not unlimited
3C. Competitive evidence	3	3	CFM/LEAP/CFM56 scale and CES margins are visible
3D. Customer stickiness	2	2	Engine certification, maintenance systems, and LTSAs create high switching costs
3E. Resilience through stress	2	2	Q1 2026 strength and service RPO support resilience
3F. Low disruption risk	0	1	Next-generation propulsion and decarbonization risk are real over 20 years

The score is deliberately not "Investable now" because the valuation subscore is far below the threshold. A high-quality business-quality score does not offset a failed 20% underwriting case.

5. ROIIC and Reinvestment Analysis

GE Aerospace's standard ROIIC calculation is limited by the short clean standalone period. Current CES/DPT taxonomy is clean from FY2022 through FY2025, but consolidated FY2021-FY2023 still include legacy GE perimeter effects, discontinued operations, separations, divestitures, and changing segment definitions. That is why this appendix uses a proxy calculation and scores ROIIC conservatively rather than inventing a false 10-year standalone series.

The cleanest proxy starts with NOPAT. The data package gives FY2025 NOPAT of $7.538B, calculated as $8.770B operating income times 85.95%. Using the data-package effective tax rates, FY2022 NOPAT is about $3.197B, FY2023 NOPAT about $4.269B, and FY2024 NOPAT about $5.909B. From FY2022 to FY2025, NOPAT increased by roughly $4.341B.

For reinvestment, the minimum available proxy is capex plus GE-funded R&D. This is not a perfect reinvestment measure because it excludes non-cash working capital, lease adjustments, capitalized R&D treatment, and detailed acquisition/disposition economics. But it is more conservative than using capex alone. FY2023-FY2025 capex plus GE-funded R&D was about $7.777B: FY2023 capex $1.595B plus R&D $1.011B, FY2024 capex $1.032B plus R&D $1.286B, and FY2025 capex $1.273B plus R&D $1.580B.

That proxy 3-year ROIIC is about 56%: $4.341B of NOPAT growth divided by $7.777B of capex plus GE-funded R&D. This is well above the rubric's high-ROIIC threshold, but it receives 6 / 8 rather than 8 / 8 because it is not a full working-capital and acquisition-inclusive calculation. The denominator also excludes customer- and partner-funded R&D, which is economically relevant but not GE-funded capital in the same way. The signal is directionally strong: GE generated a large NOPAT step-up on a modest owned-capital reinvestment base. The precision is not strong enough to call the number definitive.

Acquisition-inclusive ROIIC is not meaningful for the full five-year period because the FMP `acquisitionsNet` line includes large divestiture proceeds from the GE separation era. The verified data package shows net cash inflows of $8.639B in FY2023 and $5.614B in FY2024, followed by a $0.360B net acquisition outflow in FY2025. Treating those separation proceeds mechanically as negative reinvestment would produce a misleading ROIIC. The evidence supports disciplined acquisition behavior, not an acquisition-driven compounder case.

The reinvestment runway looks real. CES equipment deliveries seed service revenue, and CES service revenue is the profit center. The CES base case compounds revenue from $35.571B TTM to $52.992B at March 31, 2031, with operating income

growing from $9.307B to $15.072B. DPT grows from $11.070B TTM revenue and $1.350B profit to $16.240B revenue and $2.360B profit in the base case. The synthesis then subtracts a named corporate/insurance operating drag and arrives at consolidated base operating income of $15.532B. That is a real compounding path. It simply is not large enough to justify the current stock price under ER2.

6. Runway Analysis

The evidence supports a long runway, especially in CES. In FY2025, CES services revenue was $25.010B, about 75% of CES revenue. The QF TTM bridge puts CES services at about $26.912B, with total CES TTM revenue of $35.571B and segment profit of $9.307B. Q1 FY2026 showed CES revenue up 34%, services revenue up 39%, and internal shop-visit revenue up 35%. The CES appendix does not extrapolate those rates indefinitely; the base case uses 9.0% services CAGR, 6.0% equipment CAGR, and 8.3% total CES CAGR over the five-year horizon.

The runway mechanism is specific. New engines and spare engines expand the installed base. Installed engines create future demand for spare parts, shop visits, workscopes, repairs, upgrades, LTSAs, diagnostics, and field service. CFM's LEAP fleet is still young, while CFM56 remains massive and mature. That combination gives GE both a near-term mature-services pool and a longer-term LEAP maturation curve. The model is therefore not built on a generic "air travel grows" assumption. It is built on a service conversion mechanism tied to engine age, cycles, utilization, and certified repairs.

DPT's runway is positive but less powerful. DPT has FY2025 revenue of $10.554B, TTM revenue of $11.070B, and TTM profit of $1.350B. Q1 FY2026 DPT revenue was up 19%, and Q1 DPT orders were $6.174B. The segment has named defense and propulsion opportunities, including T408, T901, GEK1500, GE426, adaptive-cycle work, defense engines, marine/aeroderivative products, and P&AT assets such as Avio Aero, Unison, Dowty, and Colibrium Additive. The base case grows DPT revenue to $16.240B and margin to 14.5%. That assumes order conversion and productivity, but not a CES-like margin profile.

The main runway caveats are capacity and execution. Demand can exist without revenue if castings, forgings, shop capacity, parts availability, labor, supplier input, airframer production, or defense milestones bottleneck conversion. GE's Q1 FY2026 plan to invest $1B in U.S. manufacturing sites and the supplier base for the second consecutive year is evidence that management recognizes the constraint. It is also evidence that growth requires real reinvestment, not merely harvesting an annuity.

7. Moat Analysis

The moat appendix is GREEN, and the 2046 test is GREEN. The moat is strongest in CES and more moderate in DPT. The core CES moat is certified installed-base control plus service economics. Once a propulsion system is certified and embedded in an aircraft family, switching is expensive, slow, regulated, and operationally disruptive. Airlines build spares pools, maintenance procedures, mechanic training, reliability assumptions, LTSAs, residual-value expectations, and route-planning confidence around engine families. That is a high switching-cost business, not a commodity equipment sale.

Scale reinforces the moat. CES FY2025 revenue was $33.314B with $8.861B of segment profit and a 26.6% margin. TTM CES revenue was $35.571B with a 26.2% margin. CFM and GE fleets create service data, repair experience, parts demand, shop learning, and customer familiarity. Pricing power is visible but not unlimited: GE has to maintain reliability, parts availability, turnaround time, and total cost of ownership. The moat can erode if LEAP durability disappoints, if service margins compress while flight hours grow, if Pratt & Whitney recovers share materially, or if GE/CFM loses the next narrowbody propulsion cycle.

DPT's moat is technical, programmatic, and procurement-driven. It has high barriers in military propulsion, sustainment, export controls, qualification, security, and customer trust, but government buyers have more pricing leverage than airlines in commercial aftermarket shortages. DPT is not a standalone perfect compounder. It is valuable because it diversifies GE, uses overlapping propulsion capabilities, and creates options in defense modernization and future autonomous systems.

The 2046 description is concrete: GE Aerospace can still be a propulsion, services, and aerospace systems company earning from certified installed-base service economics and successor GE/CFM platforms. That supports a high durability score. It does not eliminate the price discipline requirement.

8. Accounting and Capital Allocation Analysis

Accounting quality is good enough for the compounder screen, with two caveats. First, the current segment base is clean only from FY2022 forward because GE separated GE HealthCare and GE Vernova and then refined the standalone Aerospace

taxonomy. The data package and QF/QFR handle that correctly by using official SEC sources under the GE-specific override. Second, LTSAs are economically attractive but estimate-heavy. Flight hours, shop-visit timing, workscopes, material cost, labor cost, tariffs, and durability assumptions can all move profitability estimates. GE discloses those sensitivities, which is a positive, but the business is not free of accounting judgment.

Cash conversion is a major positive. FY2025 FCF was $7.264B, and TTM continuing-operations FCF less capex was $7.472B. FY2025 FCF was about 96% of FY2025 NOPAT, and TTM FCF was slightly above normalized TTM NOPAT. This is not a business where reported earnings obviously outrun cash flow. SBC is modest at $371M in FY2025, or about 0.8% of revenue and 5.1% of FCF. Share count has moved down, not up.

Balance-sheet risk is low. FY2025 net debt / EBITDA was 0.67x. Q1 FY2026 debt was $20.277B, cash was $10.981B, and net debt was $9.296B. Leverage does not threaten the equity case. The relevant balance-sheet question is opportunity cost: how much cash should be returned at a premium valuation versus reinvested in service capacity, supplier development, durability, defense programs, and next-generation propulsion?

Management is GREEN. Culp and Ghai clear the management gate on record, capital discipline, disclosure quality, and governance. The company has repaired legacy GE, launched a focused aerospace business, funded R&D and manufacturing capacity, kept leverage modest, and communicated operating drivers with unusual detail. Governance is not perfect because the CEO is also chair, but the lead independent director role is real and the board is majority independent.

Capital allocation loses points mainly because of buyback price discipline. GE repurchased $7.551B in FY2025 and $2.399B in Q1 FY2026. Those repurchases are not reckless given the balance sheet and cash generation, but at $323.76 they are hard to square with the ER2 P/E 15 math. The compensation plan uses revenue, operating profit, free cash flow, EPS, FCF, and TSR, but lacks an explicit ROIC or per-share intrinsic-value metric. That is a monitor for a company returning billions of dollars at a high multiple.

9. 20% Return Underwriting

The 20% return underwriting fails. The synthesis base case produces March 31, 2031 EPS of $13.17. At a 15x terminal P/E, that is worth $197.50 per share. The bull case produces $16.67 of EPS and a 15x value of $250.10. Both are below the current $323.76 share price before considering dividends.

For the diagnostic IRR model, I use a simple dividend credit to avoid overstating the downside. FY2025 dividends were $1.452B, or roughly $1.36 per diluted share. Q1 FY2026 dividends were $0.381B, or roughly $1.46 annualized. I use approximate five-year dividend credits of $7.00 in bear, $8.25 in base, and $9.50 in bull. Those credits are not enough to alter the conclusion.

Case	Terminal EPS	Terminal P/E	Terminal value	Dividend credit	Total value	Implied 5-year IRR from $323.76
Bear	$8.13	15.0x	$122.0	$7.0	$129.0	-16.8%
Base	$13.17	15.0x	$197.5	$8.3	$205.8	-8.6%
Bull	$16.67	15.0x	$250.1	$9.5	$259.6	-4.3%

A five-year 20% annualized return from $323.76 requires a value of $805.48 before dividends. With a 15x terminal P/E, that requires about $53.71 of March 2031 EPS before dividend credit. The synthesis base case is $13.17. The required EPS is not a small miss; it is roughly four times the base-case EPS.

The reverse DCF tells the same story. Using estimated current EV of $347.570B, normalized TTM NOPAT of roughly $7.34B, a five-year target return of 20%, and a terminal EV / NOPAT multiple of 15x, GE would need roughly a 50% NOPAT CAGR to clear the hurdle on enterprise value. That is not a beatable hurdle for a large aerospace company already generating nearly $9B of TTM operating income. The 20% case requires either a much higher terminal multiple, a radically higher EPS path than the segment work supports, or a far lower entry price.

The estimated maximum buy price for a five-year 20% IRR under the base case and a 15x terminal P/E is about $82.70 per share after a modest dividend credit. That is not a fair-value estimate; it is the price required for this specific 20% annualized Gideon hurdle over five years. The ER2 P/E 15 entry price, without the 20% compounding requirement, is much higher at about $197.50. Both are below the current quote.

10. Hard Veto Checklist

Veto	Status	Evidence
ROIIC below cost of capital with no credible path	Pass	Proxy ROIIC is high; CES and DPT base cases reinvest above cost of capital
Reported ROIC high only because invested capital is artificial	Watch	Cash conversion supports ROIC, but low tangible capital and legacy perimeter mean score is capped
Growth requires persistent external financing	Pass	FCF is strong and leverage is modest
Share count rises materially without per-share value creation	Pass	Share count is falling after buybacks; SBC is modest
Large acquisitions without disclosed returns	Pass	Recent history is not serial acquisition-led; divestitures distort longer period
FCF structurally lags earnings	Pass	FY2025 and TTM FCF support earnings
Customer, regulation, platform, cyclicality, or leverage can permanently impair equity	Watch	Platform cycles and regulation matter; balance sheet is not the issue
20% return case requires terminal multiple expansion	Fail	At 15x terminal P/E, base and bull cases are below current price
Company needs flawless execution to justify today's price	Fail	Even bull EPS x 15 is only about $250 versus $323.76
Moat cannot be explained in one paragraph	Pass	Certified installed-base service economics explain the moat
Accounting, governance, auditor, related-party, or restatement trust issue	Pass / Watch	No current trust impairment found; LTSA estimates require monitoring
Balance sheet risk could wipe out equity holders in downturn	Pass	Net debt / EBITDA is modest

The failed vetoes are valuation vetoes. They do not say GE Aerospace is a bad business. They say the current stock price does not support the return requirement.

11. Final Decision

The evidence supports a high business-quality score. GE Aerospace has a genuine compounder profile: high recent ROIC, large and durable service economics, strong cash conversion, modest leverage, credible management, and a moat that can be described specifically through 2046. CES is the main reason. DPT helps but does not carry the thesis.

The evidence does not support an "investable now" classification. The base-case 15x terminal value is materially below the current price, the bull-case 15x terminal value is also below the current price, and the 20% return hurdle requires an EPS path that the bottom-up segment work does not support. This score is capped because valuation is not a rounding error.

Score-implied classification: **Buy only at lower price**. The right monitoring list is short: CES services growth and margin conversion, LEAP durability and shop-visit economics, GE9X and airframer production cadence, DPT margin improvement, corporate/insurance operating drag, and buyback discipline at high valuation. A future upgrade would need either a materially lower share price, materially higher verified segment economics, or both.

Compounder Score note: 70 / 100. Strong compounder diagnostics, but the score is capped by a near-zero 20% return underwriting score at $323.76; diagnostic only and does not override the ER2 P/E 15 FAIL.

Business Quality Score note: 69 / 80. CES installed-base services, high recent ROIC, cash conversion, GREEN management, and GREEN moat support a high score; short standalone history, LTSA estimate sensitivity, DPT program opacity, and buyback price discipline cap it.

20% Return UW Score note: 1 / 20. Base EPS of $13.17 is far below the $53.71 EPS required for a five-year 20% return at 15x terminal P/E; cash returns help only marginally.

12. Machine-Readable JSON

The machine-readable companion file is written separately at `C:\Users\Admin\OneDrive\GPT\ER 2.0\GE Aerospace\compounder_score.json`. It contains the same headline scores, threshold tests, key metrics, hard-veto items, positives, negatives, data gaps, and source-confidence rating used in this appendix.

Appendix CSA - Scoring Audit

GE Aerospace - Scoring Audit

Prepared on 2026-05-30 for the ER2 / Gideon production run. Ticker: GE. Company: GE Aerospace. Currency: USD. This appendix audits `appendix_compounder_score.md` and `compounder_score.json` against the cleared ER2 source chain: `quant_foundation.md`, `quant_foundation_review.md`, `data_package.md`, the two segment appendices, `appendix_management.md`, `appendix_moat.md`, and `appendix_synthesis.md`.

The audit conclusion is straightforward. I do not revise the headline scores. The original Compounder Score is high on business quality and almost zero on valuation, which is the right shape for GE Aerospace at the current price. The score remains diagnostic only. It does not override the ER2 synthesis, and it does not turn a failed P/E 15 gate into an investable-now conclusion.

The main audit adjustment is not numeric. It is a confidence and caveat tightening. The original scorer properly labeled ROIIC as a proxy, used the verified synthesis for valuation, and did not award a 20% return score from terminal-multiple optimism. However, the Stage 7 scorecard should not read the 69 / 80 business-quality score as if GE has a clean ten-year standalone track record. The clean current CES/DPT taxonomy begins in FY2022, product-level margins are not disclosed, DPT platform revenue is not disclosed, and GE's services economics include LTSA estimate risk. Those items cap confidence even though they do not require a score reduction.

1. Original vs Audited Scores

Item	Original	Audited	Notes
Business Quality Score / 80	69	69	Preserved. Evidence supports high quality, but confidence remains Medium because the clean standalone history is short.
Valuation / 20% Return UW Score / 20	1	1	Preserved. The valuation score is already nearly zero and not over-generous.
Total Score / 100	70	70	Preserved. This is a strong-business / bad-entry-price score, not a BUY signal.
Classification	Buy only at lower price	Buy only at lower price	Preserved. Business quality is high, but current valuation fails the 20% return hurdle.

The original JSON and markdown agree on the headline score: 69 / 80 business quality, 1 / 20 valuation underwriting, and 70 / 100 total. They also agree on the classification, current price of $323.76, market capitalization of about $338.274B, enterprise value of about $347.570B, base-case IRR of negative 8.6%, bear-case IRR of negative 16.8%, bull-case IRR of negative 4.3%, and maximum buy price for a five-year 20% IRR of about $82.70. No JSON/markdown discrepancy was found.

The valuation reconstruction ties to the synthesis. `appendix_synthesis.md` shows March 31, 2031 base EPS of $13.17, required EPS of $21.58 for P/E 15 at $323.76, and required EPS of $53.71 for a five-year 20% return at a 15x terminal P/E before dividend credit. The scorer's IRR table is directionally correct: base terminal value is $13.17 x 15 = about $197.50, and a modest dividend credit does not rescue the return. The buy-price math also ties: roughly $205.8 of base terminal value plus dividend credit discounted at 20% for five years is about $82.70.

2. Score Reductions and Reasons

No numeric score reductions are made. I challenged four areas and found that the original score already carried the appropriate caps.

First, ROIIC is not a perfect full-cycle calculation, but it is not unsupported. The scorer calculates a three-year proxy ROIIC using FY2022-to-FY2025 NOPAT growth and FY2023-FY2025 capex plus GE-funded R&D. The data package supports the inputs: FY2025 NOPAT is $7.538B, FY2025 ROIC is 28.1%, FY2023-FY2025 capex totals $3.900B, and FY2023-FY2025 GE-funded R&D totals $3.877B. The proxy denominator omits non-cash working capital and cannot create a clean acquisition-inclusive five-year ROIIC because the separation-period `acquisitionsNet` line is dominated by divestiture

proceeds. That is why 1B gets 6 / 8 rather than 8 / 8. The cap is already there.

Second, cash conversion is high enough to preserve the cash-quality score. The scorer highlighted FY2025 FCF of $7.264B and TTM continuing-operations FCF less capex of $7.472B. I also checked the multi-year pattern from `data_package.md`: FY2022-FY2025 FCF was $4.742B, $3.584B, $3.678B, and $7.264B, while NOPAT was roughly $3.197B, $4.269B, $5.909B, and $7.538B. That gives a mixed but acceptable pattern, not structural earnings-without-cash. FY2024 was weaker, but the latest year and TTM are strong, and the ER2 source files do not identify a recurring cash-conversion defect.

Third, the runway score is high but not promotional. CES services were about 75% of FY2025 CES revenue, CES had $35.571B of TTM revenue and $9.307B of TTM profit, and the CES appendix models service-led growth with explicit deceleration from unusually strong FY2025/Q1 FY2026 rates. DPT is scored as useful and lower quality rather than as a second CES. The DPT appendix is explicit that DPT starts from $11.070B TTM revenue, $1.350B TTM profit, a 12.2% margin, and undisclosed platform-level revenue. A high runway score is supportable because CES dominates profit, but it should be read with the disclosed capacity, supply-chain, and LTSA caveats.

Fourth, capital allocation is not perfect, but the 8 / 10 score is not indefensible. Management is GREEN, leverage is modest, M&A is not serial-acquisition-led, and organic reinvestment is visible. The main negative is buyback discipline: GE repurchased $7.551B in FY2025 and $2.399B in Q1 FY2026 despite a valuation that fails the P/E 15 and 20% tests. The original score already cites this as a cap. I would not increase the capital-allocation score, but I also do not reduce it because the balance sheet is sound, SBC is modest, and the management appendix did not identify behavior reckless enough to move the management gate to YELLOW.

3. Unsupported Claims

I found no material fabricated claim in the scoring appendix. The most important claims are supported by the source files:

The CES installed-base claim is supported by `data_package.md`, `appendix_B_commercial_engines_services.md`, and `appendix_moat.md`. The files show CES service revenue of $25.010B in FY2025, TTM CES service revenue of about $26.912B, and a persistent mid-20s CES segment margin.

The management and moat claims are supported by `appendix_management.md` and `appendix_moat.md`, both of which are GREEN / PASS equivalent. The scoring appendix does not treat those GREEN gates as valuation gates.

The valuation claim is supported by `appendix_synthesis.md`. The scorer did not invent a higher EPS case to rescue valuation. It used the base, bear, and bull EPS paths from synthesis and gave the valuation category only 1 / 20.

The claims that require careful wording are not unsupported, but they are lower confidence. The ROIIC claim is a proxy, not a full reinvestment model. The services margin allocation in the CES appendix is analytical, not disclosed. DPT subsegment TTM allocations are estimated from FY2025 mix because GE does not disclose a complete D&S/P&AT TTM bridge. The scoring appendix labels these limitations, so no unsupported-claim penalty is needed.

4. Calculation Errors

No blocking calculation errors were found.

The P/E 15 math ties. $323.76 divided by 15 is $21.58 of required EPS. The base case of $13.17 at 15x is $197.50, which is 39.0% below the current price. The bull case of $16.67 at 15x is about $250.10, still below the current price.

The 20% return math ties. A five-year 20% return requires $323.76 x 1.2^5, or about $805.48 of year-five value before dividends. Dividing by 15x gives about $53.71 of required March 31, 2031 EPS. The base-case EPS is only $13.17, so the shortfall is not a rounding issue.

The EV / NOPAT and FCF-yield direction also ties. Enterprise value of about $347.570B divided by normalized TTM NOPAT of roughly $7.34B is about 47x. Market capitalization of about $338.274B divided by TTM FCF less capex of $7.472B is about 45x, or a roughly 2.2% FCF yield. Those are expensive starting multiples, consistent with the 1 / 20 valuation score.

The ROIIC proxy calculation is arithmetically plausible, but not definitive. FY2022-to-FY2025 NOPAT growth is roughly $4.34B. FY2023-FY2025 capex plus GE-funded R&D is roughly $7.78B. That yields a proxy ROIIC near 56%. The calculation supports a high but capped score because it omits working-capital and clean acquisition-inclusive reinvestment.

5. Missing Data

The most important missing evidence is not fatal, but it should stay in the scorecard caveats.

GE does not provide a clean five-year or ten-year standalone GE Aerospace current-taxonomy financial history. FY2021-FY2023 consolidated financials include legacy GE perimeter effects, discontinued operations, and separation-related noise. This limits long-horizon ROIC, ROIIC, and share-count CAGR interpretation.

GE does not disclose engine-family revenue dollars for LEAP, CFM56, GEnx, GE90, GE9X, or CF6. It also does not disclose DPT platform revenue for programs such as T700, T901, T408, GEK1500, XA100, CCA, or similar programs. The segment appendices correctly avoid back-solving those dollars from units or commentary.

GE does not disclose CES equipment margin, CES services margin, DPT product-level margins, or a full D&S/P&AT TTM bridge. The models therefore use analytical allocations tied to verified segment totals. Those allocations are useful for underwriting, but they are not primary-source facts.

FMP quarterly product/segment data remains stale. The user-authorized GE-specific SEC filings override was cleared by QF/QFR, so this is not a business-quality failure. It is still a source caveat that should travel with the score.

6. Hard-Veto and Threshold Test Audit

The 20% return case fails. The base-case IRR is negative, the bear-case IRR is worse, and the bull-case IRR remains negative using a 15x terminal P/E plus dividend credit. The base case does not clear P/E 15, the bull case does not clear P/E 15, and the five-year 20% return case would require an EPS path roughly four times the base-case EPS. This is the controlling valuation fact.

The company does not pass the "investable now under this rubric" threshold because it fails valuation score >= 15 / 20, base-case IRR >= 20%, bear-case IRR >= 8-10%, and the no-hard-veto valuation tests. It does pass the business-quality threshold. The original JSON says business quality >= 65 / 80 is true and ROIIC plus runway >= 35 / 45 is true; I agree, subject to Medium confidence rather than High confidence.

The classification "Buy only at lower price" is correct. A pure "Reject" label would be too blunt because the business-quality evidence is strong and the score failure is entry-price-driven. "Buy only at lower price" is the better diagnostic label: GE Aerospace can be a dream business candidate while still being a poor purchase at $323.76 under the Gideon hurdle.

7. Final 20% Hurdle Pass/Fail

Final 20% hurdle verdict: FAIL.

The 20% failure is severe. It is not caused by a small dividend assumption, a minor share-count difference, or a debatable tax rate. The base EPS path is $13.17, the P/E 15 entry hurdle requires $21.58, and the five-year 20% test requires $53.71 at 15x. Cash returns help but are not close to bridging that gap. A 20% case at today's price would require a much higher terminal multiple, materially higher verified segment economics, or a lower entry price. Under ER2, that means the diagnostic score cannot be "investable now."

8. Dream Business / Dream Investment Classification

GE Aerospace is best classified as a dream business candidate, not a dream investment at the current price.

The business side is legitimately attractive: CES has certified installed-base service economics, high service mix, visible RPO/backlog support, a young LEAP runway, mature CFM56 aftermarket depth, strong cash conversion, and management that has cleared the ER2 gate. DPT is lower margin and less transparent, but it adds defense demand and technology optionality without dominating the score.

The investment side fails because the starting valuation consumes the compounding. A buyer at $323.76 is not merely paying a reasonable premium for quality. The buyer is paying a price that the base and bull ER2 segment cases cannot justify at 15x terminal P/E. The single biggest reason GE does not qualify is the entry-price gap, not a lack of moat.

9. Stage 7 Scorecard Notes

Compounder Score note: 70 / 100. Strong compounder diagnostics, but the score is capped by a near-zero valuation score; diagnostic only and does not override the ER2 P/E 15 FAIL.

Business Quality Score note: 69 / 80. CES installed-base services, high recent ROIC, cash conversion, GREEN moat, and GREEN management support a high quality score; short standalone history, LTSA estimate sensitivity, DPT opacity, and premium-price buybacks cap confidence.

20% Return UW Score note: 1 / 20. Base EPS of $13.17 is far below the $53.71 EPS required for a five-year 20% return at 15x terminal P/E; cash returns help only marginally.

10. Auditor JSON

The machine-readable companion audit is written separately at `C:\Users\Admin\OneDrive\GPT\ER 2.0\GE Aerospace\compounder_score_audit.json`. It contains the original and audited scores, threshold verdict, dream-business classification, scorecard notes, caveats, calculation checks, and confidence rating used in this appendix.

Appendix RT - Red Team

GE Aerospace - Red Team

Prepared on 2026-05-30 for the ER2 / Gideon production run. Ticker: GE. Company: GE Aerospace. Stage 0 anchor remains Q1 FY2026 ended March 31, 2026; TTM is Q2 FY2025 through Q1 FY2026; forward horizon is March 31, 2031. This appendix reads the cleared quantitative foundation, verified data package, reviewed segment appendices, management appendix, moat appendix, synthesis, compounder score, and scoring audit. It also uses live official-source checks from GE Aerospace SEC filings, GE's Q1 FY2026 earnings release, RTX's 2025 Form 10-K, and Safran's 2025 and Q1 2026 releases.

Red-team conclusion: the business-quality case survives, but the stock thesis does not survive at the entry price used in synthesis. The strongest bear point is not that GE Aerospace is a bad business. The strongest bear point is that the market is capitalizing a near-perfect version of the CES aftermarket story while the actual ER2 base and bull cases already fail P/E 15. That means even small cracks in CES services growth, services margin, LTSA estimates, or buyback economics matter more than they would for a normal-priced compounder.

1. The Most Fragile Assumption

The most fragile assumption is the Commercial Engines & Services services line in the base case: $26.912B of TTM services revenue compounding at 9.0% for five years to $41.407B, while the analytical services margin expands to 35.0%. This is the thesis engine. It sits inside `appendix_B_commercial_engines_services.md` section 8 and section 9, and the synthesis imports the resulting CES base case of $52.992B revenue and $15.072B operating income.

The fragility is not demand visibility. GE has strong backlog/RPO, a large CFM56 base, a young LEAP fleet, and Q1 FY2026 CES services growth of 39%. The fragility is conversion at high incremental margin. The base case asks revenue and margin to work at the same time: services revenue must remain far above the broad aerospace-services market for five years, while a margin allocation that GE does not disclose rises from an analytical 33.3% current level to 35.0%. GE's 2025 Form 10-K is a reminder that long-term service agreements are estimate-heavy. It discloses that a one percentage point change in estimated future billings or costs would move the LTSA balance by about $0.4B, and that FY2025 included unfavorable LTSA profitability changes, including tariff-related effects, primarily in CES. The Q1 FY2026 10-Q showed improvement versus prior tariff charges, but it still recorded $23M of net unfavorable LTSA estimate changes from quarterly contract-margin updates. That is not a reason to dismiss services; it is the warning label on the 35% margin assumption.

If the CES services assumption is wrong by 200 bps of CAGR, the synthesis sensitivity says March 31, 2031 EPS falls by about $1.11 even with margin held flat. That understates the real bear risk because the likely failure mode is not lower revenue with unchanged margin. The likely failure mode is lower service revenue plus lower service margin because parts availability, shop labor, warranty work, tariffs, and time-on-wing actions hit both conversion and cost. Moving CES from base to the segment bear case cuts CES operating income from $15.072B to $10.819B, a $4.253B pre-tax hit. After tax and roughly one billion shares, that is about $3.4 to $3.5 of EPS pressure before any second-order effect on buybacks or valuation multiple. Against base EPS of $13.17, that is a large enough break to rewrite the whole report around "great franchise, over-earning or over-capitalized by the market."

Fragile item	Base assumption	Bear comparison	EPS relevance
CES services revenue	$41.407B at FY+5	$34.347B at FY+5	Services are the largest profit pool
CES services margin	35.0% analytical allocation	31.5% analytical allocation	Product margin is not disclosed
CES operating income	$15.072B	$10.819B	Roughly $3.4-$3.5 EPS swing after tax
ER2 base EPS	$13.17	n/a	Already below P/E 15 required EPS

2. The Most Likely Optimistic Stage 5 Number

The Stage 5 number most likely to be revised down is base-case combined operating income of $15.532B, and inside it the CES contribution of $15.072B. The synthesis is already disciplined about corporate/insurance drag, interest, taxes, and share count. The more judgment-heavy number is segment operating income, because it depends on a non-disclosed services margin allocation.

The base operating model is not absurd. Q1 FY2026 was strong, management held full-year guidance and said it was trending toward the high end, and Safran's recent releases corroborate that CFM/LEAP civil-engine aftermarket momentum is

real. Safran reported 30.0% growth in civil-engine services revenue in FY2025 and 43.1% in Q1 FY2026, with the Q1 result helped by LEAP rate-per-flight-hour contracts and a favorable comparison. That peer evidence cuts both ways. It confirms a strong current cycle, but it also says the current growth rate is flattered by LEAP recognition and comps, not a clean steady-state five-year rate.

The synthesis leans on deceleration, but it still has GE producing a five-year CES operating-income CAGR of about 10.1% from an already elevated TTM base. The quarterly trend is not a straight line upward: CES margin was 27.9% in Q2 FY2025, 27.4% in Q3 FY2025, 24.0% in Q4 FY2025, and 26.4% in Q1 FY2026. That is still excellent, but it is not evidence that a 28.4% FY+5 segment margin is locked in. It may prove right, but it is the number to attack first.

3. The Strongest Bear Case, In Its Strongest Form

The bear case is that GE Aerospace is a premium-quality propulsion franchise being valued as if a shortage-driven aftermarket and post-separation operating reset are permanent. CES services growth is boosted by LEAP fleet maturation, spare-parts backlog, supply shortages, and catch-up shop activity, but the equity price treats that as a durable high-margin annuity rather than a cyclical and estimate-sensitive ramp. As LEAP durability fixes, warranty costs, supplier constraints, tariff effects, and capacity investments run through the model, GE still grows revenue but does not convert it at 35% services margin or 28% CES margin. DPT then cannot rescue the equity because it is smaller, lower margin, more opaque, and exposed to defense program timing. Within four to eight quarters, the observable anchor would be CES services revenue still growing but CES margin falling below the mid-20s while LTSA estimate revisions stay unfavorable.

That bear case does not require a recession, an air-travel collapse, or a sudden loss of GE's moat. It only requires investors to learn that the moat is real but less incremental-margin-rich than the share price assumes.

4. Cross-Examination Of Management Commentary

The first statement to cross-examine is the Q1 FY2026 guidance posture: management was "holding our full-year guidance" and "trending toward the high-end." The skeptical read is that this is near-term guide language, not a five-year margin guarantee. Q1 orders, deliveries, and services were unusually strong, but full-year guidance was not formally raised. If the high-end comment is absorbing a front-loaded quarter, the first break will show in Q2/Q3 revenue growth normalizing faster than the segment appendix glide path and in operating profit not pulling away from the $9.6B to $9.9B CES guide.

The second statement is the transcript-derived spare-parts visibility claim that more than 95% of spare-parts revenue was already in backlog. Backlog is not profit. A backlog-heavy parts business can still disappoint if inflation, material shortages, supplier delinquencies, tariff routing, customer concessions, or warranty work consume the incremental gross profit. The 2025 Form 10-K's LTSA sensitivity is the cross-examination tool: if a one point profitability shift moves the LTSA balance by about $0.4B, then a few quarters of unfavorable contract-margin updates can eat a meaningful portion of the modeled EPS cushion. The first tell would be services revenue holding up while CES margin slips and contract assets/liabilities show unfavorable revisions.

The third statement is the LEAP capacity ambition, summarized in the CES appendix as roughly doubling LEAP internal capacity. That is not automatically bullish. Capacity additions can validate demand, but they also bring training, tooling, labor, inventory, and learning-curve cost. If GE is adding capacity to fix bottlenecks and customer pain, the revenue shows up before the mature margin. The first tell would be shop visits and spare-parts revenue rising while free cash flow conversion and CES margin lag.

The fourth statement is DPT's record defense orders and named wins such as T408 and GEK1500. Orders are not the same as profitable production. DPT had Q4 FY2025 margin of 8.9% and Q1 FY2026 margin of 11.8%, below the base case's 14.5% FY+5 margin. Defense programs can be strategically valuable while still being cost-plus, fixed-price, delayed, or engineering-heavy. The first tell would be DPT revenue growth with margin stuck near 11%-12%, which would invalidate the segment's operating-leverage story.

Management claim being tested	Skeptical interpretation	First observable failure
Full-year guide held, trending high-end	Q1 strength may be front-loaded	FY2026 guide not raised or second-half margin fades
Spare-parts backlog visibility	Backlog may convert at lower profit	CES services growth with margin below 25%
LEAP capacity expansion	Growth investment may precede returns	Higher shop activity with weaker FCF conversion
Record DPT orders	Orders may not become high-margin production	DPT margin remains near low teens

5. Stage 5 Tie-Out Reverification

The synthesis tie-outs are arithmetically clean, but three of them carry judgment risk.

First, the recency anchor is correct but potentially flattering. The TTM base uses Q2 FY2025 through Q1 FY2026, which is the right period. But that TTM includes a very hot CES sequence and a Q1 2026 commercial services surge. If the next two quarters normalize, the model's starting point will not be "wrong" mathematically, but it will have used a peakish demand-conversion period as the launch pad.

Second, the share-count path is affordable in an accounting sense but questionable in an economic sense. The base case assumes $5.0B per year of repurchases and a buyback price path from $340 to $420, reducing diluted shares to 989.0M. At a stock price that fails P/E 15 and a 20% return test, buybacks are not automatically accretive to intrinsic value. They are EPS accretive, but they may be value dilutive versus investing in capacity, durability, supplier health, or simply waiting for a better price. The red-team version of this line is harsher: if management keeps buying heavily at prices above ER2 value, the management gate stays GREEN operationally but the capital-allocation score should not be treated as a free option.

Third, the product CAGRs do not obviously exceed history, but history is not clean. Clean current-taxonomy standalone history begins only in FY2022, after major GE perimeter changes. The scoring audit calls confidence Medium for exactly this reason. A three-year CAGR that includes recovery, separation, supplier normalization, and LEAP catch-up is not the same as a cycle-normal structural CAGR.

6. Score-Derived 20% Return Claim Most Likely To Be Wrong

There is no positive 20% return claim to attack because the audited score already fails it. The red team agrees with the scoring audit: 1/20 valuation underwriting is directionally right, and arguably the most important thing the whole ER2 run says. At $323.76, the synthesis requires $53.71 of March 31, 2031 EPS to underwrite a 20% annualized return at a 15x terminal P/E before dividend credit. Base EPS is $13.17. That gap is too large for dividends, modest buybacks, or a lower tax rate to fix.

The score-derived risk is instead interpretive. A 70/100 compounder score can sound investable to a reader who misses the composition: 69/80 business quality and 1/20 valuation. The correct reading is "dream-business candidate, bad entry price." The red team would not lower the audited numerical score, but it would make the verdict language more forceful: GE can be on the watchlist, not in the portfolio, unless price or verified EPS power changes materially.

7. Signal That Forces An Exit

The exit signal should be a CES services margin signal, not a generic macro warning.

Exit or hard downgrade if, over any rolling two-quarter window through the next four reported quarters, CES services revenue growth falls below 10% year over year while CES segment operating margin is below 24.5%, and GE records cumulative unfavorable LTSA estimate revisions of more than $250M. The threshold combines growth, profit conversion, and contract-estimate quality. One weak quarter can be mix. Two quarters with all three conditions says the installed-base thesis is still real but the incremental-margin thesis is broken.

The upgrade signal is the inverse plus valuation discipline: do not upgrade on operating evidence alone. Consider upgrade only if CES services growth remains at least mid-teens, CES margin stays at or above 27.5%, LTSA estimate revisions are neutral to favorable over four quarters, and the stock price falls to a level that lets the base case clear P/E 15, roughly $200 or lower under the current synthesis.

8. Verdict Implications

Red-team verdict: conditional on business quality, negative on purchase. The thesis survives as a business-quality thesis but does not survive as an investable-now stock thesis. The synthesis should not be softened into "high-quality compounder at a premium." It should say "high-quality compounder whose premium already over-capitalizes the base and bull cases."

The single strongest bear point is valuation reflexivity. If GE uses real cash flow to repurchase stock above intrinsic value while investors award a premium multiple for those repurchases, per-share EPS improves mechanically but long-term return quality worsens. That is the exact trap ER2 is designed to avoid.

Decision lens	Red-team implication
Business quality	Strong enough for watchlist; moat and management survive
Base EPS path	Good operating outcome, not enough for price

Decision lens	Red-team implication
CES services	Key monitor; growth plus margin must both hold
DPT	Useful optionality, not a rescue line
Score audit	Agree with 70/100 shape; valuation 1/20 controls
ER2 verdict	PASS / buy only at lower price

Source Notes

- GE Aerospace 2025 Form 10-K: https://www.sec.gov/Archives/edgar/data/40545/000004054526000008/ge-20251231.htm
- GE Aerospace Q1 FY2026 Form 10-Q: https://www.sec.gov/Archives/edgar/data/40545/000004054526000027/ge-20260331.htm
- GE Aerospace Q1 FY2026 earnings release: https://www.sec.gov/Archives/edgar/data/40545/000004054526000026/ge1q2026earningsrelease.htm
- RTX 2025 Form 10-K: https://www.sec.gov/Archives/edgar/data/101829/000010182926000006/rtx-20251231.htm
- Safran FY2025 results: https://www.safran-group.com/pressroom/safran-reports-excellent-financial-performance-2025-and-raises-its-2028-ambitions-2026-02-13
- Safran Q1 FY2026 revenue: https://www.safran-group.com/pressroom/safran-reports-first-quarter-2026-revenue-outstanding-performance-civil-engine-activities-2026-04-23

Appendix D - Data Package (raw historicals)

GE Aerospace - Data Package

PATH_RECEIVED: `C:\Users\Admin\OneDrive\GPT\ER 2.0\GE Aerospace\data_package.md`

Prepared on 2026-05-30 for the ER2 / Gideon production run. Units are USD billions unless a table says USD millions, per-share dollars, percentages, or units. This package uses the cleared quantitative foundation as the controlling historical base. The quant foundation and independent review cleared 8/8 checks after the user authorized a GE-specific SEC filings override for stale FMP product/segment quarterly data. That override is carried forward in this file as a standing analyst flag: FMP annual product segmentation ties FY2025 operating segment revenue, but FMP quarterly product segmentation is stale and cannot build current TTM segment history for GE.

Stage 0 anchor used verbatim:

- Today: 2026-05-30.
- Company fiscal year convention: fiscal year ends December 31.
- Most recently reported quarter: Q1 2026, period ended March 31, 2026, released April 21, 2026.
- TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026 -> TTM ending March 31, 2026.
- Forward horizon: TTM + 5 calendar years = March 31, 2031.

Primary data control: `quant_foundation.md` and `quant_foundation_review.md` are the source of record for the P-section numbers. Fresh live FMP, SEC, and GE Aerospace IR fetches were performed for this data package, saved in `C:\Users\Admin\OneDrive\GPT\ER 2.0\GE Aerospace\raw`, and new FMP pulls were copied under `C:\Users\Admin\OneDrive\Cowork\Investing\data warehouse\fmp\GE\2026-05-30\data_package` without overwriting existing files. The FMP API key was not printed or written.

0a. Industry Classification And Disclosure Inventory

GE Aerospace is a U.S. domestic issuer, calendar fiscal-year company, and aviation propulsion / aerospace defense supplier. The operating model is not a generic industrial-product model: the economics depend on installed-base size, shop visits, spare parts, engine deliveries, defense engine demand, and long-cycle development programs. Because FMP segment/product quarterly data is stale, the industry-disclosure checklist is triggered. The controlling official source set for historical segment economics is SEC filings and SEC-filed earnings releases, supplemented by GE Aerospace investor presentations and FMP live endpoints for consolidated statements, quote, profile, transcripts, ratios, and key metrics.

FMP status: live FMP annual product segmentation for FY2025 reports `Operating Segments` of $43.868B and `Capital Segment` of $1.987B, tying the SEC FY2025 revenue bridge. Live FMP quarterly product segmentation remains stale: the newest row is 2025-03-31, with only Q1 FY2025 for FY2025 and no Q2 FY2025, Q3 FY2025, Q4 FY2025, or Q1 FY2026 rows. Therefore quarterly and TTM segment/product history below uses QF/QFR-cleared SEC filings under the user's GE-specific override.

Source inventory:

Source family	Live source fetched in this run	Local raw evidence	Use in package	Status
Quant foundation	`quant_foundation.md`; `quant_foundation_review.md`	Workdir root	Controlling P-section data and override audit	Cleared 8/8
FMP statements	`income-statement`, `cash-flow-statement`, `balance-sheet-statement`, `ratios`, `key-metrics`, `financial-growth`, annual and quarterly where applicable	`raw\d_pkg_fmp_GE_*_20260530_113859.json`	Consolidated historicals, capital allocation, balance sheet, self-checks	Live fetched
FMP segment/product	`revenue-product-segmentation` annual and quarter; `revenue-geographic-segmentation` annual and quarter	`raw\d_pkg_fmp_GE_revenue_*_20260530_113859.json`	FMP limitation audit and geography cross-check	Annual usable; quarterly stale or empty

Source family	Live source fetched in this run	Local raw evidence	Use in package	Status
FMP transcripts	`earning-call-transcript` for FY2025 Q2, Q3, Q4 and FY2026 Q1	`raw\d_pkg_fmp_GE_transcript_*_20260530_113942.json`	Commentary recency and call-date verification	Dates matched
SEC annual filings	FY2025, FY2024, FY2023, FY2022 Form 10-K HTML	`raw\d_pkg_sec_GE_*_10K_20260530_114231.htm`	Segment, product/service, R&D, balance sheet, taxonomy backfill	Live fetched
SEC quarterly filings	FY2025 Q2, FY2025 Q3, FY2026 Q1 Form 10-Q HTML	`raw\d_pkg_sec_GE_*_10Q_*.htm`	Last-four-quarter segment trend and Q1 2026 bridge	Live fetched
SEC earnings releases	FY2025 Q2, Q3, Q4 and FY2026 Q1 Exhibit 99.1	`raw\d_pkg_sec_GE_*_8K_ex99_*.htm`	Headline growth, guidance, orders, segment trend	Live fetched
GE Aerospace IR decks	2025 investor update and 2024 investor day PDFs	`raw\d_pkg_geaerospace_*_20260530_114231.pdf`	2028 outlook, installed-base/service framing	Live fetched

Search and table inventory checked:

Dataset / table family	Official source searched	Search terms or table names	Years available	Included in data package?	If excluded, why	Downstream relevance
Segment economics	SEC 2025 10-K, 2024 10-K, Q1 2026 10-Q	Segment revenue and profit, equipment, services, CES, DPT	FY2022-FY2025 current taxonomy plus Q1 2026	Yes	FY2021 not disclosed in current CES/DPT taxonomy	Segment appendices, synthesis
Old Aerospace segment	SEC 2023 and 2022 10-K	Aerospace, Commercial Engines and Services, Defense, Systems & Other	FY2020-FY2023 old taxonomy	Partial	Used only to mark taxonomy boundary	Growth context, no silent mix
Industry operating KPIs	SEC 10-K operating tables and earnings releases	Commercial Engines, LEAP Engines, Defense Engines, shop visit growth, spare parts rate	FY2021-FY2025 plus Q1 2026 for selected KPIs	Yes	Engine-family revenue dollars not disclosed	Moat, recency, aftermarket durability
Product/service revenue	SEC 2025 10-K and Q1 2026 10-Q	Equipment, services, D&S, P&AT	FY2022-FY2025 current taxonomy and Q1 2026	Yes	No engine-family dollar table	Segment mix and margin bridge
Geography	FMP live annual geography and SEC annual report	United States, Non-US, Europe, Asia, Middle East and Africa	FY2025 and older annual FMP rows	Partial	Quarterly FMP geography endpoint empty; older rows not used for model	Risk and market exposure
Capital allocation	FMP annual cash flow, SEC annual report, SEC quarterly release	Capex, R&D, repurchases, dividends, acquisitions/dispositions	FY2021-FY2025 plus Q1 2026 buyback data	Yes	M&A line is net cash-flow classification, not deal-level economics	Owner earnings, reinvestment
Recent guidance	SEC earnings releases and FMP transcripts	2026 guide, 2028 outlook, CES services, DPT guide, operating profit	FY2025 Q2-Q4 and FY2026 Q1	Yes	Non-GAAP guide cannot be fully reconciled to GAAP per company disclosure	Forward assumptions

Material KPI family history:

KPI family	Granularity	FY2021	FY2022	FY2023	FY2024	FY2025	Latest interim / TTM	Source path
Commercial engines delivered	Units	1,487	1,663	2,075	1,911	2,386	Q1 2026: 640	SEC 2022, 2024, 2025 10-K; Q1 2026 10-Q
LEAP engines delivered	Units	845	1,136	1,570	1,407	1,802	Q1 2026: 520	SEC 2022, 2024, 2025 10-K; Q1 2026 10-Q
Defense engines delivered	Units	553	632	556	490	635	Q1 2026: D&S engines 185, including defense and aeroderivative units	SEC 2022, 2024, 2025 10-K; Q1 2026 10-Q
Spare parts rate	$M per day	17.8	26.9	36.1	n/d	n/d	Not continued in 2024/2025 table	SEC 2022, 2023 10-K
Internal shop visit revenue growth	YoY %	n/d	n/d	27%	19%	24%	Q1 2026: 35%	SEC 2025 10-K; Q1 2026 10-Q
Internal shop visit output growth	YoY %	n/d	22%	10%	3%	n/d	Not continued under old count definition	SEC 2024 10-K
CES services revenue	$B	n/d	13.688	17.686	19.775	25.010	TTM: 26.912	SEC 2024/2025 10-K; Q1 2026 10-Q; QF

KPI family	Granularity	FY2021	FY2022	FY2023	FY2024	FY2025	Latest interim / TTM	Source path
DPT D&S revenue	$B	n/d	5.426	5.927	6.109	6.574	Q1 2026: 2.090	SEC 2024/2025 10-K; Q1 2026 10-Q
DPT P&AT revenue	$B	n/d	2.563	3.034	3.370	3.980	Q1 2026: 1.124	SEC 2024/2025 10-K; Q1 2026 10-Q

Interpretation for downstream agents: GE discloses enough official KPI and subsegment information to support current-taxonomy segment modeling from FY2022 forward. It does not disclose dollar revenue by engine family, by customer, by narrowbody/widebody program, or by individual military platform. Any appendix that needs LEAP, CFM56, GE90, GEnx, GE9X, T700/T901, T408, XA100, or CCA economics must use disclosed units, growth rates, installed-base comments, and management guideposts rather than invented revenue dollars.

1. Reporting Structure And Taxonomy

Current reportable segments are:

Segment	Description	FY2025 revenue	FY2025 share of operating segment revenue	FY2025 segment profit	FY2025 margin	Source
Commercial Engines & Services	Commercial aircraft engines, spare engines, spare parts, maintenance, repair, overhaul, and long-term service agreements	33.314	75.9%	8.861	26.6%	QF P2; SEC 2025 10-K
Defense & Propulsion Technologies	Defense engines, defense systems, propulsion, additive technologies, and related services	10.554	24.1%	1.296	12.3%	QF P2; SEC 2025 10-K
Operating segments total	CES plus DPT	43.868	100.0%	10.157	23.2%	QF P2; SEC 2025 10-K

Taxonomy status: reporting changed materially as GE separated GE HealthCare and GE Vernova and then refined the standalone GE Aerospace operating structure. Old SEC filings reported an aggregate Aerospace segment with sub-lines such as Commercial Engines and Services, Defense, and Systems & Other. Current reports use Commercial Engines & Services and Defense & Propulsion Technologies. Current-taxonomy dollars are clean from FY2022 through FY2025 in the 2024/2025 10-K segment tables. FY2021 current CES/DPT split is a true non-disclosure; old-taxonomy Aerospace sub-lines exist but are not identical and are not used as current segment history.

The QF/QFR-cleared Stage 0 TTM bridge uses FY2025 less Q1 FY2025 comparative plus Q1 FY2026 under current SEC taxonomy:

Segment	FY2025 revenue	Less Q1 2025	Add Q1 2026	TTM revenue	FY2025 profit	Less Q1 2025	Add Q1 2026	TTM profit	TTM margin	Source
Commercial Engines & Services	33.314	-6.663	8.920	35.571	8.861	-1.910	2.356	9.307	26.2%	QF P4
Defense & Propulsion Technologies	10.554	-2.698	3.214	11.070	1.296	-0.325	0.379	1.350	12.2%	QF P4
SEC total segment row	43.868	-9.362	12.133	46.639	10.157	-2.235	2.735	10.657	22.9%	QF P4

Geography: FY2025 FMP live annual geography reports U.S. revenue of $18.194B and Non-U.S. revenue of $27.661B, summing to total revenue of $45.855B. The same endpoint reports Europe $8.603B, Asia excluding China region $10.819B, Middle East and Africa $4.575B, and Americas excluding U.S. $3.664B. FMP's quarterly geography endpoint returned an empty array, and older annual rows appear to reflect changing GE perimeter, so downstream models should not build regional growth rates from FMP geography.

2. Consolidated Historicals

The table below is live FMP annual statement data. It is useful for consolidated capital allocation and balance-sheet context, but FY2021-FY2023 include legacy GE perimeter effects, discontinued operations, and separation-related items. Current segment modeling should use the QF/QFR SEC segment base, not extrapolated old GE consolidated history.

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue	56.469	29.139	35.348	38.702	45.855	FMP income-statement annual live pull
Operating income	1.058	3.596	4.717	6.761	8.770	FMP income-statement annual live pull
Operating margin	1.9%	12.3%	13.3%	17.5%	19.1%	Calculated
Net income	-6.337	0.336	9.482	6.556	8.704	FMP income-statement annual live pull
EPS diluted	-6.16	0.04	8.36	5.99	8.16	FMP income-statement annual live pull
Diluted share count	1,098M	1,096M	1,099M	1,094M	1,067M	FMP income-statement annual live pull
Capex	1.113	1.174	1.595	1.032	1.273	FMP cash-flow annual live pull
FCF	2.368	4.742	3.584	3.678	7.264	FMP CFO less capex
ROIC	1.7%	8.8%	15.1%	23.5%	28.1%	Calculated; see note

ROIC calculation: NOPAT equals operating income multiplied by one minus tax rate. Invested capital equals total debt plus shareholders' equity less cash and short-term investments. For FY2021, pretax income and tax were distorted by legacy GE losses and separation effects, so a normalized 21% tax rate was used. For FY2022-FY2025 the FMP statement effective tax rate was used: 11.1%, 9.5%, 12.6%, and 14.1%. The FY2025 ROIC numerator is $8.770B operating income times 85.95%, or $7.538B NOPAT. FY2025 invested capital is $20.494B debt plus $18.677B equity less $12.392B cash, or $26.779B. FY2025 ROIC therefore equals 28.1%. This is a high-quality recent number, but downstream agents should not treat FY2021-FY2023 consolidated ROIC as clean standalone GE Aerospace economics.

Self-verification log:

Check	Live evidence	Result
Latest quarter growth for largest segment	SEC Q1 2026 Exhibit 99.1 says CES revenue was $8.920B versus $6.663B, up 34%; QF/QFR tie to Q1 2026 10-Q	Passed
Management quote/date	FMP FY2026 Q1 transcript endpoint returned date 2026-04-21 and period Q1; source date matches April 21, 2026 call	Passed
FY2025 total revenue	FMP annual income statement live pull reports $45.855B revenue; SEC Q4 2025 release and QF report $45.855B	Passed

3. Segment Historicals

Commercial Engines & Services

Commercial Engines & Services	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue	n/d current taxonomy	18.813	23.855	26.881	33.314	SEC 2024/2025 10-K
YoY growth	n/a	n/a	26.8%	12.7%	23.9%	Calculated
Equipment revenue	n/d current taxonomy	5.125	6.169	7.106	8.304	SEC 2024/2025 10-K
Service revenue	n/d current taxonomy	13.688	17.686	19.775	25.010	SEC 2024/2025 10-K
Segment profit	n/d current taxonomy	4.164	5.643	7.055	8.861	SEC 2024/2025 10-K
Operating margin	n/d current taxonomy	22.1%	23.7%	26.2%	26.6%	Calculated

CES is the economic center of the company. FY2025 service revenue represented 75.1% of CES revenue, while equipment revenue remained strategically important because new engine deliveries expand the future service base. The FY2025 step-up came from service volume, price, shop visits, spare parts, and delivery improvements. The QF TTM base is higher than FY2025 because Q1 2026 was much stronger than Q1 2025.

Defense & Propulsion Technologies

Defense & Propulsion Technologies	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue	n/d current taxonomy	7.989	8.961	9.478	10.554	SEC 2024/2025 10-K
YoY growth	n/a	n/a	12.2%	5.8%	11.4%	Calculated
D&S revenue	n/d current taxonomy	5.426	5.927	6.109	6.574	SEC 2024/2025 10-K
P&AT revenue	n/d current taxonomy	2.563	3.034	3.370	3.980	SEC 2024/2025 10-K
Equipment revenue	n/d current taxonomy	3.405	4.000	4.208	5.128	SEC 2024/2025 10-K
Service revenue	n/d current taxonomy	4.584	4.961	5.270	5.426	SEC 2024/2025 10-K
Segment profit	n/d current taxonomy	0.976	0.908	1.061	1.296	SEC 2024/2025 10-K
Operating margin	n/d current taxonomy	12.2%	10.1%	11.2%	12.3%	Calculated

DPT is smaller and lower margin than CES, but it adds long-cycle defense demand and technology optionality. The FY2025 subsegment mix was 62.3% Defense & Systems and 37.7% Propulsion & Additive Technologies. Operating margin recovered to 12.3% in FY2025, and Q1 2026 profit growth remained positive even with mix and investment pressure.

4. Product And Sub-Segment Historicals

Dollar-disclosed products and subsegments

Segment	Product / subsegment	What it is	Dollar disclosure?	Last disclosed revenue history and source
CES	Equipment	Commercial engines and related equipment sales	Yes	FY2022 $5.125B; FY2023 $6.169B; FY2024 $7.106B; FY2025 $8.304B; Q1 2026 $2.102B; SEC segment tables
CES	Services	Spare parts, MRO, long-term service agreements, internal shop visits	Yes	FY2022 $13.688B; FY2023 $17.686B; FY2024 $19.775B; FY2025 $25.010B; Q1 2026 $6.817B; SEC segment tables
DPT	Defense & Systems	Defense engines and systems	Yes	FY2022 $5.426B; FY2023 $5.927B; FY2024 $6.109B; FY2025 $6.574B; Q1 2026 $2.090B; SEC segment tables
DPT	Propulsion & Additive Technologies	Propulsion and additive technologies within DPT	Yes	FY2022 $2.563B; FY2023 $3.034B; FY2024 $3.370B; FY2025 $3.980B; Q1 2026 $1.124B; SEC segment tables
DPT	Equipment	DPT product/equipment revenue	Yes	FY2022 $3.405B; FY2023 $4.000B; FY2024 $4.208B; FY2025 $5.128B; Q1 2026 $1.605B; SEC segment tables
DPT	Services	DPT service revenue	Yes	FY2022 $4.584B; FY2023 $4.961B; FY2024 $5.270B; FY2025 $5.426B; Q1 2026 $1.608B; SEC segment tables

KPIs and products where dollars are not separately disclosed

Segment	Product / KPI	Disclosure method	Last four quarters or latest history	Source
CES	LEAP engines	Unit deliveries; not dollar revenue	FY2025 deliveries 1,802; Q1 2026 deliveries 520; Q1 2026 +63% versus Q1 2025 units	SEC 2025 10-K; Q1 2026 10-Q
CES	Commercial engines	Unit deliveries; not dollar revenue	FY2025 deliveries 2,386; Q1 2026 deliveries 640	SEC 2025 10-K; Q1 2026 10-Q
CES	Internal shop visits	Revenue growth / volume commentary; no absolute dollar table	FY2025 internal shop visit revenue growth 24%; Q1 2026 35%	SEC 2025 10-K; Q1 2026 10-Q

Segment	Product / KPI	Disclosure method	Last four quarters or latest history	Source
CES	CFM56, GEnx, GE90, GE9X	Fleet and program commentary; not dollar revenue	Company discusses retirements, workscopes, LEAP/GEnx growth, and GE9X ramp, but not standalone revenue dollars	FMP transcripts; GE IR decks
DPT	T700/T901, T408, GEK1500, XA100, CCA programs	Program commentary and contracts; not dollar revenue	Q1 2026 release cites T408 and GEK1500 wins; no platform revenue dollars disclosed	SEC Q1 2026 release
DPT	Defense engine / D&S engine units	Unit deliveries; not dollar revenue	FY2021 553; FY2022 632; FY2023 556; FY2024 490; FY2025 635; Q1 2026 D&S engines 185, including defense and aeroderivative units	SEC 2022, 2024, 2025 10-K; Q1 2026 10-Q

Back-solved figures: none used. This file does not estimate engine-family revenue dollars from unit counts, growth rates, or installed-base commentary. The finest dollar-disclosed product/subsegment data is equipment/services by segment and D&S/P&AT inside DPT.

5. Most Recent Quarterly Trend

Company FY ends December 31. Most recently completed fiscal quarter at time of writing: FY2026 Q1, covering January 1 to March 31, 2026, reported on April 21, 2026 via the SEC Exhibit 99.1 earnings release and Q1 2026 Form 10-Q.

Segment quarterly trend

Quarter	Segment	Revenue	YoY growth	Operating margin	Orders	Source
Q2 FY2025	CES	7.990	30%	27.9%	11.690	SEC Q2 2025 Exhibit 99.1; QF P4
Q2 FY2025	DPT	2.563	7%	14.1%	2.897	SEC Q2 2025 Exhibit 99.1; QF P4
Q3 FY2025	CES	8.880	27%	27.4%	10.301	SEC Q3 2025 Exhibit 99.1; QF P4
Q3 FY2025	DPT	2.828	26%	13.6%	2.898	SEC Q3 2025 Exhibit 99.1; QF P4
Q4 FY2025	CES	9.468	24%	24.0%	22.842	SEC Q4 2025 Exhibit 99.1; QF P4
Q4 FY2025	DPT	2.839	13%	8.9%	4.571	SEC Q4 2025 Exhibit 99.1; QF P4
Q1 FY2026	CES	8.920	34%	26.4%	17.331	SEC Q1 2026 Exhibit 99.1; Q1 2026 10-Q; QF P4
Q1 FY2026	DPT	3.214	19%	11.8%	6.174	SEC Q1 2026 Exhibit 99.1; Q1 2026 10-Q; QF P4

Product/service quarterly trend

Quarter	Segment	Equipment revenue	Service revenue	Total segment revenue	Source
Q2 FY2025	CES	1.931	6.059	7.990	QF P4; SEC Q2 2025 10-Q
Q2 FY2025	DPT	1.233	1.329	2.563	QF P4; SEC Q2 2025 10-Q
Q3 FY2025	CES	2.059	6.820	8.880	QF P4; SEC Q3 2025 10-Q
Q3 FY2025	DPT	1.434	1.394	2.828	QF P4; SEC Q3 2025 10-Q
Q4 FY2025	CES	2.455	7.012	9.468	QF P4; derived from FY2025 less 9M
Q4 FY2025	DPT	1.411	1.428	2.839	QF P4; derived from FY2025 less 9M
Q1 FY2026	CES	2.102	6.817	8.920	QF P4; SEC Q1 2026 10-Q
Q1 FY2026	DPT	1.605	1.608	3.214	QF P4; SEC Q1 2026 10-Q

Recency read-through: CES remains the dominant driver and accelerated to 34% revenue growth in Q1 2026 despite margin down 230 bps year over year, reflecting mix, investment, and ramp effects. DPT improved revenue growth to 19% in Q1 2026, with margin roughly stable versus Q1 2025. The TTM base is therefore meaningfully above FY2025 for revenue, but the segment margin base should use QF's TTM 22.9% total segment margin rather than simply annualizing Q1.

6. Management Commentary On Forward Growth

Copyright note: the framework asks for verbatim quotes. To keep the deliverable compliant, this section uses short verified excerpts and mostly paraphrases. Each excerpt is kept short and tied to a live-fetched source. FMP transcript dates matched expected call dates: FY2025 Q2 on 2025-07-17, FY2025 Q3 on 2025-10-21, FY2025 Q4 on 2026-01-22, and FY2026 Q1 on 2026-04-21.

Segment	Source and date	Speaker / source	Short verified excerpt	Topic	Modeling implication
Total company	Q1 FY2026 release, 2026-04-21	H. Lawrence Culp Jr., Chairman and CEO	"holding our full-year guidance across the board"	2026 guide	Base case should not cut 2026 management guide solely for macro uncertainty as of Q1.
Total company	Q1 FY2026 release, 2026-04-21	Company release	"trending toward the high-end of the range"	2026 guide	Upside bias exists after Q1, but guidance was not formally raised.
Total company	Q4 FY2025 release, 2026-01-22	Company release	2026 adjusted EPS guide of $7.10 to $7.40	2026 earnings	Near-term EPS bridge should begin with company guide, then normalize by segment.
Total company	Q4 FY2025 release, 2026-01-22	Company release	2026 free cash flow guide of $8.0B to $8.4B	Cash conversion	FCF conversion remains a core underwriting support.
Total company	2025 investor update, 2025-07-17	GE Aerospace IR deck	2028 operating profit outlook near $11.5B	Medium-term profit	Segment forecasts should reconcile to the company-stated 2028 profit ambition before extending to 2031.
CES	Q1 FY2026 release, 2026-04-21	Company release	CES services revenue up 39%	Aftermarket growth	Q1 services are above the medium-term guide path; do not anchor forward growth to a recessionary aftermarket assumption without evidence.
CES	Q4 FY2025 release, 2026-01-22	Company release	2026 CES revenue guide of mid-teens growth	Segment guide	FY2026 CES should grow faster than consolidated revenue.
CES	Q4 FY2025 release, 2026-01-22	Company release	2026 CES operating profit guide of $9.6B to $9.9B	Segment profit	CES profit guide already embeds ramp/mix/investment headwinds and service tailwinds.
CES	FMP Q4 FY2025 transcript, 2026-01-22	Management transcript	"roughly double LEAP's internal capacity"	MRO investment	LEAP aftermarket capacity is a management focus and should support service growth beyond 2026.
CES	FMP Q1 FY2026 transcript, 2026-04-21	Management transcript	"more than 95% of spare parts revenue already in backlog"	Backlog visibility	Near-term services revenue is highly visible; downside would need utilization or supply-chain breakage.
CES	FMP Q1 FY2026 transcript, 2026-04-21	Management transcript	"limited impact on services revenue and profit in 2026"	Macro/geopolitical impact	Management is not assuming a material 2026 services hit from current macro/geopolitical uncertainty.
DPT	Q1 FY2026 release, 2026-04-21	Company release	record defense orders for this decade	Defense demand	DPT order growth supports backlog-driven revenue growth, but margin mix still matters.
DPT	Q4 FY2025 release, 2026-01-22	Company release	2026 DPT revenue guide of mid-single/high-single-digit growth	Segment guide	DPT growth is positive but below CES; model as a steadier defense/propulsion contributor.
DPT	Q4 FY2025 release, 2026-01-22	Company release	2026 DPT operating profit guide of $1.55B to $1.65B	Segment profit	Margin improvement should be modest and execution-dependent.
DPT	Q1 FY2026 release, 2026-04-21	Company release	T408 and GEK1500 awards cited	Program wins	Forward revenue benefits are long-cycle; do not front-load all program economics into 2026.

Downstream modeling cautions from commentary:

- The services case is not simply "installed base grows." Management repeatedly ties the outlook to spare parts, shop visits, LEAP capacity, MRO partnerships, supplier input, time-on-wing, and lower cost of ownership.
- Commercial equipment can pressure margin even while it seeds the installed base. GE9X, LEAP ramp, spare-engine ratios, and mix should be treated as explicit margin variables.
- DPT has order momentum and important programs, but it does not currently have CES-like margins. A DPT bull case requires both volume and mix/productivity proof.
- Company guidance uses non-GAAP operating profit, adjusted revenue, adjusted EPS, and free cash flow. The company states some non-GAAP forward reconciliations cannot be provided without unreasonable effort, so synthesis should keep GAAP/segment/pro forma bridges visible.

7. Capital Allocation History

Year	Capex	Capex / revenue	GE-funded R&D	GE-funded R&D / revenue	Buybacks	Dividends	M&A / divestiture net cash flow	Source
FY2021	1.113	2.0%	1.682	3.0%	0.107	0.575	2.596	FMP annual statements
FY2022	1.174	4.0%	0.808	2.8%	1.048	0.639	4.702	FMP annual statements; SEC old taxonomy
FY2023	1.595	4.5%	1.011	2.9%	1.233	0.589	8.639	FMP annual statements; SEC old taxonomy
FY2024	1.032	2.7%	1.286	3.3%	5.827	1.008	5.614	FMP annual statements; SEC 2024 10-K
FY2025	1.273	2.8%	1.580	3.4%	7.551	1.452	-0.360	FMP annual statements; SEC 2025 10-K

Notes: capex is shown as positive cash outflow. Buybacks and dividends are shown as positive cash returned even though FMP records them as cash outflows. M&A / divestiture net cash flow follows FMP `acquisitionsNet`; positive values are cash inflows or net proceeds, while negative values are net acquisition outflows. GE also reports customer- and partner-funded R&D of $1.409B in FY2025, $1.413B in FY2024, and $1.465B in FY2023, so total R&D activity exceeds GE-funded R&D.

Recent quarterly cash-return markers from live FMP quarterly cash flow:

Period	CFO	Capex	FCF	Buybacks	Dividends	Source
Q2 FY2025	2.246	0.327	1.919	1.745	0.386	FMP quarterly cash flow
Q3 FY2025	2.556	0.307	2.249	1.844	0.383	FMP quarterly cash flow
Q4 FY2025	2.226	0.431	1.795	1.997	0.381	FMP quarterly cash flow
Q1 FY2026	1.823	0.318	1.505	2.399	0.381	FMP quarterly cash flow

QF official cash-flow bridge differs modestly from FMP on Q1 FY2026 capex because QF uses SEC continuing-operations cash-flow definitions: Q1 2026 CFO continuing operations $1.868B, capex $0.331B, and continuing-operations FCF less capex $1.537B. Use QF P6 for TTM modeling.

8. Balance Sheet Snapshot

FY2025 year-end balance sheet:

Item	Amount	Source
Cash and equivalents	12.392	FMP annual balance sheet; QF P6
Short-term investments	0.000	FMP annual balance sheet
Total debt	20.494	FMP annual balance sheet; QF P6
Net debt	8.102	Debt less cash

Item	Amount	Source
EBITDA	12.063	FMP annual income statement
Net debt / EBITDA	0.67x	Calculated
Goodwill	9.060	FMP annual balance sheet; SEC 2025 10-K
Other intangible assets	4.225	FMP annual balance sheet; SEC 2025 10-K
Goodwill + intangibles	13.285	Calculated
Total assets	130.169	FMP annual balance sheet
Total liabilities	111.269	FMP annual balance sheet
Shareholders' equity	18.677	FMP annual balance sheet; QF P6
Tangible book value	5.392	Equity less goodwill and intangibles

Q1 FY2026 snapshot from QF P6 and live FMP quarterly balance sheet:

Item	Q1 FY2026 amount	Source
Cash and equivalents	10.981	QF P6; FMP quarterly balance sheet
Total debt	20.277	QF P6; FMP quarterly balance sheet
Net debt	9.296	QF P6
Total assets	128.445	QF P6; FMP quarterly balance sheet
Total liabilities	110.148	QF P6; FMP quarterly balance sheet
Common equity	18.057	QF P6; FMP quarterly balance sheet
Shares outstanding	1,043.337M	QF P6

Balance-sheet read-through: leverage is not the gating risk. GE Aerospace has enough balance-sheet capacity to fund R&D, MRO capacity, manufacturing investment, dividends, and repurchases. The relevant capital-allocation question is whether repurchases at a high share price still clear the Gideon return hurdle versus reinvestment in capacity, durability, and next-generation propulsion.

9. Recent Corporate Actions

- 2025 share repurchases: FMP annual cash flow reports $7.551B of common stock repurchased in FY2025. Q1 FY2026 live FMP cash flow reports a further $2.399B repurchased.
- 2025 dividends: FMP annual cash flow reports $1.452B of common dividends paid in FY2025, and Q1 FY2026 live FMP cash flow reports $0.381B.
- Q2 2025 guidance increase: SEC Q2 2025 Exhibit 99.1 reported GE Aerospace increased its 2025 financial guidance and 2028 outlook, including a 2028 operating profit outlook of about $11.5B and 2028 adjusted EPS outlook of about $8.40.
- Q4 2025 guide: SEC Q4 2025 Exhibit 99.1 introduced FY2026 guidance of low-double-digit adjusted revenue growth, operating profit of $9.85B to $10.25B, adjusted EPS of $7.10 to $7.40, and free cash flow of $8.0B to $8.4B.
- Q1 2026 update: SEC Q1 2026 Exhibit 99.1 reported orders of $23.0B, GAAP revenue of $12.4B, adjusted revenue growth of 29%, operating profit growth of 18%, adjusted EPS growth of 25%, and free cash flow growth of 14%.
- Manufacturing and supplier investment: Q1 2026 release said GE Aerospace planned to invest $1B in U.S. manufacturing sites and supplier base for the second consecutive year, focused on engine deliveries, parts ramp, time-on-wing, and defense industrial base strength.
- Defense program activity: Q1 2026 release cited a T408 engine support contract for the U.S. Marine Corps and a U.S. Air Force contract to design the GEK1500 next-generation engine for small Collaborative Combat Aircraft with Kratos.
- Commercial wins: Q1 2026 release cited engine agreements with American Airlines, United Airlines, Delta Air Lines, and a long-term materials agreement with Ryanair.
- Debt issuance: the SEC 2025 10-K indicates GE Aerospace issued $2.0B aggregate principal amount of senior unsecured debt in Q3 2025, split between notes due 2030 and 2036.

No CEO or CFO transition was found in the live-fetched source set for the last twelve months. H. Lawrence Culp Jr. remained Chairman and CEO and Rahul Ghai remained CFO in the FMP transcript records fetched for Q2 FY2025 through Q1 FY2026.

10. Open Data Gaps

Gap	Classification	Sources and search terms checked	Treatment
FMP quarterly product/segment data missing Q2-Q4 FY2025 and Q1 FY2026	Not fetched / omitted by FMP endpoint; GE-specific SEC override approved	FMP `revenue-product-segmentation` annual and quarterly live pulls; QF/QFR audit	Use QF/QFR-cleared SEC filings as controlling source; preserve analyst flag
Current CES/DPT segment split for FY2021	True non-disclosure	SEC 2022, 2023, 2024, 2025 10-K; search terms CES, DPT, segment revenue, Aerospace, Defense, Systems & Other	Use FY2022-FY2025 current taxonomy; mark FY2021 as boundary
Engine-family revenue dollars for LEAP, CFM56, GE90, GEnx, GE9X	True non-disclosure	SEC annual reports, quarterly filings, earnings releases, investor decks; search terms LEAP, CFM56, GE90, GEnx, GE9X, revenue	Do not back-solve; use units, shop-visit growth, backlog, and management commentary
DPT platform revenue dollars for T700, T901, T408, GEK1500, XA100, CCA	True non-disclosure	SEC filings, Q1 2026 release, transcripts; search terms T408, GEK1500, CCA, Defense, Propulsion	Treat as program qualitative evidence only
Regional quarterly revenue	True non-disclosure / FMP empty	FMP `revenue-geographic-segmentation` quarter returned empty; annual endpoint checked	Use FY2025 annual geography only; avoid quarterly regional growth
FY2024 and older FMP annual geography row consistency	Estimated / not model-grade	FMP annual geography endpoint live pull	Use only as context; not as a growth-rate base
GAAP reconciliation of 2026 forward non-GAAP operating profit guide	True non-disclosure by company	Q4 2025 release states forward non-GAAP operating profit reconciliation unavailable without unreasonable effort	Segment synthesis must keep non-GAAP guide and GAAP history separate
FMP Q1 FY2026 net income discrepancy	Analyst flag	FMP quarterly income statement vs QF/QFR SEC tie-out	Use SEC net income attributable to common shareholders $1.904B for controlling Q1 2026 base

Analyst flags to carry into downstream subagents:

- The SEC override is GE-specific and user-authorized on 2026-05-30; it is not a general weakening of the ER2 data-source rule.
- TTM segment revenue has a $1M to $2M rounding gap depending on whether independent product/service rows or SEC total segment rows are summed. QF/QFR classified this as presentation rounding.
- Consolidated FMP history before the standalone GE Aerospace era contains legacy GE perimeter distortions. Segment modeling should prioritize current-taxonomy SEC segment data from FY2022 forward and the QF/QFR TTM bridge.
- CES service economics are the key forward model driver. DPT improves diversification and defense optionality, but it has lower disclosed margins and fewer granular economics.
- Share repurchases are already a major capital-allocation outlet. Future return underwriting needs to test whether repurchases at the current market valuation support the FY+5 P/E 15 hurdle.