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GE Aerospace (GE)

26Q2 Results Exceed Estimates Again. Setting Price Target at $320 and Maintaining Sell Rating.

Update Report

July 21, 2026

26Q2 revenue was $13.3 billion, up 21.1% over 25Q2. Commercial Engine & Services (CES) revenue rose 21.8%, while Defense & Propulsion Technologies (DPT) revenues were up 34.3%. CES segment profit jumped 19.0%, with a 60 bp decline in margin to 27.3%. DPT segment profit surged 31.5%, with margin down 30 bp to 13.8%. Other income rose 5.0% from $298 million to $313 million, mostly on higher investment and equity method income. Thus, 26Q2 net income was $2.37 billion, up 16.9% from $2.03 billion. GAAP EPS was up $2.26 or 19.6%, from $1.89, on a lower share count. Adjusted EPS was $2.02, up from $1.66, exceeding the consensus estimate of $1.86.

Once again, services gains drove profitability. GE is benefiting from pent-up demand for engine maintenance, repairs and overhauls. Growth in external shop visits is driving sales of parts. Work scopes remain favorable for the LEAP and widebody engines, and stable for CFM56. Sales of LEAP and other commercial engines rose 24% in the quarter, as continuing improvements in parts availability allow GE to catch up on its order backlog. 26Q2 profit margins declined, though, due to growth in early cycle GE9X engine sales, investments and inflation.

Management has raised its 2026 guidance and now anticipates high teens revenue growth, up from low double-digits previously; operating profit of $10.55-$10.75 billion, up from $9.85-$10.25 billion; adjusted EPS of $7.65-$7.85, up from $7.10-$7.40; and FCF of $8.9-$9.2 billion, up from $8.0-$8.4 billion. Although certainly impressive, GE's current valuation anticipates similar revenue and growth rates for at least the next few years.

My 2026 projections now show adjusted revenue growth of 17.1%, operating profit of $10.9 billion; GAAP EPS of $8.37; adjusted (non-GAAP) EPS of $7.75 and FCF of $9.0 billion, all within guidance. For 2027, I anticipate that revenue growth will slow to 5.2%; and GAAP EPS of $8.95; non-GAAP EPS of $8.00; and FCF of $9.3 billion.

Year-to-date, GE's stock has delivered a total return of 11.1%, better than the S&P 500's 9.4% gain. The stock is now valued at 38 times my 2027 GAAP EPS estimate and 43 times my 2027 non-GAAP EPS estimate. My price target is now $320.00, which values the stock at 35.8 times projected 2027 GAAP EPS and 40 times projected 2027 non-GAAP EPS. The price target equates to a potential total return of -5.7% at yesterday's closing price of $341.30. Thus, I am maintaining my performance rating of "5" (Sell).

I have been behind the curve on this stock, as it has handily outperformed for the past two years. Yet, its valuation is quite high and except for a late spring surge, the stock has lost momentum this year. While it has delivered on earnings, the valuation now implicitly assumes multi-year double-digit earnings growth, which does not seem possible given slowing air passenger traffic growth, the satisfaction of pent-up demand, the potential fallout from geopolitical risks, including the conflicts in Ukraine and Iran, and the implications of the Federal budget deficit.

Common Stock Performance Rating: 5; Safety Rating: C+ **S&P 500: 7443.28** (7/20/26)

CUSIP	Type	Recent Price	Coupon	Maturity	Yield	Spread	Call Date	Call Price	Credit Ratings
369604BW2	Senior Notes	96.19	3.625%	01-May-30	4.7%	46 bp	1-Feb-30	100.0	A2/A-
369604BH5	Senior Notes	98.53	4.900%	29-Jan-36	5.1%	53 bp	29-Oct-35	100.0	A2/A-
369604BH5	Senior Notes	87.63	4.500%	11-Mar-44	5.6%	51 bp	11-Mar-44	100.0	A2/A-
369604BY8	Senior Notes	82.70	4.350%	01-May-50	5.7%	46 bp	1-Nov-49	100.0	A2/A-

All bonds callable continuously at "make whole" (MW) premiums. Bond prices are the latest available as of July 20, 2026.

Shares Outst. (mil.)	Common Stock	7/20/26 Price	Div. per Share	Div. Yield	Tangible Book Val.	Proj '26 GAAP EPS	Proj '26 GAAP P/E	Proj. '27 GAAP EPS	Proj '27 GAAP P/E
1,037.6	GE Aerospace (GE)	$341.30	$1.88	0.55%	$5.24	$8.37	41	$8.95	38

Non-GAAP EPS estimates are $7.75 for 2026 and $8.00 for 2027. Projected non-GAAP earnings are from continuing operations.

Table 1

GE Aerospace

Statements of Earnings (Loss): Pro Forma 2025 to 2027F
($ millions)

	Historical 12 Months 31-Dec-25	Historical 3 Months 31-Mar-26	Historical 3 Months 30-Jun-26	Historical 3 Months 30-Sep-26	Projected 3 Months 31-Dec-26	Projected 12 Months 31-Dec-26	Projected 12 Months 31-Dec-27
Revenues							
Sales of equipment	12,159	3,268	3,602	3,473	3,799	14,142	15,025
Sales of services	30,163	8,346	9,031	8,493	9,555	35,426	37,139
Insurance revenues	3,533	778	715	800	800	3,093	3,000
Total revenues	45,855	12,391	13,349	12,765	14,153	52,661	55,164
Costs and Expenses							
Cost of equipment sold	12,382	3,281	3,817	3,647	3,989	14,735	15,626
Cost of services sold	16,586	4,641	4,856	4,501	5,064	19,062	19,855
Selling, gen. and admin. exp.	4,088	1,084	1,131	1,089	1,215	4,519	4,826
Separation costs	202	55	34	50	50	189	200
Research and development	1,580	440	460	443	494	1,837	1,982
Interest & other fin. charges	843	230	215	254	267	965	1,042
Insur. losses & annuity benefits	2,449	624	524	600	640	2,388	2,250
Non-operating benefit costs	(788)	(176)	(177)	(180)	(180)	(714)	(720)
Total costs and expenses	37,341	10,179	10,860	10,404	11,540	42,981	45,061
Other income	1,487	(16)	313	332	332	960	1,326
Earn. from cont. op. bef. tax	10,001	2,197	2,801	2,694	2,946	10,640	11,429
Provision for income taxes	(1,405)	(252)	(407)	(447)	(501)	(1,606)	(1,889)
Earnings (loss) from cont. oper.	8,595	1,945	2,395	2,247	2,445	9,034	9,540
Earnings. from disc. oper.	103	(26)	(38)	0	0	(65)	0
Net earnings (loss)	8,698	1,919	2,357	2,247	2,445	8,969	9,540
Less net attrib. to n/c interests	(6)	16	(13)	10	10	23	40
Net earnings attrib. to GE	8,705	1,903	2,370	2,237	2,435	8,946	9,500
Diluted EPS – cont. oper.	$8.05	$1.83	$2.30	$2.15	$2.37	$8.37	$8.95
Basic EPS – cont. oper.	$8.11	$1.85	$2.32	$2.17	$2.39	$8.44	$9.02
Diluted EPS – disc. oper.	$0.10	($0.03)	($0.04)	$0.00	$0.00	($0.06)	$0.00
Basic EPS – disc. oper.	$0.10	($0.03)	($0.04)	$0.00	$0.00	($0.06)	$0.00
Diluted EPS – net earnings	$8.14	$1.81	$2.26	$2.15	$2.37	$8.32	$8.96
Basic EPS – net earnings	$8.20	$1.82	$2.28	$2.17	$2.39	$8.38	$9.02
Non-GAAP EPS	$6.37	$1.86	$2.02	$1.96	$2.16	$7.75	$8.00
Wtd. avg. shares outstanding							
Diluted	1,068	1,054	1,047	1,039	1,028	1,076	1,061
Basic	1,061	1,046	1,040	1,032	1,021	1,068	1,053
Dividends declared per share	$1.44	$0.47	$0.47	$0.47	$0.47	$1.88	$2.18

Source: GE Aerospace financial statements and Lark Research estimates and projections.

Table 2

GE Aerospace

Statements of Financial Position: Pro Forma 2025 to 2027F

($ millions)

	Historical 31-Dec-25	Historical 31-Mar-26	Historical 30-Jun-26	Historical 30-Sep-26	Projected 31-Dec-26	Projected 31-Dec-26	Projected 31-Dec-27
ASSETS							
Cash and equivalents	12,392	10,981	9,345	11,000	11,500	11,500	10,500
Current receivables	11,773	12,466	12,360	11,966	11,870	11,870	12,347
Inventories	11,868	12,367	12,440	11,769	12,071	12,071	12,508
Current contract assets	3,511	3,439	3,473	3,303	3,397	3,397	3,531
All other current assets	1,052	1,107	2,078	1,750	1,700	1,700	1,500
CURRENT ASSETS	40,596	40,361	39,697	39,788	40,538	40,538	40,386
Investment securities	38,788	38,193	37,910	37,910	37,910	37,910	37,910
Property, plant and equipment	7,987	7,973	8,135	8,210	8,285	8,285	8,585
Goodwill	9,060	9,003	8,954	8,954	8,954	8,954	8,954
Other intangible assets - net	4,225	4,151	4,085	4,000	3,915	3,915	3,575
Contract and other deferred assets	4,920	4,966	4,976	5,000	5,200	5,200	5,200
All other assets (incl. discontinue	15,277	15,159	15,469	15,400	15,500	15,500	15,400
Deferred taxes	7,459	6,973	6,929	7,000	7,500	7,500	7,700
Assets of discontinued operations	1,855	1,666	1,517	1,517	1,517	1,517	1,517
TOTAL ASSETS	130,169	128,445	127,672	127,779	129,319	129,319	129,227
LIABILITIES AND EQUITY							
Short-term borrowings	1,686	2,103	2,000	2,000	2,000	2,000	2,000
Accounts payable	10,078	10,683	10,822	9,959	9,958	9,958	10,215
Progress collections	7,662	7,721	7,937	7,514	7,947	7,947	8,130
Contract liab. And deferred income	10,333	10,204	10,159	9,506	10,160	10,160	10,424
Sales discounts and allowances	4,037	5,037	4,993	4,786	5,193	5,193	5,402
All other current liabilities	5,185	4,280	4,518	4,400	4,400	4,400	4,500
CURRENT LIABILITIES	38,980	40,027	40,430	38,165	39,658	39,658	40,671
Deferred income	1,065	1,084	1,070	1,000	1,000	1,000	1,000
Long-term borrowings	18,808	18,174	17,157	19,470	19,318	19,318	16,900
Insurance liab. & annuity benefits	36,894	35,699	36,195	36,400	36,400	36,400	36,500
Non-current compensation & benefits	6,833	6,661	6,537	6,288	6,039	6,039	5,043
All other liabilities	7,276	7,226	7,273	7,300	7,400	7,400	7,500
Liabilities of discontinued operations	1,413	1,279	1,144	1,144	1,144	1,144	1,144
TOTAL LIABILITIES	111,271	110,148	109,805	109,767	110,959	110,959	108,758
Common stock & Other Capital	23,614	23,161	23,089	23,168	23,248	23,248	23,568
AOCI - net attributable to GE	(4,798)	(4,486)	(4,948)	(4,946)	(4,946)	(4,946)	(4,946)
Retained earnings	87,663	89,073	90,953	92,708	94,666	94,666	102,015
Less common stock held in treasury	(87,801)	(89,690)	(91,454)	(93,155)	(94,855)	(94,855)	(100,455)
TOTAL GE SHAREHOLDERS' EQUITY	18,677	18,057	17,640	17,775	18,113	18,113	20,182
Noncontrolling interests	221	240	227	237	247	247	287
Total EQUITY	18,898	18,297	17,867	18,012	18,360	18,360	20,469
TOTAL LIABILITIES AND EQUITY	130,169	128,445	127,672	127,779	129,319	129,319	129,227
Common shares outstanding	1,049	1,043	1,038	1,026	1,015	1,015	971

Source: GE Aerospace financial statements and Lark Research estimates and projections.

Table 3

GE Aerospace

Statements of Cash Flows: Pro Forma 2025 to 2027F
($ millions)

	Historical 12 Months 31-Dec-25	Historical 3 Months 31-Mar-26	Historical 3 Months 30-Jun-26	Historical 3 Months 30-Sep-26	Projected 3 Months 31-Dec-26	Projected 12 Months 31-Dec-26	Projected 12 Months 31-Dec-27
CASH FLOW - OPERATING ACTIVITIES							
Net earnings	8,698	1,920	2,356	2,247	2,445	8,969	9,540
Loss (earnings) from discontinued oper.	(103)	26	39	0	0	65	0
Adjustments							
Depreciation and amort. of PP&E	863	227	225	225	225	902	900
Amortization of intangible assets	357	85	88	85	85	343	340
(Gains) losses on equity securities	(508)	271	(98)	0	0	173	0
Principal pension plans cost	(655)	(147)	(146)	(146)	(146)	(585)	(584)
Pension plans employer contrib.	(211)	(49)	(48)	(48)	(48)	(193)	(192)
OPEB plans (net)	(230)	(79)	(57)	(55)	(55)	(246)	(220)
Provision (benefit) for income taxes	1,405	252	406	447	501	1,606	1,889
Cash recovered (paid) for inc. taxes	(739)	(34)	(107)	(447)	(501)	(1,089)	(1,889)
Changes in operating working capital	(470)	457	196	(911)	1,192	934	(134)
All other operating activities	136	(1,063)	405	426	(570)	(802)	720
CFOA - continuing operations	8,543	1,868	3,258	1,823	3,128	10,077	10,370
CASH FLOW - INVESTING ACTIVITIES							
Additions to PP&E	(1,273)	(331)	(335)	(330)	(330)	(1,326)	(1,320)
Dispositions of PP&E	123	13	45	30	30	118	120
Net cash (payments) – bus. purchased	(360)	0	(1)	0	0	(1)	0
Net (purch) disp. of insurance inv sec.	425	(351)	344	0	0	(7)	0
All other investing activities	309	(206)	(1,041)	0	0	(1,247)	0
CFIA – Continuing Operations	(776)	(875)	(988)	(300)	(300)	(2,463)	(1,200)
CASH FLOW - FINANCING ACTIVITIES							
Net chg. in short-term borrowings	25	0	(20)	0	0	(20)	0
Net repayments and other reductions	174	(60)	(966)	2,313	(151)	1,135	(2,419)
Dividends paid	(1,452)	(381)	(492)	(482)	(477)	(1,833)	(2,151)
Share repurchases	(7,551)	(2,399)	(2,128)	(2,000)	(2,000)	(8,527)	(8,000)
All other financing activities	120	9	45	300	300	654	2,400
CFFA – Continuing Operations	(8,682)	(2,831)	(3,561)	130	(2,328)	(8,590)	(10,170)
Cash flow from Discontinued Oper.	(383)	(88)	(130)	0	0	(218)	0
Effect of currency exchange rates	201	(57)	(11)	0	0	(68)	0
INCREASE (DECREASE) IN CASH	(1,097)	(1,984)	(1,431)	1,653	500	(1,262)	(1,000)
Beginning cash	15,880	14,782	12,799	11,367	13,020	14,782	13,520
Ending cash	14,782	12,799	11,367	13,020	13,520	13,520	12,520
Less cash at discontinued operations	(1,126)	(1,000)	(854)	(854)	(854)	(854)	(854)
Less cash in run-off ins. oper. & other	(1,264)	(818)	(1,168)	(1,166)	(1,166)	(1,166)	(1,166)
Cash on the balance sheet	12,392	10,981	9,345	11,000	11,500	11,500	10,500

Source: GE Aerospace financial statements and Lark Research projections.

Table 4

GE Aerospace

Summary of Reportable Segments: Pro Forma 2025 to 2027F

	Historical 12 Months 31-Dec-25	Historical 3 Months 31-Mar-26	Historical 3 Months 30-Jun-26	Historical 3 Months 30-Sep-26	Projected 3 Months 31-Dec-26	Projected 12 Months 31-Dec-26	Projected 12 Months 31-Dec-27
Commercial Engines & Services	33,314	8,920	9,730	9,884	11,300	39,834	41,604
Defense & Propulsion Tech	10,554	3,214	3,443	2,602	2,574	11,833	12,640
Total segment revenues	43,868	12,134	13,173	12,486	13,874	51,667	54,244
Corporate	1,987	259	175	280	280	994	920
Total revenues	45,855	12,393	13,348	12,766	14,154	52,661	55,164
Commercial Engines & Services	8,861	2,356	2,656	2,619	2,656	10,287	10,698
Defense & Propulsion Tech	1,296	379	476	390	404	1,649	1,675
Total segment profit (loss)	10,157	2,735	3,132	3,010	3,060	11,936	12,372
Corporate	(96)	(500)	(280)	(252)	(36)	(1,067)	(661)
Interest and other fin. charges	(843)	(230)	(214)	(254)	(267)	(965)	(1,042)
Non-operating benefit costs	788	176	178	180	180	714	720
Benefit (prov.) for income taxes	(1,405)	(252)	(406)	(447)	(501)	(1,606)	(1,889)
Earn. from cont. op. attrib. to GE	8,602	1,929	2,410	2,237	2,435	9,012	9,500
(Loss) from disc. op. attrib. to GE	103	(26)	(39)	0	0	(65)	0
Net earnings (loss) attrib. to GE	8,705	1,903	2,370	2,237	2,435	8,947	9,500
Segment revenue growth							
Commercial Engines & Services	39.7%	46.3%	58.7%	41.1%	47.7%	19.6%	4.4%
Defense & Propulsion Tech	17.8%	39.0%	43.4%	16.1%	2.0%	12.1%	6.8%
Total segments rev. growth	33.7%	44.3%	54.4%	35.1%	36.4%	17.8%	5.0%
Segment margin							
Commercial Engines & Services	26.6%	26.4%	27.3%	26.5%	23.5%	25.8%	25.7%
Defense & Propulsion Tech	12.3%	11.8%	13.8%	15.0%	15.7%	13.9%	13.3%
Total segment margin	23.2%	22.5%	23.8%	24.1%	22.1%	23.1%	22.8%
Adjusted EPS	$6.37	$1.86	$2.02	$1.96	$2.16	$7.75	$8.00

Source: GE Aerospace financial statements and Lark Research estimates and projections.

Table 5

GE Aerospace

Calculation of EBITDA and Adjusted EBITDA: 2025 to 2027F

	Historical 12 Months 31-Dec-25	Historical 3 Months 31-Mar-26	Historical 3 Months 30-Jun-26	Historical 3 Months 30-Sep-26	Projected 3 Months 31-Dec-26	Projected 12 Months 31-Dec-26	Projected 12 Months 31-Dec-27
EBITDA							
Net inc. (loss) from cont. operations	8,595	1,946	2,395	2,247	2,445	9,034	9,540
plus income tax expense (benefit)	1,405	252	407	447	501	1,606	1,889
plus interest and other fin. charges	843	230	215	254	267	965	1,042
plus deprec. and amortization of PP&E	863	227	225	225	225	902	900
plus amortization of intangible assets	357	85	88	85	85	343	340
EBITDA	12,063	2,740	3,330	3,258	3,523	12,850	13,711
plus (gains) on purchases of bus. int.	(5)	(24)	0	0	0	(24)	0
plus losses (gains) on equity securities	(312)	309	(65)	0	0	244	0
plus separation costs	207	56	35	50	50	191	200
Adjusted EBITDA	11,953	3,081	3,300	3,308	3,573	13,261	13,911

Table 6

GE Aerospace

Calculation of Free Cash Flow (Company's Definition): 2025 to 2027F

	Historical 12 Months 31-Dec-25	Historical 3 Months 31-Mar-26	Historical 3 Months 30-Jun-26	Historical 3 Months 30-Sep-26	Projected 3 Months 31-Dec-26	Projected 12 Months 31-Dec-26	Projected 12 Months 31-Dec-27
Free Cash Flows (FCF) (Non-GAAP)							
CFOA (GAAP)	8,543	1,868	3,258	1,823	3,128	10,077	10,370
Add: gross additions to PP&E	(1,273)	(331)	(335)	(330)	(330)	(1,326)	(1,320)
Add: asset dispositions	123	13	0	0	0	0	0
Less: separation costs cash exp.	(245)	(83)	(7)	(51)	(50)	(191)	(200)
Less: corp. restructuring cash exp.	(56)	(26)	(23)	(26)	(10)	(85)	(40)
Free cash flows (Non-GAAP)	7,694	1,658	2,953	1,570	2,858	9,027	9,290

Source: GE Aerospace financial statements and Lark Research estimates and projections.

The author has no position in the publicly traded securities of GE Aerospace (GE).

Lark Research ratings methodology:

The **Performance** rating is scaled from 1 to 5, with a rating of 1 indicating "buy" vs. the broader market; "2" indicating outperform; "3" is neutral; "4" is underperform and a rating of 5 indicates "sell" vs. the broader market. The rating anticipates this performance over a 12-month period.

The **Safety** rating is scaled from A to E, with a rating of A indicating the highest safety profile and a rating of E indicating the lowest safety. E-rated investments carry the highest risk and face a high probability of significant loss.