

Ticker: GE
Sector: Industrial
Industry: Aerospace and Defense

Intrinsic Value: \$ 224
Current Price: \$ 185.96
Stop Loss: \$ 167.36

TTM P/E: 50.26
Forward P/E: 35.71
Beta: 1.18

Market Cap: \$ 201.64B
Dividend Yield: 0.60%
52 Week Range:
\$84.16 - \$190.88

General Electric Company

Business Summary:

GE Aerospace is a leading provider of jet engines, components, and systems for commercial and military aircraft. The business focuses on developing advanced technologies for fuel efficiency, emissions reduction, and engine performance, supplying engines for various aircraft manufacturers. GE Aerospace also provides aftermarket services, such as maintenance, repair, and overhaul to ensure long-term support for its products.

Industry Trends:

The Aviation industry is increasing its focus on sustainability, which is driven by government targets such as the U.S. aiming for 3 billion gallons of Sustainable Aviation Fuel (SAF) by 2030. GE Aerospace is well-positioned in this trend, having developed SAF-compatible engines, which helps ensure its products are aligned with future environmental regulations. The industry is also facing a shortage of skilled workers, especially in maintenance and manufacturing, but GE is addressing this through apprenticeship programs and partnerships to ensure they have skilled workers. This increased demand for skilled workers goes hand-in-hand with an increase in air travel as airlines are making record orders for aircraft and engines. GE is meeting this by enhancing their production efficiency through lean manufacturing techniques.

Investment Thesis:

GE has solid growth potential with a strong market position, technological innovation, and improving financials, which makes them a compelling investment opportunity. Keeping up with industry trends and maintaining a competitive advantage in the industry positions them well in the long-term.

Competitive Analysis:

GE is a global leader in the aircraft engine market, they have constant technological innovation, solid defense contracts, and a global service network

Pros:

GE's SAF-compatible engines meet the industry's shift to sustainability

GE has a strong involvement in the CFM RISE program which shows commitment to developing more efficient and low-emission engines and following company goals

Focus on lean manufacturing and management practices enhances production efficiency and meets increasing demand

Development of high-tech military engines allows GE to capitalize on rising defense spending during global geopolitical tensions

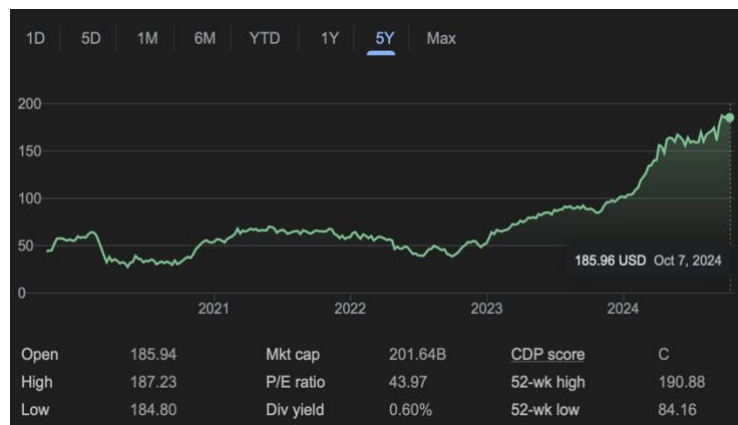
Risk Factors:

Changes in macroeconomic conditions, market conditions, and market volatility

The operation of the company as a whole when it comes to supply chain constraints and meeting the growing demand / increase in production for products

General product safety or quality concerns (in the case of product failure) can lead to reputational damage and financial losses

Five Year Historic Stock Performance



EBITDA Multiple Method - Value per Share	
Terminal EBITDA at Year 10	18,791
WACC	9.1%
Exit Enterprise Value / EBITDA	18.5x
Terminal Value at End of Year 5	347,638
Present Value of Terminal Value (@ 9.1% WACC)	145,814
(+) Present Value of Free Cash Flows (@ 9.1% WACC)	92,396
(=) Current Enterprise Value	238,209
Short Term Debt	1,817
(+) Long Term Debt	21,120
(-) Cash and Marketable Securities	56%
(-) Current Net Debt	(7,400)
(-) Current Preferred and Minority Interest	1,201
(=) Equity Value	244,408
Shares outstanding	1,088
Estimated Value per Share (USD)	224.55
Current Price (USD)	184.27
Estimated Upside	22%

Comparative Analysis

Multiples Comparison with Relevant Peers											
Target Company: General Electric (GE)											
Company Name	Market Cap	Enterprise Value	Revenue	EBITDA	Net Income	Book Value	P/E	EV/EBITDA	P/B	EV/Revenue	P/S
General Electric (GE US)	202158.9	208085.9	35969.99	8140.58	4649.04	18598	43.4840	25.5616	10.8699	5.7850	5.6202
RTX Corp (RTX US)	164734.8	203985.8	79407.74	12690.29	7341.12	58985	22.4400	16.0742	2.7928	2.5688	2.0745
Safran SA (SAF FP)	88195.5	87879.5	27339.03	5312.29	3021.42	11218	29.1901	16.5427	7.8620	3.2144	3.2260
Rolls-Royce Holdings PLC (RR/ LN)	43848.9	44850.9	17117.08	3116.26	1553.49	-2292	28.2261	14.3925	-19.1313	2.6202	2.5617
Honeywell (HON)	132455	152248	39122.01	10434.90	6611.43	16947	20.0342	14.5903	7.8158	3.8916	3.3857
Boeing (BA)	94205.8	139526.8	73381.76	1860.53	-3409.98	-17976	-27.6265	74.9930	-5.2406	1.9014	1.2838
Multiple	GE US	RTX US	SAF FP	RR/ LN	HON	BA	Average	Median			
P/E Ratio	43.4840	22.4400	29.1901	28.2261	20.0342	-27.6265	19.2913	25.3330			
EV/EBITDA	25.5616	16.0742	16.5427	14.3925	14.5903	74.9930	27.0257	16.3084			
P/B Ratio	10.8699	2.7928	7.8620	-19.1313	7.8158	-5.2406	0.8281	5.3043			
EV/Revenue	5.7850	2.5688	3.2144	2.6202	3.8916	1.9014	3.3303	2.9173			
P/S Ratio	5.6202	2.0745	3.2260	2.5617	3.3857	1.2838	3.0253	2.8938			

Environment:

Risk Score 14.2

Developing energy-efficient technologies, including SAF-compatible engines and innovative programs like CFM RISE.

Social:

Risk Score: 15.4

Invests in workplace development through programs and partnerships to address the aerospace industry's needs.

Governance:

Risk Score: 10.9

Strong focus on transparency, ethical conduct, and risk management backed up by their independent board structure.



Building a world that works