



GE Aerospace

Edited Transcript

Q3 2026 GE Aerospace Earning Call



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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the GE Aerospace third quarter 2026 earnings conference call. (Operator Instructions) My name is Liz, and I will be your conference coordinator today. If you experience issues with the webcast slides refreshing or there appears to be delays in the slide advancement, please hit F5 on your keyboard to refresh.

As a reminder, this conference is being recorded. I would now like to turn the program over to your host for today's conference, Blaire Brown from the GE Aerospace Investor Relations team. Please proceed.

Blaire Brown - GE Aerospace - Head of Investor Relations

Thanks, Liz. Welcome to GE Aerospace's third quarter 2026 earnings call. I'm joined by Chairman and CEO Larry Culp and CFO Rahul Ghai. Many of the statements we're making are forward-looking and based on our best view of the world and our business as we see them today.

As described in our SEC filings and website, those elements may change as the world changes. Additionally, Larry and Rahul will speak to total company and corporate financial results and guidance today on a non-GAAP basis. Now, over to Larry.

H. Lawrence Culp - General Electric Company - Chairman of the Board, Chief Executive Officer of GE Aerospace

Blaire, thank you, and good morning, everyone. At any moment, nearly 1 million people are flying on aircraft powered by our technology. That's the responsibility behind everything we do at GE Aerospace, and it underscores our purpose to invent the future of flight, lift people up, and bring them home safely.

In the third quarter, we delivered strong results. Demand continues to be solid across the business even in a dynamic environment. Third quarter orders were up 49% led by Commercial Engines and Services or CES, which was up 58%. We continue to see strength in Commercial Services with orders up 23% in the third quarter and 30% year-to-date.

Combined with our backlog of over \$170 billion, we're well positioned to close out 2026 and now expect low double-digit services growth in 2027. We had a historic Farnborough Air Show announcing commitments for more than 1,800 engines, including an agreement with Indigo for the largest LEAP agreement ever for more than 1,000 LEAP-1A engines to power its A320neo aircraft.

And just last week, we announced an agreement with Turkish Airlines for more than 300 LEAP-1B engines to power its 737 MAX fleet, along with a long-term service agreement for its entire LEAP-1B fleet of over 600 engines.

In the quarter, total company revenue increased 18%, with CES up 21% and Defense and Propulsion Technologies, or DPT, up 7%. Operating profit grew 30% and margins of 22.5%, up 220 basis points year-over-year. EPS increased 36% and we generated more than \$2 billion of free cash flow.

These results reflect the impact of FLIGHT DECK fundamentals to drive continued output momentum with year-to-date commercial services revenue and total engine deliveries both up over 20%. And we remain focused on investing to meet customer needs with our recently announced agreement to acquire Consolidated Precision Products or CPP to expand capacity of mission-critical castings.

At the same time, we're advancing current and future technologies with over \$3 billion in annual R&D spend. This quarter's performance builds on progress from the first half, with year-to-date orders now up 49%, revenue up 23%, EPS growing 28%, and 105% free cash flow conversion. Given the strength of our results combined with our fourth quarter expectations, we're raising our 2026 guidance.

I want to take a moment here and thank the entire GE Aerospace team and our supplier partners for their commitment to delivering for our customers. Turning to slide 4, FLIGHT DECK is at the center of how we drive safety, quality, delivery and cost always in that order.

We're making meaningful progress with year-to-date commercial services revenue up 26% and total engine deliveries up 21%. With the LEAP installed base expected to more than double between 2025 and 2030, our team focused on increasing capacity for the LEAP fan assembly.

Using FLIGHT DECK, the team reoriented the layout of the production line and developed standard work at various workstations, resulting in greater capacity with output more than doubling. To improve F-18 readiness for the US Navy, we partnered with a key supplier to reduce repair times for a critical F414 component.

Using FLIGHT DECK to improve the flow of parts, we doubled output, helping meet our customers' needs. These actions demonstrate the power of collaborative problem solving to unlock constraints, which contributed to priority supplier material input, increasing double-digits year over year again in the third quarter.

Thanks to the work of our team and the partnership with our suppliers, this quarter marks the tenth consecutive quarter of sequential material input growth, which contributed to leap engine deliveries growing 26% year to date.

The gains we're driving with FLIGHT DECK are further accelerated with AI. At Celma, our largest MRO site, the team developed an AI-enabled tool to automate collection of technical records required for each CFM56 shop visit.

This helped decrease record processing time by around 25%. Actions like this across our network resulted in another quarter of record internal shop visit output, with turnaround time down by over a week since the end of 2025, including LEAP now down two weeks.

This progress, combined with other efforts, has reduced LEAP engine-driven grounded aircraft to nearly zero since the summer. All in, while there is always more to do to meet customer expectations, we're making meaningful progress.

Shifting to slide 5, given airframer order books are full through the end of the decade, along with strong growth in aftermarket and defense, we're continuing to invest to ensure timely delivery for our customers. Our agreement to acquire CPP, a long-term supplier, is a significant investment to build adequate capacity of mission-critical castings for the entire aerospace industry.

Beyond increasing delivery, acquiring CPP allows us to accelerate the introduction of new engine technologies that improve cooling and enhance durability and efficiency of our current fleet and future programs.

And we're making meaningful progress on next-generation programs while building additional capabilities through partnering with disruptors to move at pace. It was a moment of great pride for our team this summer, when alongside our partners at BETA Technologies, we completed the world's first high-altitude hybrid electric flight.

We're grateful for the collaborative partnership with BETA to demonstrate that hybrid electric technologies are viable for commercial aviation through NASA's Electrified Powertrain Flight Demonstration Program. Together with Kratos, our GEK800, now known officially as the F143, was designated as a second source propulsion for the Joint Air-to-Surface Standoff Missile, or JASSM, moving it from development to a funded US Air Force program. Our XA102 adaptive cycle engine was selected by the US Air Force for the next phase of the NGAP program, moving into hardware procurement and subcomponent testing.

The US Navy's recent announcement of the F/A-XX is another example of the administration's leadership in moving forward important sixth-generation programs that ensure the US maintains air superiority, building off last year's F-47 News.

We're excited about the progress our Edison Works team has made on advanced engines and how it positions us well to support the US administration's efforts in modernizing our military. Stepping back, we continue to position GE Aerospace for long-term growth by focusing on what matters most to our customers. Rahul, over to you.

Rahul Ghai - General Electric Company - Chief Financial Officer, Senior Vice President

Larry, thank you, and good morning, everyone. GE Aerospace delivered another strong quarter with double-digit growth across orders, revenue, profit, and EPS. Orders were up 49%, with CES up 58% and DPT up 18%. Revenue increased 18%. CES was up 21%, marking our sixth consecutive quarter of at least 20% growth, and DPT grew 7%.

Operating profit was \$3 billion, up 30%. And margins increased 220 basis points to 22.5%, driven by services volume, productivity, and price, partially offset by inflation. EPS was \$2.25, up 36% from increased operating profit and a reduced share count. Free cash flow was \$2 billion.

Working capital was a use as receivables grew from timing of services billings and an increase in balance due from airframers. Net contract assets and liabilities were a source in the quarter from strong utilization billings.

Our results build on the strength from the first half. With year-to-date orders up 49%, revenue up 23%, operating profit growth of \$1.5 billion or 22%. Free cash flow is up 13% to \$6.7 billion from higher earnings and a meaningful reduction in inventory growth. This reflects 105% conversion with continued favorability in net contract assets and liabilities.

Going deeper on our 36% EPS growth this quarter. Higher operating profit drove \$0.55 or over 90% of the improvement in EPS. Both segments grew profit and corporate cost was lower by about \$160 million from timing of accruals and cost management initiatives, partially offset by a slight increase in eliminations. The remainder of the EPS growth in the quarter was driven by a reduction in share count from our previously announced capital allocation actions, while the tax rate was roughly flat at around 15%.

Turning to CES, in the third quarter, orders grew 58% with services orders up 23% year-over-year and nearly \$300 million sequentially. Spare parts orders grew faster than total services, including continued strength in CFM56. Equipment orders more than tripled.

Revenue increased 21%, with services growing 17%. Internal shop visit revenue grew 12%. Higher volume and heavier wide-body work scopes were partially offset by customer and product mix. With LEAP volume up over 40%. Spare parts increased over 20% from improved material availability that helped fulfill strong customer demand growth in LEAP external channel and price.

Work scopes remained stable for CFM56. Even with strong revenue growth, spare parts delinquency increased sequentially, reflecting strong underlying demand. Equipment revenue grew 38%, with engine deliveries up 8%, including LEAP up 5%. This reflects continued sequential improvement, marking our fifth consecutive quarter of at least 500 LEAP engine deliveries.

Widebody engine deliveries were up over 50%, and GENx shipments nearly doubled. While we delivered GE9X engines this quarter, the impact from these shipments will be recognized post mid-seal certification. Profit was \$2.9 billion, up 21% with margins of 27.9%, driven by higher services volume and price partially offset by mix and inflation.

Year-to-date, CES orders are up 54%, with services up 30%, which positions us well for 2027. Revenue is up 27%, including services up 26%, supporting operating profit growth of \$1.4 billion while delivering 25% increase in engine deliveries.

Turning to DPT, orders increased 18%. In this quarter, we were awarded a five-year contract worth \$2.9 billion to provide ongoing support for the F414 engines powering US Navy's F-18 and EA-18G fleets, focused on keeping the fleet mission-ready. Defense book-to-bill was 1.0 in the quarter and 1.5 year-to-date.

Total DPT backlog was over \$30 billion, up over \$5 billion since the start of the year. Revenue grew 7%. Defense and Systems revenue was up 5%, driven by growth in both services and equipment, with engine deliveries up 4%. Propulsion and Additive Technologies grew 10%, with growth driven by Avio Aero and Unison.

Profit grew 8% and margins were up 20 basis points to 13.7% from increased volume and price, partially offset by mix and inflation. Year-to-date, DPT has delivered 33% orders growth, 13% revenue growth and \$1.3 billion of profit, up 14%.

Moving to guidance on slide 10. Given the strong year-to-date performance and visibility entering the fourth quarter, we are raising our total company guidance across the board. We are now expecting revenue growth of 19% to 20% from high teens previously.

We expect CES growth of low 20s. Up from prior outlook of around 20%. Commercial services is at the higher end of the prior outlook, and we now expect approximately \$5.5 billion of year-over-year revenue growth, up approximately \$400 million at the midpoint from our prior expectation.

We now expect commercial equipment to grow low 20s, up from around 20% previously. And we continue to see DPT growth of low double-digits. Operating profit is now expected to be in the range of \$10.9 billion to \$11 billion, up \$300 million from our prior outlook at the midpoint.

CES operating profit is now expected to be in the range of \$10.5 billion to \$10.6 billion, up \$250 million at the midpoint from our prior outlook. Of the increase, around \$100 million is from reduced impact from GE9X in the second half.

We continue to deliver engines to Boeing with the upgraded mid-seal and are working to achieve FAA certification by the end of 2026. However, given the expected certification timing, we have assumed fewer units in the year.

The remaining \$150 million increase reflects the drop-through from higher services growth. We have over 100% of the engines' fourth quarter internal shop visits currently in the shop with additional engines waiting for induction. And we are entering the quarter with more than 95% of spare parts in backlog, similar to prior quarters.

We continue to expect DPT profit of \$1.6 billion to \$1.7 billion. Corporate costs and eliminations are trending toward the lower end of the \$1.2 billion to \$1.3 billion range. Taken together, we are raising our EPS guidance to a range of \$8 to \$8.10, up \$0.30 at the midpoint.

This reflects higher profit combined with a lower tax rate of around 16% for the year, down from our prior outlook of below 16.5%. We are also raising our free cash flow guidance to \$9.1 billion to \$9.4 billion, up \$200 million from our prior guide, reflecting higher earnings and above 100% conversion for the year.

Overall, we are set to close out another excellent year in 2026 with around \$1.9 billion of profit growth and \$1.6 billion of free cash flow growth. And given our commercial installed base continues to grow low to mid-single digits annually, ongoing work scope favorability combined with price and elevated backlog, we are positioned for low double-digit commercial services growth in 2027. With that, Larry, back to you.

H. Lawrence Culp - General Electric Company - Chairman of the Board, Chief Executive Officer of GE Aerospace

Rahul, thank you. We're encouraged by the momentum we see across the company. It's a testament to the strength of our leadership team and the positions that we enjoy across commercial and defense, and we remain focused on what matters most, delivering for our customers.

Our performance is underpinned by our sustained competitive advantages. With the industry's largest fleet, 80,000 engines and growing, and more than 2.3 billion flight hours, we operate at scale across decades-long life cycles, which keeps us close to our customers and supports continued services momentum.

Our field experience enables continuous improvement in time on wing and cost of ownership, results our customers value most. Across our narrow-body, wide-body, regional, and defense platforms, we offer the best performing products under wing, supported by deep technology expertise and a growing services network.

To build on our current leadership positions in both commercial and defense propulsion, we invest over \$3 billion in annual R&D and over \$1 billion in CapEx to develop next-gen technologies with improved durability and performance that will meet the evolving needs of both our commercial and defense customers.

And with FLIGHT DECK, we're turning strategy into results with a focus on safety, quality, delivery, and cost always in that order. Taken together, we're confident in the path ahead and our ability to deliver exceptional value.

Thank you to the GE Aerospace team for your continued commitment to deliver for our customers and our shareholders. With that, let's go to questions.

Blaire Brown - GE Aerospace - Head of Investor Relations

Before we open the line, I'd ask everyone in the queue to consider your fellow analysts and ask one question so we can get to as many people as possible. Liz, can you please open the line?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Doug Harned, Bernstein.

Douglas Harned - *Sanford C Bernstein & Co LLC - Analyst*

So this was certainly a strong quarter on services. You've got a big backlog across your platforms and CES. But we're looking -- Brent said \$111 today. You can have, as we look at GE90 is totally backed up for shop visits, it's hard to get parts, hard to get an engine.

CFM56 utilization is down a little bit, but how do you all look at the next couple of years in terms of with fuel up, looking at airline profitability and you're planning for growth and in that segment, it looks like we're in a very challenging environment, even though your results are really strong.

H. Lawrence Culp - *General Electric Company - Chairman of the Board, Chief Executive Officer of GE Aerospace*

Well, Doug, I think that as we look at the environment, there's no question that it is dynamic, right? We've seen that over the last six months, and there are a number of questions out there. But I think we're close to the airlines. We see what they're doing to navigate, and we're helping where we can, be that by making sure that the planes they have in their fleets are in the air.

That's why we were so pleased to see the LEAP AOG number down to near zero since the summertime, working on durability, working on cost of ownership, and obviously not only improving deliveries but bringing those turnaround times that we talked about in our prepared remarks. There's a lot that we can do operationally to be supportive to our customers at a time when they're navigating some of these fuel pressures. We saw that last Friday with Delta.

We do see departures growth, right? Schedules perhaps are being trimmed, but we saw the third quarter up 1%, widebody is particularly strong. And we do anticipate that we'll see departures growth in 2027. From a services perspective, and Doug this as well as anybody, that really is what drives this business.

Again, in the third quarter, we saw very strong performance, orders up 23%, spare parts up even more. I think as a window on how the airlines are preparing not only for the next several months, but the other side of some of these current pressures are the parking lot that we see with respect to our shops is up 20% since the beginning of the year.

Removal rates have stayed steady. And just over the last quarter, we've seen parked aircraft and retirements down quarter on quarter. So I think as we look at our business and our overall growth algorithm, we know that. We're well-positioned to deliver low to mid-single-digit growth in the installed base.

We see both LEAP and the NX more or less doubling here over the next five years. That coupled with work scope expansion as the fleet ages, the opportunities we have with respect to price, and I think, again, the airline posture to make sure that they're ready for the other side of this positions us very well. That's what's behind the bump in the guide for 2026 and what we're saying with respect to 2027. Now, that doesn't mean that we're not mindful of some of these headline pressures that you've cited.

We may see some of that pressure down the road, but as we think about 2027 from a GE Aerospace perspective, we think that's primarily driven by the backlog and the cycles that have already been flown by the airlines and how we will support them in addition to what we're doing with our OEM customers, the airframers, with respect to new engine and new aircraft deliveries.

So net, a lot of positives at GE Aerospace, doing what we can to support the airlines as they work through this, and we'll all get to the other side. There's no doubt about that.

Operator

Scott Deuschle, Deutsche Bank.

Scott Deuschle - Deutsche Bank AG - Research Analyst

Rahul, can you characterize the internal shop visit revenue growth you saw in the widebody portfolio this quarter and whether there was anything specific that prevented that widebody growth from being stronger than it was?

Rahul Ghai - General Electric Company - Chief Financial Officer, Senior Vice President

The overall demand for widebody shop visits remains really strong. Larry mentioned the removal rates. And if you see the GE90 and NX, I think we've seen like single-digit retirements all year. So really strong fleet performance. The departures were up strongly as well.

So that is translating to strong shop visit demand. And in addition to that, the work scopes for widebody shop visits continue to grow as well, especially on GE90 as they're transitioning from first to second shop visit, which is to be expected just given the fact that 70% of the GE90 fleet has not seen a second shop visit.

And NX is also now moving from kind of the quick turns to the first shop visit, so that is transitioning well as well. So the total volume is up just given the fleet dynamics around widebody, very few retirements, the parking lot is up and then the increase in work scopes.

So the overall widebody did really well for us in the quarter. Now overall for shop visits, the widebody mix was kind of partially offset by our total customer mix skewed a little bit towards more long-term service agreements versus the time and material contract, and then LEAP was obviously up 40% year-over-year. And while the work scopes on LEAP are growing, they're still it's an early-stage fleet. So that impacts our overall shop visit revenue growth, but widebody specifically was very strong.

Operator

Myles Walton, Wolfe Research.

Myles Walton - Wolfe Research LLC - Analyst

I think there was some expectation, at least in my part, that CES service orders might decline sequentially given delinquencies building and the macro backdrop, but obviously didn't play out here. Is that something we should normalize to expect that delinquencies will have a role?

And then just Rahul or Larry, within the context of your low double-digit expectation for '27, growth, do you see a burndown of delinquency or are you just assuming kind of holding this level?

Rahul Ghai - General Electric Company - Chief Financial Officer, Senior Vice President

Yes, I can start, Myles, on services orders and Larry can jump in here as well. So as you pointed out, really strong quarter on CES orders up 23% year-over-year in the quarter, as Larry said earlier, up 30% year-to-date, with spare parts actually going faster than the overall strong growth in. Both CFM56 and LEAP.

And the other thing we mentioned in our prepared remarks as well, that what was really good to see that the orders growth actually accelerated from 22% growth in the second quarter to now 23%, and then orders grew sequentially as well. So both from a year-over-year perspective and quarter-over-quarter perspective, the CES orders did well for us.

And we are entering the fourth quarter with about 95% of our revenue in our backlog, which has been consistent. It is up maybe 10 points from where it used to be, but I think it's consistently hovered in that range throughout the year. And that is what gave us the confidence to

increase our total services revenue guide for the year, most of the increase that you see here for about \$0.5 billion that we are doing in the full year is coming from incremental spare parts sales due to the strong orders that we are seeing.

The internal shop visit revenue is kind of hanging in there in that mid-20s range as well, so no change on that front. But our total backlog is up on spare part sales, delinquency is up slightly even though material availability continues to get better and we are seeing good flow-through from that just given the strong demand, the backlog and the delinquency grew in the quarter. So, Larry, anything you want to add?

H. Lawrence Culp - General Electric Company - Chairman of the Board, Chief Executive Officer of GE Aerospace

I think the only thing I would add is when we talk about the services backlog, obviously the bulk of that are the long-term service agreements. Spare parts is just that, a part of it. And it's the spare parts where we're going to see delinquency move with more frequency.

That said, Myles, to the last part of your question, operationally, I think we want to stay focused on bringing down that delinquency. We'd rather take the backlog up to make sure we're satisfying customers with respect to lead time.

That said, as Rahul highlighted there at the end a lot of progress from a supply chain perspective. That's the expectation going into '27. So I'm hopeful that we can continue to increase our backlog, but at the same time bring down delinquency because that will be more in line with customer expectations. But work to do.

Operator

Sheila Kahyaoglu, Jefferies.

Sheila Kahyaoglu - Jefferies LLC - Analyst

Maybe I wanted to ask, switching gears a little bit on wide-body equipment sales in Q3. It reads like you benefited from the GE9X just timing shift on the mid-seal certification. And then if you could also talk about the GENx, where you are in production ramps for that program as you think about 787 deliveries for your customer, and you've highlighted 50% year-over-year growth in the output there.

H. Lawrence Culp - General Electric Company - Chairman of the Board, Chief Executive Officer of GE Aerospace

We'll talk 9X, then NX. Let me start just with respect to the 9X. Obviously, proud Sheila, as to be sole source on the 777X. We now are looking at an excess of 1,300 engines on order. And the voice of the customer from the airlines is that they love the aircraft, love to see it certified, and to see deliveries.

With respect specifically to the mid-seal, we've been delivering engines to Boeing with the upgraded mid-seal since August. I think that is just the ultimate proof point with respect to our confidence that we've begun not only production but also deliveries, working hard to achieve the certification of the upgraded mid-seal and we're aiming to do that by the end of the year, obviously that is subject to FAA approval.

Rahul Ghai - General Electric Company - Chief Financial Officer, Senior Vice President

And then on GENx, Sheila, the deliveries were up, as we said in our prepared remarks, more than doubled year-over-year, up more than 60% kind of year-to-date. So we delivered more than 50 engines to Boeing in the quarter.

And that delivery to Boeing continued to increase throughout the quarter, so July, August, September, each month was better than the prior month. So clearly more work to do here to stabilize at the rates that we achieved in September along with the broader supply chain for what Boeing needs to do in the future, but good to see the growth that we saw in the third quarter and what we've seen year-to-date.

And as Boeing has indicated previously, we are pacing deliveries, and in fact, Boeing has more than 30 ship sets on and off wing, and the number of engines in Boeing inventory has grown over the last few months as the engine deliveries have outpaced the aircraft deliveries. So we're confident we'll continue to grow this and help Boeing get to rate 10 along with the rest of the supply chain here.

Operator

Seth Seifman, JP Morgan.

Seth Seifman - JPMorgan Chase & Co. - Analyst

I wanted to ask, when we think about the order growth that we're seeing this year and where we are year to date, and that's fairly significantly ahead of the outlook that you guys have for sales next year. Can maybe help to level set us in terms of thinking about how we should consider the relationship between orders and sales and including the relationship within that in terms of shop visits and how those drive orders, because you obviously have visibility to a lot more shop visits in the future than what's considered orders and, now that there's this increased focus on the order number, kind of how we should look at this to gauge the outlook.

Rahul Ghai - General Electric Company - Chief Financial Officer, Senior Vice President

So, Seth, again, just going back to the orders, listen, it's been good to see the growth that we've been seeing from all the things that we've discussed here already on the call. If you look at where we're getting the orders growth, a lot of it is CFM56 in the quarter, on the spare parts sales. CFM56 retirements are trending lower than what we thought at the beginning of the year. Remember, we said 3% to 4%, then at the beginning of the year, we said expecting CFM56 retirements to be 2% to 3%, and now we are expecting somewhere between a point and a half to two points of CFM56 retirements. So even though we are in the environment that we are in, CFM56 retirements have been lower than where we were at the beginning of the year.

And the shop visits for next year, we continue to expect based on the number of cycles flown, as Larry said earlier, at the 2,400 closer to the 2,400 mark than the 2,300 mark, so trending higher than at the higher end of our range. And along with that, the LEAP spare parts revenue obviously continues to grow as the engine is seeing increased utilization. And then you spoke to the widebody earlier.

So the order trends have been very strong. And you would expect these orders to convert into revenue typically in the six to nine-month timeframe. It's been trending longer given the entire expectation from a supply chain, what's happening on the OE side.

And even though the material deliveries have been up now for 10 consecutive quarters with growth this quarter, the conversion time is longer. But if you look at our services growth and our revenue growth, they are trending closer to each other.

Services orders up 30% year-to-date, revenue up 26% year-to-date. So the trends are converging. And as we think about next year, it's the battle that we enjoy right now of 170 billion plus with the most of the engines that we need to work in first half of next year already in our shop, plus removals expected for the first half to be up more than 10% year-over-year.

So that is what underwrote our confidence here to increase our 2027 outlook to what we were saying double-digits previously to lower double-digits now. But strong backlog, we are anxious to convert that backlog into revenue, as Larry said earlier. But good to be in a position here where we can continue to drive services growth.

Operator

Kristine Liwag, Morgan Stanley.

Kristine Liwag - *Morgan Stanley - Analyst*

So I just wanted to follow-up more on, following up more on oil prices. I guess your 2027 outlook, you guys are clear that it's driven by what's already in backlog. But for incremental engines coming off wing with service lots beyond that period. Are you seeing any changes in customer behavior considering the high oil prices? Are they becoming more price sensitive?

Are they thinking about having lower work scopes? Or when you look at that incremental order, is their decision still factoring, maximizing time on weighing considering spare parts are still at a scarcity? So just understanding what their trade-off is for that incremental engine kind of beyond your existing backlog?

H. Lawrence Culp - *General Electric Company - Chairman of the Board, Chief Executive Officer of GE Aerospace*

Well, Kristine, I think it's important to look not only at the backlog, but what we see in process that's not necessarily in our reported backlogs, but what is indicative of the airline behavior. And again, I think as we look at '27, to the comment that Rahul just made, a good bit of this is a function not only of the backlog, but the cycles that have already been flown.

So when we were talking earlier not only about this very strong spare parts order book that we've seen, but the parking lots of engines that are to be inducted, let alone the engines that are coming off wing, that's been fairly steady. And even further back in kind of the operational work stream, when we look at parked aircraft and retirements, again, those are down sequentially here in the third quarter.

So we think that is in part a function of some of the supply chain. Constraints that we've touched on a couple of times already in this call, but also the airline posture to navigate through the short-term and to be ready for the other side. That just seems to be, in many of the conversations we have with airlines, the enduring lesson of COVID.

They want to be ready for the return to a more stable operating environment. And fortunately, given the combination of the backlog and cycles that have been flown, there's an important role that we're going to have to play in that regard as we work through 2027 on top of everything else that we're doing to limit AOGs, reduce turnaround times, improve new engine deliveries to support the airlines as best we possibly can.

Rahul Ghai - *General Electric Company - Chief Financial Officer, Senior Vice President*

And Kristine, just to add one comment on work scopes, we spoke about the widebody earlier, just given that we've seen very few retirements, I think our customers expect to fly those fleets for a long period of time. So we're not seeing any impact on widebody work scopes and impact the widebody work scopes are increasing as we discussed earlier.

On the narrowbody side, a lot of what we are seeing for CFM56 as an example is driven by life limited parts, which need to get replaced at this point in their life cycle and given lack of used material in the market just given lower retirements, we're not seeing any change to CFM56 work scopes either and LEAP obviously will continue to grow just given as the fleet matures and we go from quick turns to first shop visits to second shop visits. In fact, LEAP shop visit revenue on \$1 per shop visit is kind of half that of CFM56, just given how early it is in its life cycle. So I think on both narrowbody and widebody, overall, we expect the work scopes to increase next year.

Operator

John Godyn, Citi.

John Godyn - Citi Infrastructure Investments LLC - Analyst

I wanted to just follow-up on and maybe get as much color as possible on CFM56 retirement rates. Rahul, you mentioned that it wasn't that long ago that this year was supposed to be a 3% to 4% retirement rate year, and even a year ago, I think we were talking about 2% to 3%. It's obviously much lower.

We also have things around the edges like aero derivatives coming up in the conversation. Best thinking today, how are you guys thinking about retirement rates from here? And is it realistic that they can even just snap up quickly from the levels that they're at, given everything that you're seeing? I just love your thoughts.

H. Lawrence Culp - General Electric Company - Chairman of the Board, Chief Executive Officer of GE Aerospace

Well, Jon, we think about that a lot. For perhaps all the obvious reasons. But it's important to step back and just remember that CFM56 is fundamentally still a young fleet, right? We've got a lot of life left in those engines. Two-thirds of the fleet haven't seen their second shop visit.

And we know from history that 85% thereabouts of our near-term volume is going to come from engines that are less than 20 years old, and that's important to remember because retirements tend to kick in for aircraft and engines that are older than 20 years.

I think you saw that again in this very strong third quarter services number that we talked about and the CFM56 demand as a component of that was strong. I talked earlier to Kristine's question about what we see from the airlines in terms of capacity management post-COVID and how that's playing out both in parked and retired aircraft.

We did expect retirements to be, call it 2% this year. Right now, we're trending below that level. And I think that's probably where we're going to end up. I think as we think about '27, maybe more importantly, we do think that we'll see a step up.

Can that happen operationally? We'll see. But I think it probably is just prudent modeling at a minimum from our perspective to assume that. But even with that assumption, we've raised our expectations for CFM56 shop visits to 2,400 in the summertime. So I think that, again, that speaks to just the strength of the backlog and the demand that we see. And that really is before we factor in some of these POWERGEN effects that you alluded to.

Rahul Ghai - General Electric Company - Chief Financial Officer, Senior Vice President

And on the POWERGEN side, Jon, we approached it kind of two ways. One, we are looking at if there is a technical solution that we can offer to some of these customers who are trying to enter that market. So there's a technical side to it, but at a minimum, we are selling spare parts because they will need to as they refresh those engines, given the lack of used material that is creating another revenue stream for us and it obviously absorbs used material from the market.

So net-net, the POWERGEN is going to be a plus up to our CFM56 revenue stream, which we had not previously factored in when we had given 2028 guidance in the summer of last year. So it should be a positive over and above everything Larry just said here on kind of the Aerospace side.

Operator

David Strauss, Wells Fargo.

David Strauss - Wells Fargo Securities LLC - Equity Analyst

So you've talked about or you've guided to this low double-digit aftermarket growth number in '27, I think you've also previously talked about kind of high single-digit DPT growth. We've got this 9X piece now as we think about kind of the margins on CES in the '27. So I just threw out a couple of the different moving pieces. I was just wondering if you could kind of talk puts and takes as we start to think about where 2027 lands.

H. Lawrence Culp - General Electric Company - Chairman of the Board, Chief Executive Officer of GE Aerospace

David, well, maybe if I start, I think we're mindful of the puts and takes. We will, as we always do come back and guide more fully the new year in January at earnings. In addition to some of the company level dynamics that you've referenced.

We're obviously mindful that we're going to exceed our 2028 cash outlook here in '26, and we're going to come close to achieving our '28, profit outlook this year as well. So the things on balance are clearly trending better despite some of the headlines that we've touched on during the course of this call. So that will all play out, and we'll update the guide for '27, when we're together first of the year.

Rahul Ghai - General Electric Company - Chief Financial Officer, Senior Vice President

And then as we think about kind of on the revenue side, I think you've hit on the key things here, David, expecting we've hit that multiple times on the call, services are kind of low double-digits for the year and again to Seth's earlier question, the orders growth has been very strong year-to-date.

But obviously, early in the cycle, we'll update that here in Jan, but given where we are in the cycle and given the environment maintaining some level of conservatism in our low double-digit number for next year, DPT, as you said, should be high single digits for next year.

So as we think about our profit dynamics here. The big thing is going to be the drop-through expectation from our low double-digit services growth number. And this is off the higher jumping-off point here in 2026. So at the low double-digit level, that's about \$3.5 billion to \$4 billion of revenue growth and expecting services margins to be flat, even though LEAP is growing and LEAP is not yet at the overall CES service margins levels, we do expect given the performance from the other product lines, we'll be able to more than hold the overall three-year service margins for next year.

Now the other part is that OE is going to continue to grow and perhaps grow faster than services and 9X is going to ramp as well. And on 9X, there are kind of two things happening. One, our number of engines that we're going to ship to Boeing is going to grow from what we've done this year. The cost per unit is coming down meaningfully as we go from even '25, to '26, expecting another.

Steps down here as we get into 2027. But the combination of volume growth and partially offset by cost, the 9X losses we think is going to be about \$300 million of headwind on a year-over-year basis as we get into 2027 over 2026. And then on DPT, as you said, we expect high single-digit revenue growth and then a little bit of margin expansion on that.

So you put all that together. We expect strong profit growth driven by services contribution, DPT contribution and partially offset by OE, but we think that just as we are doing this year with the 9X ramping, we also expect the 2027 margin should stay in line with where we are in 2026.

We said it all along that even though 9X is growing, we should be able to maintain our margins for the year, we've demonstrated that in 2026 with margins up maybe slightly now over 2025 and then expecting to hold margins in line with 2026 for '27, and then as we get into '28, and beyond, we should start seeing margin expansion as a 9X headwind starts to come down and LEAP services margins get to overall total services margins. So that is another offset that we should see as we get into '28, and beyond.

Operator

Noah Poponak, Goldman Sachs.

Noah Poponak - *Goldman Sachs International - Analyst*

Rahul, there's been a decent amount of discussion on here on the aftermarket inputs. Just given you have 2026 and 2027 growth guidance now, can you quantify what you have in '26, growth and '27, growth for LEAP shop visit growth and CFM56 shop visit growth just as we continue to try to understand the shape of the narrow-body handoff within your aftermarket?

Rahul Ghai - *General Electric Company - Chief Financial Officer, Senior Vice President*

So on CFM56, Noah, I would think that it's largely flat. I don't think we're seeing a lot of growth in CFM56 shop visits. It's in that, as you said previously, 2,300 to 2,400 range, kind of in that 2,700, maybe you see a little bit of growth towards the higher end that Larry said a minute ago on the CFM56 question.

So we expect maybe a little bit of growth. And LEAP, we are -- we haven't quantified the number of shop visits, but we are experiencing strong growth this year, as we said, about 40% growth in the quarter, and then we had similar growth in the first half as well.

So having the LEAP shop is sort of more than kind of in that 50% range even for first half. So strong growth on LEAP next shop visits this year. And then as we get into 2027, it gets to be what along with the long-term guidance that we've provided that the LEAP shop visit should be up kind of in that 25% CAGR from now to 2030.

So a little bit of steadiness in the LEAP shop visit growth, maybe from that 40% growth that we're seeing in the third quarter to about maybe 25%, 26% growth in 2027.

Blaire Brown - *GE Aerospace - Head of Investor Relations*

Liz, we have time for one last question.

Operator

Gavin Parsons, UBS.

Gavin Parsons - *UBS AG - Analyst*

Hey, thank you. Morning.

H. Lawrence Culp - *General Electric Company - Chairman of the Board, Chief Executive Officer of GE Aerospace*

Good morning.

Gavin Parsons - *UBS AG - Analyst*

I know it's still a little bit early, but I was hoping you could go into the CPP enhanced cooling in a little bit more detail given, for years it's all just been engines running hotter.

H. Lawrence Culp - *General Electric Company - Chairman of the Board, Chief Executive Officer of GE Aerospace*

Well, it is early. I think what we wanted to make sure everybody understood was in effect the primary reason we're at CPP clearly is to have a platform to continue to invest in capacity for ourselves and for others. We think CPP is a wonderful business in that regard.

We have no intention of being a captive provider. We'll support ourselves and others as we grow that business. But this idea of being able to partner up more closely with CPP to bring development and manufacturing closely together with respect to these next-gen airfoils is really an important part of the value proposition from a GE Aerospace perspective.

It's important to remember that when we talk about this, it comes back to these customer requirements for durability and efficiency. What we're working on will be applicable to both the current fleet and next-generation programs. It's not just about technology that will be fielded in the next decade.

There'll be more to come later, but what I'd say is I think we're about 3,000 endurance cycles along in the development process. So good learning, good progress in that regard. More to come with respect to just the levels of improvement in engine performance and the timing with respect to commercialization.

And everything we've talked about, at least with respect to '27, and even our longer-term outlook doesn't take any of the potential time on wing benefits into account yet. So it's early. We've got to work through the regulatory process, obviously, continue to think that we're looking at next summer with respect to approvals. But the customer feedback has been good.

The response from the CPP team, the broader team, as they have learned about our partnership, has been very positive. And I'd say six, seven weeks in since the announcement, we're even more excited about the potential here than we were when we brought forward the formal news.

Blaire Brown - *GE Aerospace - Head of Investor Relations*

Larry, any final comments to wrap the call?

H. Lawrence Culp - *General Electric Company - Chairman of the Board, Chief Executive Officer of GE Aerospace*

Blaire, thank you. Now just to close, I'd say our focus remains clear, deliver for customers, improve time on wing and lower cost of ownership. With FLIGHT DECK, we are turning these focus areas into measurable results.

We have more to do for sure. But we are confident in our path ahead and the long-term value creation for our customers and our shareholders. So I'll wrap by just thanking everybody for their time today and your continued interest in GE Aerospace.

Operator

Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.

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