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CORPORATE PARTICIPANTS

- Blaire Shoor GE Aerospace Director, Investor Relations
- H. Lawrence Culp GE Aerospace Chairman of the Board, Chief Executive Officer
- · Rahul Ghai GE Aerospace Chief Financial Officer, Senior Vice President

CONFERENCE CALL PARTICIPANTS

- Operator
- . David Strauss Barclays Capital Inc. Analyst
- Douglas Harned Bernstein Institutional Services LLC Analyst
- Robert Stallard Vertical Research Partners LLC Analyst
- · Myles Walton Wolfe Research, LLC Analyst
- . Sheila Kahyaoglu Jefferies LLC Analyst
- Ronald Epstein BofA Global Research Analyst
- Seth Seifman J.P. Morgan Securities LLC Analyst
- Scott Deuschle Deutsche Bank Securities Inc. Analyst
- Gautam Khanna TD Cowen Analyst
- Kenneth Herbert RBC Capital Markets Wealth Management Analyst
- Noah Poponak Goldman Sachs & Company, Inc. Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the GE Aerospace third-quarter 2024 earnings conference call. (Operator Instructions) My name is Liz and I will be your conference coordinator today. (Operator Instructions) 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 Shoor from the GE Aerospace Investor Relations team. Please proceed.

Blaire Shoor GE Aerospace - Director, Investor Relations

Thanks, Liz. Welcome to GE Aerospace's third-quarter 2024 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 businesses as we see them today. As described in our SEC filings and website, those elements may change as the world changes. Now, over to Larry.

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

Blaire, thank you, and good morning. We're pleased to be joining you from GE Aerospace's headquarters in Evendale, Ohio. For more than a century, GE Aerospace employees have been inventing the future of flight, lifting people up, and bringing them home safely. Those last four words, bringing them home safely, are an incredible responsibility and will always be our top priority and core to our culture.

We're motivated each day by our purpose and guided by FLIGHT DECK, our proprietary lean operating model. Our team is dedicated to safety, quality, delivery, and cost, in that order. That focus will enable us to meet the significant demand of today while building the innovative solutions of tomorrow. It is because of the shared commitment of our 52,000 employees around the world that we have the privilege to continue to advance flight for today, tomorrow, and the future.

Turning to our third-quarter performance, orders were up 28%, driven by robust demand, and we delivered strong earnings and cash. Revenue was up 6% from growth in services and equipment, while operating profit was up 14%, and adjusted EPS up 25%. Free cash flow was \$1.8 billion, with conversion of more than 140%.

In Commercial Engines & Services, or CES, orders were up 29%, with more than 20% growth in both services and equipment. Our recent wins in widebodies and narrowbodies build on our considerable backlog of \$149 billion, greater than 90% of which is in services. Services revenue grew 10% and supported total operating profit, which was up 16% year over year.

Our priority continues to be servicing and growing the industry's most extensive commercial installed base. We made progress with the step-up in OE deliveries quarter over quarter, with higher spare part sales to support our external MRO network while also expanding aftermarket capacity. Progress to be sure, but more work lies ahead.

In Defense & Propulsion Technologies, or DPT, orders increased 19%, while profit declined. Engine deliveries were up sequentially, but down year over year. We're focused on improving delivery of our leading defense programs while developing mission-critical technology for the future.

Many thanks to our team for their work and dedication this quarter, and a specific thank you this morning goes out to our teams impacted by hurricanes Helene and Milton. You worked around the clock to support each other and minimize the impact to our customers. You are GE Aerospace at its finest.

Given the strength of our results, growing both profit and cash more than \$1 billion year to date, combined with our fourth-quarter expectations, we're raising our full-year guidance. We also continue to coordinate closely with Boeing and are committed to supporting them as they navigate their current dynamics.

Moving to slide 5, demand for our services and products remains robust, highlighted by departures up high single digits year to date and LEAP share of global narrowbody departures increasing over 20%. We're taking steps with our suppliers to increase inputs and within our own operations to expand capacity, ensuring we're positioned to meet this historic demand.

We're making progress with engine output increasing 22% quarter over quarter, including commercial up 25% and defense up 8%. We also grew spare parts sales sequentially, supporting shop visits completed by our third-party network.

As we've discussed over the last nine months, we're using FLIGHT DECK to unlock key constraints, increased material inputs, and drive sustainable improvements. We're working hand in hand with suppliers, and we're grateful for their strengthening partnerships. As a result of that work, a key subset of priority supplier sites increased output 18% in the third quarter, supporting our deliveries.

As one example, a joint Kaizen with one supplier in the second quarter led to a double-digit improvement in material receipts in the third quarter, demonstrating that these efforts are yielding results. We expect inputs to increase again in the fourth quarter, supporting a sequential step-up in output.

We're also making progress on LEAP durability with the 1A durability kit, including our upgraded HPT blade, and we're expecting it to be certified in the coming weeks. The new HPT blade is easier to manufacture, which will also help increase output. Combined with the three durability enhancements that are currently performing well in the field, we expect this will give LEAP a 2.5 times improvement in time on wing, in line with current CFM56 levels.

With LEAP's fleet size projected to double by 2030, we're expanding capacity to support aftermarket growth. We're preparing for this growth in three complementary ways to improve shop visit output and reduce turnaround times.



First, we're leveraging FLIGHT DECK to eliminate waste, to increase capacity, and reduce TAT. At our MRO facility in Celma, Brazil, we use value stream mapping and problem solving to reduce LEAP test cycle time, a key constraint in shop visit output. We identified waste and improved standard work, reducing lead times there by nearly 50%. Actions like this enabled over 20% more LEAP shop visits in the third quarter year over year.

Second, we're expanding internal capacity. We're investing \$1 billion in MRO over the next five years to create that capacity, add enhanced inspection techniques, and expand repair capabilities. We've partnered with Lufthansa Technik to add a dedicated LEAP MRO shop in Poland and we'll induct the first engine there here in the fourth quarter.

And third, we're developing our third-party network, which provides customers flexibility and competitive options to ensure the best cost of ownership. Third-party MROs inducted a record number of LEAP shop visits in the third quarter. We're also pleased that Akasa Airlines recently announced the selection of ST Engineering to provide exclusive performance restoration shop visits for their fleet over the next 15 years.

While there's more work to do, we're focused on servicing and delivering our engines faster without compromising safety and quality. I'm confident our actions will enable us to increase output meaningfully into the fourth quarter and 2025. We're also growing our installed base with airlines and defense customers expanding and modernizing their fleets with our engines on their wing.

During the quarter, we won multiple services contracts for our customers' growing fleets. Avolon will add 75 new LEAP-1A-powered A320 aircraft to their existing fleet of over 300 CFM-powered aircraft. In widebodies, we secured commitments from EVA Air for GEnx engines and Qatar Airways or GE9X engines.

In defense, the Polish Ministry of National Defense will add over 200 of our T700 engines to power their anticipated acquisition of 96 Boeing Apache Guardian helicopters. We were also selected to overhaul and upgrade the GEnx-2B engines powering the US Air Force's SAOC, the Survivable Airborne Operations Center, Boeing 747-8.

Turning to the future, RISE accelerates the development of new technologies that will pave the way for the next generation of aircraft and a more sustainable future. We recently began planning for dust ingestion tests on the open fan design earlier than ever before. This reflects key durability learnings from our engines operating in higher temperature environments. We're also advancing a new era of turboprop technology with the Catalyst engine, completing engine level testing and certification expected in the coming months.

Our defense products remain in demand for critical platforms globally. Our T901 engine is key to the modernization of Black Hawk and Apaches, and has been progressing towards the next milestone of power-on and ground runs. The maturity of our Digital Backbone for Bell's Future Long Range of Salt aircraft was critical for the US Army to pass Milestone B and enter the next phase of development.

We're also delivering continued success with our advanced technologies. Our XA100 engine completed a fourth round of testing and we are nearing completion of the detailed design for the US Air Force's NGAP program. Stepping back, our path forward is clear and we're confident we'll meet our customers' expectations today while developing the technologies of the future. Rahul, over to you.

Rahul Ghai GE Aerospace - Chief Financial Officer, Senior Vice President

Thank you, Larry, and good morning, everyone. GE Aerospace delivered another strong quarter with double-digit orders and profit growth, improving delivery, and over 140% free cash flow conversion. Revenue was up 6% with growth in both segments. Services growth, combined with price, more than offset the impact of lower engine shipments year over year.

Operating profit was \$1.8 billion, up 14%. Services volume, favorable mix, and price were partially offset by higher inflation and investments. Operating margins expanded 150 basis points to 20.3%. Adjusted EPS was \$1.15, up 25% from increased operating profit and the benefit of preferred equity redemption. Free cash flow was \$1.8 billion, up 5% from higher earnings. Working capital was roughly a \$600 million use. Billings on higher sequential engine deliveries was partially offset with favorable AD&A.

Given the ongoing material availability challenges, inventory increased, although at a lower rate than prior quarters. Cash inflows from long-term service contract continued to be favorable. These results build on the momentum we had from the first half, with year -to-date revenue up 8% and operating profit up more than \$1 billion or 25% from commercial services strength. We have delivered \$4.6 billion of free cash flow, also up more than \$1 billion year over year at nearly 130% conversion. This sets us up well to close out a strong year.



Turning to CES, in the third quarter, revenue was up 8%. Services up 10% from higher spare part sales, increasing shop visit work scopes and improved pricing. Internal shop visits were roughly flat year over year.

Equipment revenue grew 5%, with customer mix and price more than offsetting lower units. Supply chain constraints impacted shipments across narrowbody and widebody, with total engine deliveries down 4%, including LEAP down 6%. Profit was \$1.8 billion, up 16%, with margins expanding 180 basis points from higher services, volume and price.

Equipment losses increased year over year from lower spare engine deliveries and higher investments, partially offset by improved pricing. Overall, CES has delivered solid year-to-date results with double-digit revenue growth; \$4.9 billion of profit, up about \$750 million year over year; and 170 basis points of margin expansion.

Moving to DPT, orders were up 19% from strong demand at Defense & Systems. Defense book-to-bill was 1.6% in the quarter and 1.2% year to date. Our total DPT backlog is now \$18 billion, up \$1 billion year over year. Revenue grew 2% in the quarter.

Defense & Systems revenue was down 2%. Improved pricing was more than offset by engine deliveries, down 1%, and unfavorable engine mix. Propulsion and Additive Technologies grew 9%, primarily driven by Avio Aero.

Profit of \$220 million was down 18% year over year on a tough compare. Inflation, adverse engine mix, and investments to support NexGen products more than offset price improvement. While we had a challenging quarter, year-to-date revenue and profit are up 6% and 22% respectively, with margins expanding 150 basis points. We continue to work towards improving delivery while providing solutions that meet the evolving needs of our military and allies.

Spending a moment on corporate, since becoming an independent company, we've made considerable progress to ensure our operations reflect the needs of GE Aerospace. Year to date, total corporate cost is down about 25% or \$150 million. We are also on track with our post-spin separation and restructuring plans.

Additionally, this quarter, we had non-GAAP adjustments from the gain on sale of our licensing business, agreement to settle a legacy lawsuit, and impairment of Colibrium Additive goodwill. Colibrium Additive is a critical business for us as it is utilized on several key components for LEAP and 9X. And it will be a key enabler for a future of flight as we continue to focus on where it can create the most value.

Given the strong year-to-date performance and the trajectory entering the fourth quarter, we are raising our earnings and cash guidance. Revenue remains the same across our businesses. At CES, we continue to expect low double digits to mid-teens growth. This includes continued sequential growth in LEAP deliveries in the fourth quarter, but the full-year will now be down approximately 10% year over year.

This guidance assumes ongoing deliveries to Boeing. We also continue to expect DPT growth mid- to high single digits, in line with the year-to-date performance of 6% growth. Operating profit is now expected to be in a range of \$6.7 billion to \$6.9 billion, up \$150 million at the midpoint of the prior guide, implying over 200 basis points of margin expansion year over year.

CES operating profit is now expected to be \$6.6 billion to \$6.8 billion, up \$300 million at the midpoint from the prior guide, reflecting improved services mix. Internal shop visit growth will be lower than our prior estimate, offset by higher spare part sales, workscope. and mix. We expect DPT to be at the lower end of the current profit range of \$1 billion to \$1.3 billion. This reflects 3Q performance, increased investment in Next-Gen programs, and some pressure in P&AT.

Corporate costs and eliminations are now expected to be around \$850 million, down from below \$900 million previously and \$150 million reduction year over year. We now expect a tax rate of around 20%, lower than our prior expectation of low 20s. Interest expense is unchanged.

We are raising our adjusted EPS guidance to \$4.20 to \$4.35, up \$0.20 at the midpoint from the prior guide from improved profit and lower tax rate. We are also raising our free cash flow guidance to \$5.6 billion to \$5.8 billion, up \$250 million at the midpoint, primarily from higher earnings. All in, we are positioned to deliver significant revenue, profit, and free cash flow growth in 2024, and that provides us a solid foundation for '25. Larry, back to you.

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

Rahul, thanks. GE Aerospace is positioned to deliver a solid year in our first as a stand-alone company with enhanced profitability and cash, supporting over \$4 billion that we've returned to shareholders year to date. This performance is underpinned by our sustainable competitive advantages.



Our platforms are preferred by customers across the narrowbody, widebody, and defense sectors. Our focus is on providing industry -leading services and technology with safety, quality, delivery, and cost in that order at the core of everything we do. We support our customers and we will deliver greater efficiency, reliability, and time on wing, as well as faster turnaround times to them.

We continue to keep an eye towards the future to deliver breakthrough technologies in commercial and defense to pave the way with innovation for a more sustainable flight and FLIGHT DECK connects our strategy to our results, enabling GE Aerospace to deliver for our customers, create exceptional value for shareholders, and to define our culture.

Looking ahead, we're poised to continue to deliver meaningful profit and free cash flow growth in 2025 and beyond, combined with our capital allocation strategy, including returning approximately \$25 billion of available cash to shareholders, will drive compounding shareholder returns. Now, we'll go to questions. Blaire.

QUESTIONS AND ANSWERS

Blaire Shoor GE Aerospace - Director, Investor Relations

(Event Instructions) Liz, can you please open the line?

Operator

(Operator Instructions) David Strauss, Barclays.

David Strauss Barclays Capital Inc. - Analyst

Thanks, good morning.

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

Good morning, David.

David Strauss Barclays Capital Inc. - Analyst

So I wanted to ask, Larry, about 2025. So back at the Investor Day, you talked about \$1 billion in profit growth in 2025 relative to 2024. Obviously, the 2024 EBIT guidance has come up, I think, about \$550 million. So how should we think about the walk to 2025. Are we still looking at roughly \$1 billion in EBIT growth off of a higher baseline now? Thanks.

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

David, we're really working through the updated '25 outlook. We're in the midst of our annual strategic planning reviews. Good bit of our time actually here in the third quarter was dedicated to that work. And that really transitions us now to the budget prep process and will have a more defined look at '25 as we get closer. We'll review that with the Board at the end of the year. And then I think when we're together in January, we'll go through that in detail. Rahul, may want to just frame up how we are thinking about that vis-a -vis where we were back in March.

Rahul Ghai GE Aerospace - Chief Financial Officer, Senior Vice President

Yes. No, sure. Larry and David, thanks for the question. As you said, we are sitting at about \$550 million higher than where we were in March. So that is a higher starting point.



And just as we kind of take through the segment here a little bit, we expect commercial services to stay strong, grow low double digits given the significant backlog of shop visits that we have and the price increases that we've implemented. And the two other trends that are kind of working in our favor are CFM56 and GE90 kind of holding their share of departures with extremely low levels of retirement. On CFM56, the retirements this year have been lower than even where they were in 2023. And then LEAP services is trending nicely. So that -- all those things are going to help support the 2025 outlook.

On the equipment side, the equipment growth is slower in '24 than we had expected. So some of that volume will move to 2025. We are working those volume assumptions as we sit here today with the airframers so safe to say that equipment growth will be faster than that of services and will include higher 9X shipments. So that'll likely put some pressure on margins, but it is important to keep this flywheel going over the longer term. On the DPT side, the book-to-bill, as we just shared, has been very strong.

So we're entering '25 with a very strong backlog, mid- to high single-digit growth for next year and with profit growing faster than margins. And on the corporate side, we've done a really good job this year, taking cost out, 25% to 30% cost reduction based on the guide. And then that has accelerated some of these actions from next year into this year, but still plenty of opportunity in front of us. So all in, we'll work through our guidance here and provide the detail in January. But we see continued strong earnings and free cash flow outlook, which should stay above 100% for next year. And we continue to work for shareholder returns through what we're doing on dividend and share buyback.

Operator

Doug Harned, Bernstein.

Douglas Harned Bernstein Institutional Services LLC - Analyst

I wanted to continue a little bit on 2025, though, and specifically around your expectations for LEAP output. You're up quarter-over-quarter in Q3. But you've got the Boeing strike. You've got the supply chain constraints that you've talked before about HPT blades in particular, and then you've got to transition to the new HPT blades. So when you're trying to project those numbers for next year on LEAP output.

How do you trade those different things off? And where do you see yourself in terms of mitigating some of these issues?

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

Well, Doug, I would just expand it a little bit more broadly than all of the items that you touched on there because in addition to thinking about the LEAP ramp, right, hand-in-hand with both Airbus and Boeing. We've got growing demand in the aftermarket. And we want to make sure we're taking care of the airlines and the airframers, and that's what the operating challenge is about. It's not one of demand.

We know we've got an incredible backlog here. Airbus, obviously, aiming to hit rate 75 down the road. We want to be with them each step of the way. Boeing in a different situation, but they're going to be ramping on the other side and resolving the work stoppage as well. And fortunately, they're both going to do that with our engines under wing.

I think that what we saw in the third quarter, what we saw in the second quarter in terms of the work we are doing with FLIGHT DECK with the supply base really is what will determine how much of that aftermarket activity we can support, and what we're going to be able to do in terms of new engines as well. I'm encouraged by what we saw in the third quarter. I think in the prepared remarks, you saw that we had an 18% increase sequentially. And I think sequentially is really where it is operationally on the handful of critical suppliers that paced us a bit in the second quarter, paced is a bit here in the third, but I really like not only the underlying collaboration, but the on-site problem-solving that we're doing. I think we're unlocking capacity as a result, and that helps us deliver more to all of our customers.

That's what we're geared up to do here in the fourth quarter as well. As we said, LEAP will be down, unfortunately, year-over-year in terms of new engine deliveries. But I think we're poised, as Rahul just touched on, to deliver good growth going into 2025. That's the goal. You mentioned the new HPT blade.



That, Doug, as you know, is really the fourth of four durability enhancements that we're excited about. We expect approval for the 1A version of that here shortly. That will be a real step function improvement in the field performance of the engine, and it's a two-fer because we also know that it's an easier blade to make. That will unlock capacity, which will help us in 2025 in earnest as well. So still work to do.

I like the travel that we're seeing, and our team and our supplier teams know that we're fortunate to have this incredible backlog to service for the airframers and for the airlines, and that's what 2025 will largely be about.

Operator

Robert Stallard, Vertical Research.

Robert Stallard Vertical Research Partners LLC - Analyst

I'm not sure if there's a question for, but since we last spoke, Boeing announced another delay on the 777X program, I was wondering what sort of financial and practical implications this might have for GE Aerospace?

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

Well, maybe I'll speak to the operation, Rahul can touch on the financial. We heard what you heard. I'm sure Kelly and company will talk a little bit more about that tomorrow. But from an operational perspective, really no change whatsoever at GE Aerospace with respect to what we're doing to continue to test the engine and prepare for a production ramp going forward. And I think it's really that simple.

We're excited about that engine. We know that aircraft is late, but every customer that I talk to and have the opportunity to spend time with a few of them just this past weekend, they love the airplane. They want the airplane. It's really, at this point, a matter of time.

Rahul Ghai GE Aerospace - Chief Financial Officer, Senior Vice President

And Rob, from our guidance perspective, we do have a few rev rec units here in the fourth quarter. We've already started delivering the engines to Boeing. Some of them are already gone, more will go out here in the remaining 2 months of the quarter. For '25, we're working with Boeing on exactly how many engines would they need based on their demand profile. So that is work that we need to do in the next couple of months.

But we expect that the program will obviously ramp here over the decade. And the key for us is just to continue to work the cost out. And as we shared at Investor Day, we expect about 30% of the cost to come out by the 50th engine, and an additional 30% as we get to the 250th engine. So that's what's in our plan. And we'll move past the peak losses towards later in the decade and the program should be profitable by 2030. So that's what we built in into both our near-term and long-term outlook.

Operator

Myles Walton, Wolfe Research.

Myles Walton Wolfe Research, LLC - Analyst

I was hoping you can comment on the customer concessions or penalties that might be associated with delinquency of deliveries, both on the the commercial side and the military side, which are obviously below your plan and expectation. We get asked the question a lot, how do the financials at GE keep getting better if the underlying deliveries keep getting worse? I'm just curious if you can elucidate some of the penalties you might be absorbing under the surface for the delinquencies?

Rahul Ghai GE Aerospace - Chief Financial Officer, Senior Vice President

Myles, let me start and Larry jump in here. Myles, as you know, kind of typical contracts with the customers. But everything that we need to accrue for we're obviously accruing for, and that's kind of built into the guidance. But I want to say that it's not been a material number for us here as we sit here in 2024. So we're working through and trying to support the customers as best as we know how.

And as you saw, the deliveries are sequentially better in the third quarter. They'll get better in the fourth quarter, and will continue to improve as we work past these supply chain challenges. But nothing major on the liquidity damages or penalty side on either side on either commercial or military.

Operator

Sheila Kahyaoglu, Jefferies.

Sheila Kahyaoglu Jefferies LLC - Analyst

Maybe we could talk about DPT. Orders and backlog continue to be very strong despite the softness in profitability. I assume some of that is coming from the combat engine shortfalls, but you also mentioned pressure across propulsion and additive plus the charge today. So when we think about the low end of 2024 guide, it would suggest Q4 margins step down again sequentially. How do we think about what happens into 2025 and what's driving some of that margin pressure?

Rahul Ghai GE Aerospace - Chief Financial Officer, Senior Vice President

So, Sheila, I think you touched on it. The biggest pressure point here in the fourth quarter is our investment in R&D to support the next-gen programs. So that is the biggest driver here. Given the budget uncertainty, we are continuing to invest from our side to make sure that we meet the time lines that the customers need from us. So that's the biggest point.

There's a little bit of product mix in Avio Aero that is putting a little bit of pressure on propulsion and additive technologies that we referenced. But the biggest driver here is the R&D increase in the fourth quarter. Now as you go into '25, as you mentioned, the backlog is strong, it's \$18 billion, up about \$1 billion year-over-year for the segment. So that supports the mid- to high single-digit growth that I mentioned earlier in response to David's question. And we do expect that, as we get into '25, our profit should grow faster than revenue, and that should drive continued margin expansion on the DPT segment.

And keep in mind, the results on a year-to-date basis have been very strong as well. So we'll continue that into '25.

Operator

Ronald Epstein, Bank of America.

Ronald Epstein BofA Global Research - Analyst

Can you maybe peel back the onion a little bit more on shop visits in the quarter. LEAP was up, but other things were down. If you can go into that in a little more detail that might be helpful for everybody.

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

Ron, I think it's very much what we have been touching on here this morning, what we've talked about previously just in terms of the various supply chain challenges that we're seeing really across the board, right? We talk a lot about LEAP, given the ramp there and what's happening in the aftermarket. But these same suppliers support us across virtually every one of our programs. So what we're trying to do is make sure that the FLIGHT DECK improvements that we're seeing, that we've highlighted here this morning, are broad-based. That's why we've got over 550 engineers in the field working with the supply base to really enable us to have more



flow into our facilities, whether they support new make of an engine, let alone the aftermarket.

When that flow is not constant, when that flow is not improving, that's when things are delayed. And depending on where we are in a particular facility or a particular product line, you may see that present itself in 1 area in 1 quarter, perhaps in another elsewhere. It's not something we're particularly pleased with, but I think we're focused on the problem solving, not the finger pointing. And on balance, are encouraged by what we have seen here in the third quarter. You saw the results of it, I think, more pronounced in new engine deliveries and in spare parts growth than necessarily in our internal shop visits, which were lower sequentially.

But I think on balance, what we need to do in concert with our suppliers is underway. I think we're developing momentum with them that I think is what gives us the optimism embedded in the guidance raise here for the fourth quarter and some of the commentary that Rahul provided with respect to next year. That's the financial framing. Operationally, we know we have customers, airlines and airframers that want more from us, and that's job 1.

Rahul Ghai GE Aerospace - Chief Financial Officer. Senior Vice President

And Ron, if I may add one thing that you did see in the quarter is that the spare part sales are up. So as Larry spoke about the material availability challenges, we constantly balance the needs of both our external and the internal network and prioritize the delivery of parts to reduce the turnaround time for our airline customers, be it in our own network or in the external network. So there's a little bit of fungibility of those same parts between spare parts sales and shop visits. And this quarter, what you saw was the spare part sales were higher, shop visits were flat on a year-over-year basis in the third quarter. But now as we're getting into the fourth quarter, we have -- our inductions for shop visits were higher than our output.

So we're getting to the fourth quarter with a fairly high backlog of shop visits that we need to complete. And even on a spare part basis, more than 80% of the spare part sales that we are projecting are already in the backlog. So good strength on both sides on the spare parts and shop visits. And with the price increases that we implemented in the third quarter, you put all that together, and that is where we felt very comfortable holding our services growth outlook for the year.

Operator

Seth Seifman, JPMorgan.

Seth Seifman J.P. Morgan Securities LLC - Analyst

I guess at the risk of getting ahead of things a little bit, maybe to dig in a little bit more on some of the comments that you made about 2025. When we think about next year versus the way that you talked about 2025 in March, I mean, I would assume that the engine deliveries are a headwind year-on-year. But probably starting from where we're starting from, maybe the engines are maybe not reaching the same level of deliveries that were expected at that time. And so relative to the dollars at that time, maybe the OE losses are not quite as big. I was wondering if we should think about it that way.

And then also just in terms of thinking about, not just the volume of work on LEAP in the aftermarket, but LEAP profitability, is that something that we should expect to improve next year?

Rahul Ghai GE Aerospace - Chief Financial Officer, Senior Vice President

I think, Seth, you are accurate on both counts, right? Our engine output perhaps is not at the level that we'd expected back in March. So that should minimize or reduce our engine losses. But keep in mind, there're other dynamics that go in as well, the number of spare engines we have to deliver, R&D investments, all those other things. So that's just one data point, which you're accurate on. Again, we'll provide more guidance as we get into 2025.

On the LEAP side, I think that is definitely shaping up to be a lot better than what we expected at the beginning of the year. Obviously, Larry spoke about the durability improvements that are coming in and the fact that we are expecting LEAP durability to be at CFM56 levels in 2025. So that's a huge plus. But also what we've started to see is that our spare part sales to our external network is growing.



So this year, north of 10% of the shop visits that we completed were by external third-party network. And that is obviously a very profitable business. And if you look on a sold basis, about 25% of the shop visits that are sold are with an external third-party network. So that's an important data point because that means that spare part sales for LEAP should grow over time. So that should be a positive here for 2025, and we'll reflect that in our guidance as we provide that in January.

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

Seth, two other things I would just add that we want to keep in mind. One, the 9X delay in EIS is important to understand. But as I said earlier, we really haven't changed what we're doing. We'll be ramping deliveries of that engine next year, maybe at a slower rate than was anticipated. But nonetheless, we'll be ramping.

That will create a bit of a headwind, but also perhaps there's a bit of an offset, maybe and then some. Recall what we said last quarter relative to the CFM56 utilization, it will be higher for longer. That obviously helps us as it's helping us this year.

Operator

Scott Deuschle, Deutsche Bank.

Scott Deuschle Deutsche Bank Securities Inc. - Analyst

Hey, good morning.

Blaire Shoor GE Aerospace - Director, Investor Relations

Good morning, Scott.

Scott Deuschle Deutsche Bank Securities Inc. - Analyst

Larry, has CES already received a large quantity of these new HPT blades for the LEAP 1A ahead of the certification? And then just to clarify, is that specific certification event, is it that event, which allows the company to drive this improvement in LEAP output in the fourth quarter or is it more multifaceted than that alone?

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

The new blade is in production. So it's not as if we're going to turn on that supply chain the moment we get served, right? That work is underway. When that component, that part, is certified, we'll be able to begin deliveries, but we really can't do that ahead of time. But again, without trying to put anyone in a box, we think that will happen in the relatively near future.

That is an unlock, Scott, but please don't think that it is the unlock, right? It will help, most importantly, because it is part of that durability kit. That matters far more in the spirit of safety and quality than it does delivery. But because it is an easier blade to make upstream in the manufacturing processes, that will help us. But most of what we will deliver in the fourth quarter will really be on the back of the existing designs, ditto for what we supply into the aftermarket.

So there are a host of things that have to happen and are happening in that regard. If there was a silver bullet here, we would have used it some time ago. It's multifaceted, but again, I'm encouraged by the progress that we're seeing the certification of the new Blade just helps on top of all that.

Operator

Gautam Khanna, TD Cowen.



Gautam Khanna TD Cowen - Analyst

I was wondering if you could frame up for us your expectations now for CFM shop visits over the next couple of years versus maybe that widebody, maybe if you could just tease that out a bit.

Rahul Ghai GE Aerospace - Chief Financial Officer, Senior Vice President

So Gautam, as we said, I think, on the last earnings call, we had expected the peak of shop visits to be in 2025 and then start declining in '26 and '27, right? Given what we are seeing now, we still expect the peak of shop visits in '25, but now to stay at that level to '27 and then start declining from that point on, again, at a gradual pace, right? So that's what our expectation is. Now keep in mind that revenue growth will continue to grow for longer just given as we go into the second and third shop visits with price increases, everything else, so revenue still continues to grow. On the widebody side, GE90 is getting into the second shop visit.

Keep in mind that 75% of that fleet has not seen the second shop visit. So that's what we are beginning to see now. And that spoke to the heavier work scopes that we've also previously discussed, which helped our revenue here in 2024 and will continue to grow over time as we transition to the second shop visits for GE90. So again, no change in outlook on GE90, I think the engine is performing well, things are coming in well. On the GEnx side, the shop visit are roughly, on a volume basis, we're expecting that to be flat over the next three to four years.

And the primary reason for that is, even as the installed base is growing, the time on wing is doing a lot better than what we had initially expected. So the shop visits that were in the '25 to the '28 time frame have now moved out later in the decade.

Again, that's good news for us. As you know, about 60% north of that portfolio is serviced by us and is in a long-term service contract. So fewer shop visits on the GEnx side improves the profitability of that program. So that's what our expectation is on GEnx. The shop visits are all going to happen. But given the time on wing improvement, they've kind of moved out of the '25 to the '28 time frame to more '28 to '31.

Operator

Ken Herbert, RBC Capital Markets.

Kenneth Herbert RBC Capital Markets Wealth Management - Analyst

I wanted to just follow up, Larry, specifically on your comment around the subset of priority sites grew material output or input, I guess, 18% sequentially, was that in line with your expectations? And I'm just curious, as you think about sort of applying FLIGHT DECK to the situation, how should that maybe improve as we think about fourth quarter and into 2025?

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

Ken, I think we were very pleased with the 18%, but we could have used more, right? Again, just in light of where demand is in the aftermarket and from a new make, from a ramp perspective. But I think the underlying approach is exactly what we're doing broadly. You've heard us talk before about the larger set of suppliers where we're particularly focused, our so-called top 15. And it goes beyond that over time, ultimately, to all of our suppliers.

I think what we're finding is by really collaborating, again, not finger-pointing, but going in, putting our best technical, our best operational people at the face to identify the constraints, really understand root cause and drive corrective actions, both permanent and temporary where appropriate, we're able to unlock capacity.

Now, given what we need to do between here and 2030 to support the aftermarket, to support new make, we're going to need to do more than that. But that that FLIGHT DECK effort, I think, is what will help us deliver a better fourth quarter here and is really the foundation for 2025. We're clearly going to also need to complement that with fixed capacity investments. You've heard us talk about the \$1 billion, for example, over the next five years that we intend to invest in our MRO network.



That will be part of improving these deliveries. In turn, the development of the third-party network is also an important part of satisfying customer demand. But by going in and really understanding these issues, not arguing about them, not negotiating, but solving the problems, we know we're going to unlock that capacity. We're going to be better partners and, in turn, that will allow us to serve our customers, ultimately.

Operator

Noah Poponak, Goldman Sachs.

Noah Poponak Goldman Sachs & Company, Inc. - Analyst

Rahul, is there a specific 777X GE9X headwind that was in the \$7.1 billion to \$7.5 billion for 2025 that we should think about lifting up and moving beyond '25? Or is it more spread out than that? And can you quantify, put numbers on that? And then, I guess, just at the CES total margin, if I go to the high end of your new EBIT range for '24, the fourth quarter margin would be basically flat from the third, which I guess is a little surprising despite mix, but maybe there's more services catch-up in there and isn't as much mix headwind there as I was thinking?

Rahul Ghai GE Aerospace - Chief Financial Officer, Senior Vice President

So let me take that maybe in reverse order here, Noah, and just tell me if I don't get there. So as we think about the third to the fourth quarter transition in CES, a few things, right, the services, as- we've discussed, obviously, strong services growth here in the fourth quarter. - We had 12% year to date, projecting 15% for the full year. So stronger growth here in the fourth quarter. Same thing with the OE growth as well, OE growth ramps.

We do have the 9X shipments here in the fourth quarter, so that puts a little bit of pressure on the CES margins. And then we've got a step-up in R&D in the CES number as well. So those are the various puts and takes in the fourth quarter for 2024. Now, on your GE9X question, there was a specific headwind in that \$7.1 billion to \$7.5 billion number that we had provided. And as Larry just said a minute ago, there will be a GE9X headwind in 2025.

And we are not able to quantify that just yet because we need to work the exact volume assumptions for '25 with Boeing. So we'll come back to it in January. And then as you think about that GE9X headwind, it will grow for a period of time beyond that because as engine deliveries ramp, that headwind will grow that specific headwind will grow. And until we start getting the cost out and all that and as I said a minute ago, we expect the program losses to peak here later in this decade in the program to be profitable by 2030. But again, that's one specific number. Obviously, there're many different puts and takes in the overall outlook for the business, including the strong services outlook that we've just discussed.

Blaire Shoor GE Aerospace - Director, Investor Relations

Larry, any final comments?

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

Blaire, thank you. And just to close here, thanks to everybody for being with us here the last hour. We take great pride at GE Aerospace and our heritage of innovation, and I'm confident the team is ready to deliver for our customers and rise to the challenge of creating a more sustainable future flight. Again, we appreciate your time today and your 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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