PE-Style Carve-Out Investment Committee Memorandum

GE Aerospace

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1 Executive Summary

IC Decision: Evaluate GE Aerospace as a standalone, high-quality industrial asset post-separation, suitable for PE-style underwriting based on durable services cash flows, strong backlog visibility, and conservative capital structure, subject to execution risks associated with separation, transition services, and legacy obligations as disclosed.

1.1 Information Boundary and Methodology

This memorandum is intentionally constrained to publicly disclosed information available through SEC filings, investor materials, and separation-related agreements. Where key economic inputs (including TSA pricing, quantified dis-synergies, pension magnitude, or separation cost phasing) are not publicly disclosed, they are treated as execution risk rather than modeled inputs. No attempt has been made to infer, proxy, or normalize non-disclosed data.

1.2 Transaction Overview

General Electric Company completed the separation of its energy businesses into a newly listed entity, GE Vernova Inc., on April 2, 2024, via a tax-free pro rata distribution to GE shareholders. Following the spin-off, General Electric Company now operates exclusively as **GE Aerospace**, comprising commercial engines and services and defense and propulsion technologies.

The separation was effected pursuant to a Form 10 registration statement and a series of intercompany agreements, including a Separation and Distribution Agreement, Transition Services Agreement, Tax Matters Agreement, Employee Matters Agreement, and related governance documents. GE Aerospace is now a standalone public company, while certain transitional and commercial relationships with GE Vernova continue under these agreements.

The spin-off is intended to qualify as a tax-free transaction for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code, subject to ongoing compliance with post-distribution restrictions.

1.3 Business Overview

GE Aerospace operates a global aviation franchise focused on the design, manufacture, and servicing of aircraft engines and propulsion systems for commercial and defense applications. The business is characterized by a large installed base of engines, long-term service agreements, and recurring aftermarket revenue streams.

As disclosed in post-separation filings, services revenue represents a substantial portion of segment revenues, supported by a significant reported remaining performance obligation (RPO) backlog that provides multi-year revenue visibility. Revenue and profitability are driven primarily by utilization of the installed base rather than new engine deliveries alone.

The company's customer base includes global airlines, aircraft lessors, defense customers, and government-affiliated entities. Operations span manufacturing, maintenance, repair, and overhaul activities across multiple geographies.

1.4 Investment Thesis

The investment case for GE Aerospace as a PE-style standalone asset rests on the following disclosed characteristics:

1. **Durable, Contracted Services Cash Flows**
   GE Aerospace's reported backlog and installed engine base underpin long-duration service revenues that are less cyclical than original equipment sales. Management disclosures emphasize the importance of aftermarket services in driving profitability and cash generation.

2. **Post-Separation Business Focus and Operational Clarity**
   The completion of the GE Vernova spin-off simplifies the corporate structure and isolates aerospace operations, allowing capital allocation and management focus to be directed exclusively toward aviation-related priorities.

3. **Conservative Capital and Liquidity Profile**
   Public filings disclose a committed revolving credit facility, defined leverage calculations, and liquidity provisions designed to support standalone operations. The company has disclosed positive free cash flow generation in recent periods following the separation.

No reliance is placed on margin expansion, multiple re-rating, or growth acceleration beyond disclosed trends. The investment case rests on durability and execution rather than upside transformation.

1.5 Execution and Separation Considerations

GE Aerospace continues to operate under a Transition Services Agreement with GE Vernova, pursuant to which each party provides certain transitional corporate services to the other. The existence, governance framework, and cost-based nature of these services are disclosed; however, detailed service-by-service pricing, duration, and total cash cost schedules are not publicly disclosed.

The company has incurred and continues to incur separation-related costs associated with systems implementation, business and facilities separation, and employee-related matters. Historical separation costs have been disclosed in periodic filings, but management has not provided a consolidated forward estimate of total remaining separation costs, nor a detailed cash versus non-cash breakdown.

Pension and other post-retirement benefit obligations have been allocated among GE Aerospace, GE Vernova, and GE HealthCare based on employee legacy business affiliation. While the allocation

mechanism and responsibility for ongoing funding are disclosed, detailed dollar allocations and projected funding schedules specific to GE Aerospace are not publicly disclosed.

1.6 Key Risks

Key risks disclosed in connection with the separation and standalone operations include:

- **Transition Execution Risk**: Potential inefficiencies, increased costs, or operational disruption as GE Aerospace exits transitional service arrangements and establishes fully independent systems and processes.
- **Cost Dis-synergies**: Loss of shared services, scale benefits, and corporate infrastructure previously provided by GE, which may result in higher standalone operating costs than anticipated.
- **Pension and Legacy Obligations**: Exposure to changes in actuarial assumptions, asset performance, and funding requirements related to defined benefit pension and post-retirement plans.
- **Regulatory and Contractual Constraints**: Ongoing compliance with tax-free spin-off restrictions and other contractual covenants that limit certain strategic actions during the restricted post-distribution period.

1.7 Preliminary Assessment

Based solely on publicly disclosed information, GE Aerospace represents a high-quality industrial asset with strong services visibility and improving standalone financial profile. However, a PE-style underwriting must explicitly account for the absence of publicly disclosed TSA economics, quantified dis-synergies, and detailed separation cost phasing.

Further diligence beyond public disclosures would be required to fully assess normalized cost structure, cash flow sustainability post-TSA, and the long-term impact of legacy obligations before making a definitive investment recommendation.

2 Standalone Operating Model

This section outlines the standalone operating characteristics of GE Aerospace based exclusively on publicly disclosed information following the completion of the GE Vernova separation. No normalization adjustments, forward projections, or inferred assumptions are applied beyond what is explicitly disclosed in SEC filings and management materials.

2.1 Revenue Composition

GE Aerospace reports revenue across two primary operating categories: Commercial Engines & Services and Defense & Propulsion Technologies. Public disclosures emphasize that a substantial portion of total revenue is derived from aftermarket services associated with the installed base of engines, rather than from original equipment sales alone.

Management disclosures highlight that services revenue is supported by long-term contractual arrangements and a significant remaining performance obligation (RPO) backlog. While the aggregate RPO is disclosed, the precise duration, contract mix, pricing escalation mechanics, and service margin profile by program are not publicly broken out.

Accordingly, revenue visibility is supported qualitatively by backlog disclosures, but quantitative conversion timing and margin realization are not disclosed at a granular level.

2.2 Cost Structure

Public filings describe GE Aerospace's cost structure as consisting primarily of:

- Manufacturing and production costs associated with engine and component output;
- Service delivery costs related to maintenance, repair, and overhaul activities;
- Engineering, research, and development expenses;
- Selling, general, and administrative costs associated with operating as a standalone public company.

Following the separation, GE Aerospace is subject to incremental standalone costs previously borne at the consolidated GE level. Management disclosures acknowledge the existence of such costs, including governance, reporting, compliance, and corporate infrastructure expenses; however, no quantitative estimate of incremental standalone SG&A is publicly disclosed.

2.3 Transition Services and Operational Independence

GE Aerospace and GE Vernova operate under a Transition Services Agreement pursuant to which each party provides certain transitional services to the other. The TSA establishes a governance framework, steering committee oversight, and a cost-based pricing mechanism.

While the existence, scope categories, and conceptual pricing framework of TSAs are disclosed, the following items are not publicly disclosed:

- Service-by-service pricing schedules;
- Aggregate annual TSA cash costs;

- Service-specific termination dates or phased exit timelines.

As a result, the operating model cannot incorporate quantified TSA cost drag or timing of full operational independence, and these factors remain execution variables rather than modeled inputs.

2.4 Free Cash Flow Characteristics

GE Aerospace has disclosed positive free cash flow generation in recent reporting periods following the separation. Cash generation is described as being driven by service revenue, backlog execution, and working capital dynamics associated with long-cycle contracts.

However, the following elements are not disclosed at a standalone level:

- Normalized maintenance versus growth capital expenditure requirements;
- Cash flow sensitivity to utilization rates or service mix;
- Cash impact of TSA unwind and standalone system implementation.

Accordingly, free cash flow is treated as a disclosed outcome rather than a modeled construct, with sustainability dependent on execution of the separation and continuation of disclosed operating trends.

2.5 Working Capital and Contractual Dynamics

Public disclosures indicate that GE Aerospace operates with complex working capital dynamics tied to long-term contracts, advance payments, milestone billings, and service agreements. These dynamics can materially influence period-to-period cash flow.

No detailed disclosure is provided regarding:

- Contract-level advance payment structures;
- Deferred revenue amortization schedules;
- Customer-specific working capital exposure.

As such, working capital is recognized as a material operational factor but is not explicitly modeled beyond acknowledgment of its importance.

2.6 Pension and Legacy Cost Considerations

GE Aerospace retains responsibility for certain pension and post-retirement benefit obligations allocated based on employee legacy business affiliation. Public disclosures describe the allocation

mechanism and sensitivity of obligations to actuarial assumptions, including discount rates and asset returns.

However, the following are not publicly disclosed:

- Standalone pension asset and liability balances attributable specifically to GE Aerospace;
- Projected annual funding requirements post-separation;
- Sensitivity of funding requirements to specific actuarial assumption changes.

These obligations represent a structural consideration in the standalone operating model but cannot be quantified using public information.

2.7 Summary Operating Assessment

Based on disclosed information, GE Aerospace exhibits the following standalone operating characteristics:

- Revenue visibility supported by a large installed base and disclosed backlog;
- A cost structure transitioning from shared services to full standalone operations;
- Positive reported free cash flow with limited public detail on long-term normalization;
- Execution risk associated with TSA exit, separation cost absorption, and legacy obligations.

The operating model therefore supports qualitative confidence in business durability while retaining material uncertainty around normalized cost structure and cash flow sustainability due to non-disclosure of key transitional economics.

3 Capital Structure & Liquidity

This section assesses GE Aerospace's standalone capital structure and liquidity profile following the separation from GE Vernova, based exclusively on publicly disclosed filings, credit agreements, and management communications. No forward leverage assumptions, refinancing scenarios, or pro forma adjustments are applied beyond what is explicitly stated.

3.1 Standalone Capital Structure

Following the completion of the separation, GE Aerospace operates as an independent public company with its own capital structure. Public filings disclose that GE Aerospace has entered into standalone credit arrangements to support ongoing operations, liquidity needs, and general corporate purposes.

The disclosed capital structure includes:

- Debt issued or assumed at the GE Aerospace level pursuant to post-separation credit agreements;
- Equity capitalization as a standalone publicly traded entity;
- Residual intercompany arrangements governed by separation and transition agreements.

While total reported debt balances are disclosed in periodic filings, public documents do not provide a detailed maturity ladder, tranche-level amortization schedules, or a full breakdown of fixed versus floating rate exposure in a consolidated, carve-out-specific presentation.

3.2 Credit Facilities and Covenants

GE Aerospace has disclosed entry into a credit agreement that provides committed revolving credit capacity and other financing arrangements. The stated purpose of these facilities includes liquidity backstop, working capital support, and general corporate use.

Public disclosures confirm the existence of customary covenants and representations; however, the following details are not fully disclosed in summarized filings:

- Covenant thresholds presented in a single, consolidated summary;
- Sensitivity of covenant compliance to downside operating performance;
- Explicit covenant headroom under stressed scenarios.

Accordingly, covenant risk is acknowledged structurally but cannot be quantitatively assessed using publicly available information.

3.3 Liquidity Sources

GE Aerospace's disclosed liquidity sources include:

- Cash and cash equivalents on the standalone balance sheet;
- Availability under committed revolving credit facilities;
- Operating cash flow generated by the business.

Management disclosures indicate that liquidity is expected to be sufficient to meet operational requirements, contractual obligations, and separation-related needs. However, filings do not provide a minimum liquidity threshold policy, nor do they specify internally targeted liquidity buffers under downside conditions.

3.4 Cash Flow Deployment Priorities

Public filings and management commentary describe general capital allocation priorities, including:

- Funding ongoing operations and capital expenditures;
- Servicing debt obligations;
- Meeting pension and post-retirement funding requirements as applicable;
- Returning capital to shareholders subject to board authorization.

No explicit post-separation capital return framework (e.g., fixed payout ratios, buyback cadence) is disclosed in a manner that would allow precise modeling of cash deployment under various operating scenarios.

3.5 Separation and Transition Cash Considerations

GE Aerospace has disclosed that separation-related costs have been incurred in historical periods and that additional costs may continue to be incurred as systems, processes, and governance functions are fully established.

However, the following are not publicly disclosed:

- A consolidated estimate of total remaining separation-related cash outflows;
- A year-by-year cash phasing schedule for such costs;
- The portion of such costs expected to be reimbursed, offset, or duplicated through transition services arrangements.

As a result, separation-related cash impacts represent a known but unquantified liquidity consideration.

3.6 Pension and Long-Term Obligations

GE Aerospace retains responsibility for certain pension and post-retirement benefit obligations allocated as part of the separation. While the allocation methodology and risk sensitivities are disclosed, specific funding schedules and annual contribution requirements are not provided on a standalone basis.

These obligations introduce long-term cash flow considerations but cannot be incorporated into near-term liquidity modeling using public data.

3.7 Liquidity Risk Assessment

Based on disclosed information, the liquidity profile of GE Aerospace can be characterized as follows:

- Access to multiple liquidity sources, including cash, revolver capacity, and operating cash flow;
- Absence of publicly disclosed near-term liquidity stress signals;
- Exposure to unquantified transitional cash demands related to TSAs, separation costs, and standalone infrastructure build-out.

Liquidity adequacy therefore depends not only on disclosed balances but also on disciplined execution of the separation and timely unwinding of transitional dependencies.

3.8 Capital Structure Summary

In summary, GE Aerospace enters its standalone phase with:

- A disclosed, functioning capital structure supported by committed credit facilities;
- Sufficient stated liquidity to support ongoing operations;
- Limited public transparency into downside covenant headroom and transitional cash demands.

From an IC perspective, capital structure risk is not driven by disclosed leverage stress, but by execution risk related to separation economics and the pace at which the company achieves full operational independence.

4 Downside Case & Capital Protection

This section evaluates the resilience of GE Aerospace's standalone business and capital structure under plausible downside scenarios arising from execution risk rather than macroeconomic or industry-wide collapse. All analysis is grounded in publicly disclosed information, with no assumed operating leverage, stress multipliers, or inferred cash flow buffers.

4.1 Downside Framework

The downside case considered reflects risks explicitly disclosed by management and in SEC filings, including:

- Slower-than-expected transition to full standalone operations;

- Higher-than-anticipated separation and public company costs;
- Extended reliance on transition services;
- Operational inefficiencies during system and process migration.

The downside case does not assume demand destruction, severe cyclical downturns, or loss of core market position, as such scenarios are not supported by disclosed information.

4.2 Primary Downside Drivers

4.2.1 Transition Services Drag

GE Aerospace is subject to cost exposure associated with transition services provided under the TSA with GE Vernova. While the pricing framework is disclosed as cost-based, the absence of public disclosure regarding aggregate TSA costs, service duration, and exit timelines introduces uncertainty around the magnitude and persistence of transitional cost drag.

A downside scenario arises if:

- TSA services extend longer than management anticipates;
- Internal replacement systems are delayed or underperform;
- Duplicate cost structures persist during transition.

These outcomes would pressure margins and free cash flow without impairing underlying demand.

4.2.2 Separation Cost Overrun

Public disclosures confirm that separation-related costs have been incurred historically and that additional costs may continue post-separation. However, no consolidated estimate of total remaining separation costs or cash phasing is provided.

Downside risk exists if:

- Remaining system implementation or governance costs exceed historical levels;
- Additional one-time costs arise from remediation of transitional gaps;
- Cost savings expected from separation are delayed.

Such overruns would primarily affect near-term liquidity rather than long-term earnings power.

4.2.3 Incremental Standalone Cost Structure

GE Aerospace disclosures acknowledge that certain corporate costs previously absorbed at the GE level will now be borne independently. The magnitude of incremental standalone SG&A is not quantified.

Downside risk exists if:

- Public company and compliance costs exceed management expectations;
- Economies of scale previously achieved within GE are not fully replicated;
- Ongoing overhead reduction initiatives take longer to execute.

This risk affects normalized margin structure but does not undermine business viability.

4.3 Capital Protection Mechanisms

4.3.1 Business Durability

GE Aerospace benefits from a large installed base of engines and long-term service agreements that provide recurring revenue and cash flow visibility. While detailed contract economics are not publicly disclosed, the existence of backlog and services exposure supports resilience against short-term execution disruptions.

4.3.2 Liquidity Access

Public disclosures confirm access to multiple sources of liquidity, including:

- Cash on the standalone balance sheet;
- Committed revolving credit facilities;
- Ongoing operating cash generation.

This liquidity provides a buffer against temporary cash flow pressure arising from transition-related costs.

4.3.3 Absence of Structural Leverage Triggers

No public disclosures indicate the presence of near-term maturity cliffs, mandatory refinancing events, or restrictive covenants that would force corrective action under moderate operating underperformance.

Accordingly, downside scenarios are more likely to manifest as gradual cash flow pressure rather than acute balance sheet distress.

4.4 Failure Conditions

Based on disclosed information, capital impairment would require a combination of adverse outcomes, including:

- Prolonged transition services dependency with elevated costs;
- Material and sustained separation cost overruns;
- Inability to offset incremental standalone costs through operational execution.

Absent these compounded execution failures, the disclosed liquidity profile suggests the business can absorb transitional volatility.

4.5 IC Perspective on Downside Risk

From an investment committee perspective, the downside case for GE Aerospace is characterized by:

- Execution risk rather than structural or demand risk;
- Liquidity pressure rather than solvency risk;
- Manageable downside provided disciplined transition management.

Capital protection therefore rests on operational execution, cost discipline, and timely unwinding of transitional dependencies rather than external market conditions.

5 Final IC Recommendation

Based exclusively on publicly disclosed information and without reliance on inferred economics, the recommendation is to **approve the GE Aerospace standalone investment thesis**, subject to clearly defined execution and capital protection conditions.

5.1 Investment Rationale Summary

GE Aerospace emerges from the separation as a durable industrial business with:

- A large installed base supporting recurring aftermarket revenue;
- Demonstrated backlog visibility and long-cycle customer relationships;
- Positive disclosed free cash flow generation;
- Access to multiple sources of liquidity as a standalone entity.

5.2 Risk Acceptance Framework

Approval explicitly accepts execution risk but does not rely on assumptions of margin expansion, growth acceleration, or multiple re-rating. The thesis is resilient only if transition execution is controlled and liquidity discipline is maintained.

5.3 Capital Protection Conditions

Approval is contingent upon:

- Maintenance of adequate liquidity buffers;
- No emergence of undisclosed covenant or maturity pressure;
- Measurable progress in TSA unwind and cost duplication elimination;
- Separation-related costs remaining within historically disclosed ranges.

5.4 Disapproval / Reassessment Trigger

The investment would no longer be supportable if transition services dependency extends materially beyond the intended separation period while separation costs and standalone SG&A scale faster than disclosed operating cash flow, resulting in sustained liquidity compression.

5.5 IC Decision

The decision reflects controlled risk acceptance: ownership of a resilient industrial franchise is justified only so long as execution risk remains bounded and capital protection mechanisms remain intact.