Financial Performance Analysis of GE Aerospace

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Abstract. This paper presents a comprehensive financial analysis of GE Aerospace from 2022 to 2024, aiming to evaluate its financial health and investment potential. GE Aerospace, a multinational corporation with a long-standing presence in the industrial and aviation sectors, experienced notable shifts in performance during the observed period. The analysis uses key financial ratios to assess profitability, liquidity, solvency, efficiency, and investment insights. Results show that 2023 marked a peak in profitability, with significant improvements in Return on Assets (ROA), Return on Equity (ROE), and Earnings Per Share (EPS), while 2024 witnessed a slight decline, primarily due to rising costs and slower revenue growth. Liquidity remained stable, and efficiency metrics, such as Days Accounts Receivable and Inventory Turnover, improved significantly, indicating enhanced operational performance. Despite a rise in 2024, the Price-to-Earnings (P/E) ratio may suggest overvaluation, GE maintains a strong financial foundation with promising long-term prospects. The paper concludes that GE Aerospace is an attractive option for long-term investors, though short-term investors should be cautious of recent earnings fluctuations and market performance. The findings provide insightful financial analysis for stakeholders and investors evaluating GE's current and future financial accountability.

Keywords: GE Aerospace, Financial statement analysis, investment recommendations

1 Introduction

GE Aerospace (GE) is a globally renowned multinational company. This company is famous for its electrical industry and consumer goods. Their products include electrical, energy, aviation, healthcare, and financial services. GE has ranked the world's 60th most valuable company by market cap of USD 214.47 Billion. However, several arguments have been related to GE in recent years, such as about competitors and post-COVID market supply chain issues. These arguments caused some investors to worry about whether investing in GE's stock is still favorable.

Financial ratio analysis will provide a comprehensive view of GE's financial strength, risks and challenges, which will help investors make informed decisions. It will enhance understanding of profitability, efficiency, risk, and overall business

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performance. This paper will use financial ratio analysis to evaluate GE's financial situation from 2022 to 2024.

2 Methodology

2.1 Financial Analysis

Financial analysis evaluates business financial information to assess its operational efficiency, profitability, and investment potential [1]. It involves examining financial statements, using key ratios, and applying various analytical techniques to make informed business and investment decisions.

2.2 Financial Analysis Ratio

2.2.1 Profitability Ratio.

Return On Asset. Return on Assets (ROA) measures the percentage of net income generated from the business total assets. This ratio indicates the business total asset profitability [2].

Return On Equity. Return on Equity (ROE) is a key financial ratio that measures a company's ability to generate profit from its shareholders' equity. It indicates how efficient management is using equity capital to generate net income [2].

Net profit margin measures the percentage of income from its revenue [3].

Gross profit margin is calculated by the gross margin divided by revenue. This ratio reflects how efficiently a business sells its products or services. The gross profit come from revenue minus cost of goods sold (COGS) [4].

2.2.2 Liquidity Ratio.

Current ratio is calculated by current assets divided by current liabilities. This liquidity ratio indicates business ability to return its short-term debt with its current assets. It provides investors a criteria to assess a business ability to manage its short-term debt and solvency [4].

Quick ratio. The Quick Ratio is a liquidity ratio that measures a company's ability to meet its short-term obligations using its most liquid assets—excluding inventory. It provides a stricter measure of liquidity than the Current Ratio by focusing only on assets that can be quickly converted into cash [4].

2.2.3 Solvency Ratio.

Debt to Assets Ratio measures how much companies' total assets are financed from debt. It reflects how many business assets come from debt or business ownership [5].

Equity Ratio measures how much of a business's assets come from shareholders' equity. This ratio will indicate a business ownership level and financial stability [5].

2.2.4 Efficiency Ratio.

Days Accounts Receivable Outstanding. This ratio measures how efficiently a company collects payments from its customers. It indicates how many days, on average, a company converts its accounts receivable into cash during a specific period [6].

Inventory Turnover Days. Inventory turnover days measures the average number of days a company takes to sell its entire inventory during a given period. It is a key indicator of inventory management efficiency [7].

2.2.5 Risk and Investment Ratio.

Earnings Per Share (EPS) indicates how much net income is available for each outstanding share of a business's stock. EPS reflects a business's profitability and potential return on investment [8].

The Price-to-Earnings (P/E) Ratio is calculated by Market Price per Share divided by Earnings per Share (EPS). This ratio indicates the Market price of a company's earnings. This ratio will assess if a stock is fairly valued relative to its performance for investors [9, 10].

3 Analysis and Discussion

3.1 Profitability

3.1.1 Return on Asset (ROA).

Table 1. Return on Assets of GE in 2022-2024

Ratio	2024	2023	2022
ROA	4.42%	5.07%	0.02%

GE's ROA has improved substantially from 2022 to 2023, with the company's strong profitability and more efficient use of assets. (Table 1) However, the slight decrease in 2024 indicates some struggles with the new aerospace segment operation. Further improvements in asset utilization could improve future profitability.

3.1.2 Return on Equity.

Table 2. Return on Equity of GE in 2022-2024

Ratio	2024	2023	2022
ROE	27.22%	28.93%	0.13%

GE's return on equity (ROE) trend shows a dramatic increase in 2023 from 2022. However, the slight decline in 2024 could be an sign of the business capability to retain same profit level over the future years. (Table 2)

GE must improve efficiency and cost management in 2024 to improve its ROE further. GE should prioritize investments in high-return assets to maintain or increase return level.

3.1.3 Net Profit Margin (NPM).

Table 3. Net profit margin of GE in 2022-2024

Ratio	2024	2023	2022
NPM	16.94%	25.99%	0.16%

The net profit margin is calculated by Net Profit divided by Revenue. NPM indicates the percentage net profit after all expenses from the total income. GE experienced a significant increase in 2023, moving from a small profit in 2022 to a solid profit margin. (Table 3) However, in 2024, GE's ability to generate as much profit from revenue has weakened due to rising costs and slower growth.

3.1.4 Gross Profit Margin (GPM).

Table 4. Gross profit margin of GE in 2022-2024

Ratio	2024	2023	2022
GPM	37.19%	35.11%	34.84%

The Gross Profit Margin is calculated from Gross Profit divided by Revenue. Gross Profit is calculated by Revenue minus Cost of Goods Sold. This ratio would indicate the production efficiency and pricing issues. GE's gross profit margin remained relatively stable, increasing from 2022, 2023, and 2024. (Table 4)

3.2 Liquidity

3.2.1 Current Ratio.

Table 5. Current Ratio of GE in 2022-2024

Ratio	2024	2023	2022
Current Ratio	1.09	1.33	1.18

GE's current ratio has shown a consistent healthy trend from 2022 to 2024, indicating that the company has enough current assets to cover its current debts. This analysis shows that GE has effectively managed its short-term assets and liabilities over the past three years. (Table 5)

3.2.2 Quick Ratio.

Table 6. Quick Ratio of GE in 2022-2024

Ratio	2024	2023	2022
ROA	0.81	1.07	0.88

GE has gradually improved its quick ratio from 2022 to 2023, moving from insufficient liquid assets to a situation where it is much closer to cover its current debts. This

analysis shows that GE has effectively managed its short-term assets and liabilities, ensuring it remains in a solid financial position over the past three years. (Table 6)

3.3 Risk and Investment

3.3.1 Earning Per Share.

Table 7. Current Ratio of GE in 2022-2024

Ratio	2024	2023	2022
EPS	6.04	8.44	0.05

From 2022 to 2023, GE showed significant growth in EPS, increasing from $0.05 to $8.44. This indicates strong earnings improvement. While from 2023 to 2024, the EPS slightly decreased to $6.04 in 2024, it's still above 2022 levels. The strong EPS growth in 2023 indicates that GE Aerospace was able to capitalize on opportunities in 2023. The growth in EPS could make it an attractive option for investors. (Table 7)

3.3.2 Price to Earning (P/E) Ratio.

Table 8. PE of GE in 2022-2024

Ratio	2024	2023	2022
PE Ratio	27.48	11.85	1,240

In 2022, the extremely high P/E ratio indicates that GE Aerospace's stock was highly overpriced relative to its earnings, which might have been due to extraordinary events. In 2023, the P/E ratio significantly decreased to 11.85, which reflects a more reasonable valuation which suggests that the stock was fairly priced. In 2024, the P/E ratio increased to 27.60, indicating a potentially high growth expectation for the company, but this could also suggest that the stock is becoming more expensive. A high P/E (2022 and 2024) could indicate that the stock is overvalued, as it may suggest overvaluation. (Table 8)

3.4 Efficiency

3.4.1 Days Accounts Receivable Outstanding.

Table 9. Days Accounts Receivable Outstanding of GE in 2022-2024

Ratio	2024	2023	2022
AR Outstanding	65	110	191

Days Accounts Receivable Outstanding is a key financial metric used to measure the average number of days it takes for a company to collect payment after a sale has been made. It is useful for evaluating a business ability to manage receivables and maintain liquidity.

In 2022, Days AR Outstanding of approximately 191 days indicates that GE Aerospace took, on average, about six months to collect customer payments. In 2023, the ratio improved to 120 days, suggesting a significant enhancement in collection efficiency. In 2024, the ratio continuously improved to 65 days, indicating consistent performance in receivables management. (Table 9)

The substantial reduction in the ratio from 2022 to 2024 reflects GE Aerospace's improved efficiency in collecting receivables. Generally, a lower AR outstanding is favourable, implying quicker collection of receivables and enhancing liquidity.

3.4.2 Inventory Turnover Days.

Table 10. Inventory Turnover Days of GE in 2022-2024

Ratio	2024	2023	2022
Inventory Turnover	135	184	295

Inventory Turnover Days is a financial metric that measures how long a company can sell its inventory and replace it during a given period. It is calculated by dividing the average inventory by the cost of goods sold (COGS) and multiplying by the number of days in the period (usually 365 days). (Table 10)

The substantial reduction in inventory turnover indicates business inventory turn around quicker and more efficient.

3.5 Growth Ability

Table 11. Overall Revenue and Net Income of GE in 2022-2024 (All numbers in millions)

Ratio	2024	2023	2022
Total Revenue	38,702	35,348	29,139
Net Income	6,556	9,188	48

GE's net income attributable to common stockholders was $48 million, $9,188 million and $6,556 million in 2022, 2023, and 2024, respectively. Net income increased over time, and positive net income increased in 2022. The revenue increase from 2022 to 2023 shows strong demand and expansion, especially in the aerospace sector, as it recovers from the pandemic. The business brings increased revenue and significant profit increase in 2023 is a positive indicator for investors looking for stability in the aerospace industry. The drop in net income in 2024 could come from rising costs or potential downturns in demand. (Table 11)

GE Aerospace has demonstrated strong growth in 2023, particularly in revenue, but potential investors should consider the decline in net income for 2024. This could represent short-term challenges, but the company is expected to continue growing in revenue, which is promising for long-term investors in the aerospace sector.

4 Conclusion

GE Aerospace, a globally renowned multinational corporation with a legacy of over a century, has played a critical role in industrial and technological innovation, particularly in the aviation sector. In recent years, however, investors have expressed concern over the company's performance amid competitive pressure and post-pandemic market fluctuations. The purpose of this financial analysis was to evaluate GE Aerospace's financial performance from 2022 to 2024 and to provide investors with a clearer picture of the business financial accoutability, operational efficiency, and future development potential.

Using financial ratio analysis, this study assessed profitability, liquidity, solvency, efficiency, and investment valuation based on data from GE's official financial reports. Key ratios such as ROA, ROE, net profit margin, current ratio, and EPS were employed to evaluate performance trends over the three-year period. The analysis revealed a sharp financial recovery and growth in 2023, with improvements in revenue, profitability, and operational efficiency. While 2024 saw a slight decline in net income and a rise in valuation concerns, the overall financial position remained strong.

This research contributes to the literature by offering a concise and data-driven case study of GE Aerospace, supporting informed decision-making for investors and providing a framework for evaluating financial health in dynamic industrial sectors.

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