

StandardAero, Inc.

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<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Good morning everyone. My name is Sheila Kahyaoglu with Jefferies Aerospace, Defense and Airlines Equity Research team. Thanks so much for being here. We have StandardAero here. We have Dan Satterfield, who is CFO; and Alex Trapp, who is Chief Strategy Officer. Dan is going to kick it off with a presentation for the first 10 to 15 minutes, and then we're going to go into questions. Thanks, Dan.

<<Daniel Satterfield, Chief Financial Officer>>

Thanks, Sheila, and good morning. My name is Dan Satterfield, as Sheila said. Sheila said she's got lots of questions, so we'll work through the slides, and we'll get right to everything else. Okay. StandardAero, we are the leading engine aerospace aftermarket services provider. Very important about us. We have a pure-play focus on the aero engine aftermarket. And two statistics that I love, 80% of our revenue is from platforms with either the number one or number two market position and 77% of our revenue is from customers with long-term agreements, all of which gives us great visibility over our long-cycle business.

We are organized into two segments, engine, repair and overhaul or the MRO side of the business and Component Repair Services. Together, there are great synergies, obviously, between the two as we partner with both the OEMs and the airlines. Our pure-play focus on the engine aftermarket is the largest portion of the aerospace aftermarket at \$111 billion, 48% of that is engines. The engines is the highest growing and most profitable, most highly regulated portion of the aerospace aftermarket and the greatest barriers to entry.

Our long-term tailwinds include, of course, strong pent-up demand, constrained capacity, which continues to be a factor in our industry, an aging global fleet and greater outsourcing from the OEs to MRO providers such as ourselves. We love our highly coveted position between the engine OEMs and the operators. The engine OEMs, there's only five of those in the world, all five of which we have very long-term relationships. These are strong relationships, and we consider ourselves OE aligned. What we provide to the OEs is, of course, strong MRO service providing, and it allows them to focus on engine development.

We expand their network of aftermarket support, and we mitigate market erosion from non-OEM parts, again, our OEM alignment. For the operators, working across all the OEMs, we can provide creative customized solutions that they can't get from the OEM engine providers and as opposed to airline aligned shops, we're able to provide superior service, performance and customized solutions.

This is a fantastic chart that shows all of our engine platforms, over 40 of which across the life cycle and maturity life cycle of their lives. Again, all of these engines, we have either the number

one or number two market position, and we have a heavy narrow-body focus within commercial turbofans, of course, our strong emerging positions with the CFM56 and LEAP programs as well as very strong position on the CF34 regional engine that provides power to the regional aircraft and the AE 3007. All of these are either in the maturity cycle very new. You see the LEAP and the CFM56 in the new generation and moving into midlife.

Our wonderful suite of turboprop engines, of course, are within the mid-life to mature side of the maturity cycle and are very strong growth drivers for us in 2025 and beyond. Within Military, we are strong, we appreciate our positions on the AE 2100 and the AE 1107. The AE 2100 flies on the C-130 and the AE 1107 flies on the V-22 Marine transport aircraft.

Within Business Aviation, we have strong positions on what we consider both the pitch and catch. So the rising engine, the newer engine in the Business Aviation segment that we provide services on is the HTF7000. That is replacing the TFE731, which continues to fly. So, as the TFE731 matures, the HTF7000 grows, and we have a great pitch and catch position.

We have a strategically located global footprint. And most of our locations are in North America, but 40% of our revenue is generated externally. We have a global sales force and a very strong set of infrastructure, six million square feet and importantly, 55 global test cells. When we talked earlier about barriers to entry, that's one of them, global test cells are difficult to build, they are expensive to build, and we have 55 of them.

We love our Component Repair Services business. Now with our guidance as of August 13 at almost \$700 million of revenue, we believe that if this business were to stand alone, it would be one of the largest component repair businesses in the world. They have attractive margins, 26% in 2024 and in the first half of 2025, 28.7% margins. What's great about the Component Repair Services business with 20,000 unique repairs, this offers an alternative to waiting for a new OEM part. You can repair your part, improve your TAT times and lower your cost with a strong Component Repair Services business. It's highly accretive, and it's a very fragmented and competitive landscape where we have the strongest position.

We also have the opportunity for a large in-sourcing opportunity with our MRO businesses, which we are continuing to capitalize on. As this business gets larger and has more capabilities, it's able to service more of its sister divisions on the MRO side of StandardAero. And it has the ability to develop new repairs, especially on the LEAP Program, where we've developed almost 300 repairs on the LEAP engine since launch.

We are and have a great track record of successful M&A, 11 acquisitions since 2017. We're quite good at this. We are able to cut in half our acquisition multiple with the synergies that we have exercised. And two of the great examples that are there on the right. We're able to – with M&A, we are able to access new capabilities, new customers and new platforms, most recently with the Aero Turbine acquisition in our Component Repair Services space and within the military end market.

A great first half, in the second quarter, Commercial Aerospace grew 14%, Military & Helicopter 12%; and Business Aviation, 9%. This reflects the diversity of our end markets and

the ability to ride through economic cycles, very low volatility within our businesses. With a 19.9% earnings growth in the first half, we consider ourselves a boring double-digit earnings grower.

During 2025, our big four strategic initiatives include the industrialization of LEAP. Very happy that LEAP revenue is taking off as anticipated, it grew 3x quarter-over-quarter in Q2. We now have \$1.5 billion LEAP awards to-date and our long-term outlook is even more robust. Of course, the LEAP engine being serviced out of our San Antonio facility.

Our second major strategic priority in 2025 is capitalizing on our organic investments. A great example of that is the CFM56 Dallas-Fort Worth facility, which conducted its first PRSV and our CFM56 wins continue, 11 gantries and a doubling of our capacity in Dallas. Also last week, we cut the ribbon on our Augusta Business Aviation facility in Augusta, Georgia. Over 80,000 square feet expansion, not only for airframes, but for the HTF7000 MRO capabilities.

The expansion of CRS remains one of our strategic priorities with record margins in the quarter, almost 30% and continuing new repair development. Also very happy with the in-sourcing activity, which occurs on a daily basis, again, where CRS has the capability to in-source activity that's currently done by third parties, by the MRO shops within StandardAero, these are being brought in-house.

And we continue to pursue accretive M&A. The ATI synergy realization has been fantastic. The ATI business focuses, including on the J85 engine where we already have a strong MRO capability in San Antonio. Of course, we do have a strong M&A pipeline and ample balance sheet capacity with our leverage as of the second quarter just hitting below 3.

Our latest guide as of August 13 has revenue growing 12% to 15% and earnings growing 19% to 22% with strong underlying growth in the Commercial, Military and Business Aviation markets, mid-teen growth expected in Commercial Aerospace, high single-digit growth expected in Military Helicopters and high single-digit growth in Business Aviation as well as free cash flow between \$155 million and \$175 million. And that includes major platform investments this year of \$90 million within that cash flow figure.

We've been growing at a 22% CAGR on EBITDA since 2021, up until our last fiscal year of 2024, and we have strong initiatives and tailwinds to continue EBITDA growth. That includes the market tailwinds within the engine aerospace aftermarket, harvesting our recent investments, those include, of course, CFM56 and an expansion of our relationship with General Electric on the CF34 engine. Performance excellence initiatives, which include CRS margin expansion proven in Q2; new platform wins, most notably the LEAP platform, of which we're very proud and continued M&A as evidenced by the Aero Turbine acquisition in August of last year.

Again, we consider ourselves a steady, boring double-digit earnings compounder, and we have multiple opportunities for high ROIC capital deployment opportunities available to us. That's StandardAero and we're happy to answer any questions.

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Okay. I got 23 minutes to ask these questions, and I would definitely not call you boring Dan. So even though you are a double-digit EPS grower. Maybe to talk about your Engine portfolio, you started a little bit on LEAP and how it's going to grow to \$1 billion by 2030. Can you talk about your three big platforms, LEAP, CFM56 and CF34? Just an update on the growth profile in 2025 and how we envision them growing over the next few years.

<<Daniel Satterfield, Chief Financial Officer>>

Yeah. Thanks, Sheila. You mentioned three of the top four. We'd like to talk about the top four growers in 2025 and that includes LEAP, CFM56 in Dallas, CF34 which is the regional aircraft – powers the regional aircraft, including SkyWest as a customer, and our turboprop businesses, which we have a suite of engines in a very fragmented market with multiple customers. Those remain, Sheila, our top four growers in 2025. We expect this to be the top four growers for the balance of the year and into 2026.

As far as LEAP is concerned \$1.5 billion of new wins, of course, those stretch over many years and the LEAP industrialization is going according to plan. We were just recently in San Antonio and the LEAP industrialization is right on track. That includes profitability. Of course, LEAP begins its journey as a zero margin contributor to EBITDA and we expect that to accrete over time. Same with CFM56 in Dallas, I was just there last week. Really great expansion there with a new clean line installed, 11 gantries with 11 engines hanging on them and always new customers joining the CFM56 customer suite in Dallas. That's going according to plan as well.

No changes also in profitability. That business begins as a zero margin business and we'll expect it to be accreting up the learning curve over the next three years. And then of course, the CF34, really happy about CF34, kind of a midlife mature engine within our – its maturity cycle. And what we recently did as part of our \$90 million of expansion opportunities and investments, we spent \$50 million this year expanding our license with GE. That is a 10-year investment that returns \$10 million every year in earnings accretion and we're seeing that. CF34 predominantly serviced out of Winnipeg is a great, great, great engine and that's – we don't expect any slackening of demand there, strong backlog on CF34. And the same with the turboprop engines, very, very strong backlog and strong accretion on these engines as they get serviced in our shops. That also has a big USM capability as well in the CF34.

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Maybe let's go back to LEAP again. GE raised its target for – with a 25% CAGR for shop visits through 2028. Can you talk about how your revenue is slated to grow to \$1 billion target and the mix of expected shop visits?

<<Daniel Satterfield, Chief Financial Officer>>

You want to take that one?

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Sorry, Alex.

<<Alex Trapp, Chief Strategy Officer>>

Sure, no problem. Oh, that one doesn't reach. Okay. Right. So with LEAP, it's – when we signed that license two years ago, there was a forecast from the OEM, a forecast that we did externally as well to double check the numbers. And it was great. So we invested and we've redone that forecast recently, as has the OEM and the forecast is substantially stronger. It just shows kind of the demand set that's out there both in terms of embedded base. The LEAP engine is winning. Over the last few years, they've won 70% of the A320 campaigns where they're competing with GTF. And they of course get all the MAXs. So bigger embedded base, more maintenance requires – requirements than were originally foreseen.

So it's a really robust market, makes us feel really good about that \$1 billion in revenue by the end of the decade. Further bolstered by the win rate that Dan mentioned, the pipeline that we see out there. So we're actually seeing it in the pipeline and winning it in the marketplace. So all that makes us feel good about the volume requirements. And then mix-wise is going to be mostly the lighter shot visits. They're called CTEMs. And so it's mostly that we inducted our first PRSV last year and we expect those to start growing with time. But the mix is mostly CTEMs as we see it at the moment.

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Maybe if you could talk about the difference between a CTEM and a PRSV.

<<Alex Trapp, Chief Strategy Officer>>

Sure. So a CTEM tends to be specific to going into the engine, to fix one issue that's there, right? Like the OEMs will write work scopes to resolve a durability or reliability issue that's going on in the engine. And so you're not sort of bringing it in, opening up every module of the engine, right, to inspect and then either repair, replace. You're going to a lesser scope within the engine, right? Maybe one module, maybe two modules that may be going in to just fix one thing, replace one part that's having a durability issue. And so that's kind of the difference, the lighter work scope, more surgical.

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

And I know Chloe Lemarie is here, my European counterpart, so she wants to know what StandardAero does. And at least one investor in here wants to know how StandardAero is different than MTU or Safran or GE, Safran, FTAI. But this brings us to the exchange program that you recently announced on the CFM56-7B. And that got a lot of hype. So can you talk about what that exchange program looks like and how you do that for your other engines?

<<Daniel Satterfield, Chief Financial Officer>>

Now we're really glad that there's a lot of excitement about. A great initiative that's really not that big of a one. So the CFM56, of course, we're doubling our capacity down in Dallas and expanding the opportunity for customers to get additional service on that important engine. Of the menu of options we have – we're providing our customers, we're now providing an additional option which includes an exchange program. This is a single digit investment – single digit million dollar investment on a one-off program that we expect that we can continue.

So what it really represents is there's a particular customer, customer A, who called StandardAero and said I'd love to get an exchange engine with a certain amount of cycles on it. We procured that engine for them. We are going to sell that engine in a swap program. So we procure it and we'll sell it to them back to back and receive a core. The great thing about receiving the core from that customer is that we have multiple opportunities to deal with the core. We can part it out, use it as USM. We can part it out and repair those parts and sell those parts or we can overhaul the entire core with our suite of capabilities and then have a new engine available for another swap. So we expect to do this on a one off basis, one, two, three, four. This customer is really excited to do it. It's not a – certainly not a major investment of working capital or capital, but it's another option for customers with CFM56 requirements.

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Maybe sticking to the commercial engines to continue on that. How do you think about engines that are rolling off in that great chart that you had that are no longer in midlife and end of life and how does that capacity coming off change?

<<Daniel Satterfield, Chief Financial Officer>>

Yeah, it's interesting. We look at that and when I first joined StandardAero, of course, I went straight to the programs that we're rolling off. What's interesting is on the...

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Because you were at Honeywell before, so.

<<Daniel Satterfield, Chief Financial Officer>>

I was Honeywell before and of course, StandardAero is a great service provider for Honeywell engines, which include the HTF7000, of course, which I'm giving another pitch to, great engine. And I asked, okay, same question, where are these engines going? Engines of course, as a lot of us know, have a 30 to 40 year life and these engines continue to fly. And so we're not seeing in our long range planning really significant drop offs in any of these engines in a material way.

Actually what happens with – as engines age, the number of providers that provide MRO services to those engines actually decreases and the center of gravity moves towards the biggest player that's typically StandardAero and we continue to service these engines, whatever is left for many, many years. So in our long-term planning, Sheila, we don't see a big drop off. We love

these engines. Of course, as they're more mature, there's more opportunity for USM. The technicians are very skilled on them and the profit margins are nice.

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Any – sorry, I'm throwing this at you, but any share you have as you think about an engine as it hits its first shop visit, second, third, how you think about that share changing over the life of an engine?

<<Daniel Satterfield, Chief Financial Officer>>

The share?

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Yeah, because you mentioned as the engine ages, you are the center of gravity and there's less providers.

<<Daniel Satterfield, Chief Financial Officer>>

Yeah, well, I mean, on LEAP, of course, there are six CBSA license holders. That's an example of the very, very beginning of the maturity cycle. And of course, we have a 30 year license as a CBSA license holder. And there's six of us in the world that have that license. It gives us distinct competitive advantages. And so that network we expect to not grow as the CFM56 did, but stay pretty tight within those providers and for the majority of the service events that will occur over the next 30 years and beyond.

And we expect StandardAero with our big capacity to service LEAP and our strong relationship with CFM that will maintain a very strong share. That's an example. CFM56 is a little bit different, over 40 providers on CFM56 today. However, StandardAero is, we believe, the only ones who have increased capacity on an engine that continues to require shop visits, of course, as only 50% of CFM56s have seen their first performance restoration shop visit. So as these engines come off wing on a set of aircraft that is being flown heavily, we're the ones with capacity. And so we're seeing that exact strategy unfold in terms of demand. So two examples where sort of a tighter service network and a broader service network where we can take advantage of our position.

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

And you mentioned you're not seeing any change in retirements, especially in the aging fleet. How do you think about how you're monitoring demands? And how you think about your shop visit – your facilities where they're placed? Because they're mostly in North America, but I believe you derive 40% of your revenue from international customers.

<<Daniel Satterfield, Chief Financial Officer>>

Yeah, that's a great question. A lot of people ask it. Engines in our size and class are pretty easy to ship. As a matter of fact, it's not a real factor either in pricing or in turnaround time that we've seen for engines including LEAP. What we didn't mention is within the 1.5 billion of backlog for LEAP, a big portion of that is international customers from around the world. So we've not seen that as a competitive disadvantage. Of course, as we expand our global footprint, we're happy to move eastward, but we've not seen it as a competitive disadvantage for the 56, the 34, LEAP or any of the business aviation engines.

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Maybe just to round out the portfolio a little bit, too. Can we talk about the Military and Helicopter revenues that grew 11%, I believe, in the first half. Your guidance is for high single digits. How do we think about that as the V-22 anniversaries?

<<Daniel Satterfield, Chief Financial Officer>>

So V-22, of course, coming off of its grounding, it's now fully in flight and that engine is now – for our revenues on the 1107, V-22 engine are now almost lapping the year after the grounding. So those – that is still providing a little bit of outsized growth in the first half on the 1107. The AE2100, which flies on the C-130 aircraft, the transport aircraft, the workhorse of the Air Force, a little bit lighter work scopes this year, but really not less inductions. This is a long-term relationship with the Air Force. And even though the work scopes are lighter, we still get the same number of inductions, and this is still a strong grower for us over the long-term.

Helicopter business, we love helicopters. We don't talk about it enough. Many engines there and many, many end markets that we serve from firefighting to offshore oil rigs to tourism to fire and rescue. And all of those customers like to come to StandardAero because we have a big engine swap program that they can get engines back immediately while their engine is serviced and great turnaround times that we're providing for that – those engines out of Winnipeg.

So Military is great. Don't forget the J85. J85, of course, is the engine that flies on the Air Force fighter trainer aircraft for jet fighters. We have had a leading position on J85 in San Antonio on the MRO side of the business. And with the acquisition of ATI, we're now doing accessory repairs for that engine. Also expanding into the F5, which is another engine that – sorry, another aircraft that flies to J85 also internationally. So this was a great example of taking existing capabilities, adding to them with M&A and now being able to service an even broader part of that market. So we like the J85 as well.

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Alex, maybe a question for you. How do you think about the mix of the portfolio as Chief Strategy Officer, whether it's narrow-bodies, wide-bodies, regional military helicopters?

<<Alex Trapp, Chief Strategy Officer>>

Sure. The way I've always looked at it is if you look at any third-party MRO forecast, right, go hire a consultant to tell you about the MRO market for engines, airframe you name it, it usually shakes out at roughly 50% commercial, 25-ish percent military, 25-ish percent BizAv and helicopters mixed in there. So our portfolio looks a lot like that and in terms of mix. And so that's what I've always been focused on is making sure that we are getting access and exposure to each end markets in its proper proportion. So I think we're very well balanced.

Wide-bodies versus narrow-bodies. Wide-bodies are pretty unique market. We do service the wide-body market through our CRS segment. So we do work on CF6 parts, for example, PW4000. And so we do have some access to the wide-body market. It's just a little bit different, though, where wide-bodies are more international. They don't ship as inexpensively, right, as the narrow-body engines. And the OEMs have a big position usually in their wide-body markets. And so we just haven't found the right opportunity. I'm sure it's out there somewhere. And it will line up with every capital allocation decision we make, right? It's got to be the right investment. It's got to deliver the right ROI with the right margins on the right time line and that opportunity may be out there. But I feel like we're in the markets within the commercial end market where they're the workhorses of the global fleet that we're servicing.

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Maybe you could talk about CRS and some of the growth drivers, how we should think about CRS growing?

<<Daniel Satterfield, Chief Financial Officer>>

Yeah. So CRS, of course, has a commercial piece and this quarter, we saw strong growth out of our land and marine business. Land and marine, what that actually means for CRS is service of aero derivative engines. Aero derivative engines are used mainly for power generation. And so we're seeing some growth out of the end market, the data center end market, creating greater demand on aero derivative engines.

Within the commercial side of Component Repair Services, we're seeing strong growth on engines that we don't service on the MRO side. That include the GTF and the V2500, as Alex referred to. And of course, the in-sourcing effort. That provides additional revenue to CRS and it provides repairs done at in-house or at cost. So all these drivers, we expect to continue to grow as well as additional repair development or what we call NPI. We have a team of engineers that every day are developing new accretive repair for – across a variety of platforms. That is an ROIC calculation where we put those engineers' efforts. And so this business is able to generate its own revenue on top of the service – the platforms they already provide service to. So those end market drivers of commercial. Of course, the CRS business will do all of the repairs for our LEAP business and our CFM56 business in Dallas. So they're going to benefit from that – those end market growth as well.

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

And maybe if we can talk about pricing as a driver for your revenue, but also how we think about your margin trajectory and how pricing factors into that?

<<Daniel Satterfield, Chief Financial Officer>>

For CRS?

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Overall performance.

<<Daniel Satterfield, Chief Financial Officer>>

Yeah. Let's start with CRS. CRS does have a unique pricing opportunity, again, because they are able to generate unique repairs for customers. CRS, of course, almost 80% of its revenue is done for third parties. 85% of its revenue is done for third parties. And customers come to CRS, again, because at our guide from our August 13 guide of about \$725 million of revenue, there aren't many companies like CRS out there that can provide a suite of repairs for your engine, again, reducing TAT times and reducing costs. That unique opportunity gives us some pricing power that we are able to take advantage of. Also, we've developed dynamic pricing models at CRS across, of course, many, many customers, more customers that we have even on the MRO side of the house. So the pricing opportunity is pretty strong at CRS.

At Engine Services, we accrete margins really in two ways, primarily on labor, and that includes the efficiency of our technicians as they become more skilled at pushing an engine through a shop. And so we look at labor margins over at Engine Services really in two components: efficiency and utilization. Efficiency is the number of hours that a technician takes to overhaul an engine and utilization, of course, is the number of productive hours divided by the number of total available hours. As we improve those two measures, margins increase.

Specifically on pricing, on the MRO side of the house, it's really based on the type of work that's coming in, the type of work scope that's coming in. Alex mentioned CTEMs. CTEMs will be priced differently than PRSVs. A CTEM, a one-off shop visit will be priced differently than a long-term agreement over many, many years, for example, on LEAP. So that's a longer discussion and not necessarily a year-over-year price calculation that you'd look at.

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Maybe if we could talk about the new facilities, whether it's CFM56 capacity coming on or LEAP. How do we think about the profitability trajectory there?

<<Daniel Satterfield, Chief Financial Officer>>

Yeah. So I mentioned that a little bit earlier in my comments. Both LEAP and CFM56 Dallas in 2025, the adjusted EBITDA margins on those businesses are zero as they work their way up

through the industrialization. What does that mean? Why are they at zero? And what's their trajectory towards improved margins?

Two things. Number one, the industrialization costs. We've done the right thing for our customers. We've done the right thing for our OEs by putting in the full suite of capabilities, both in San Antonio and Dallas for these engines. We've hired the entire indirect workforce and the majority of the direct workforce to satisfy the demand. That's the right thing to do. So as volume increases and it's increasing rapidly, again, LEAP, 3 times the number of – amount of revenue in Q2 versus Q1, we burned down those industrialization costs.

Number two is the efficiency that I mentioned before. We call it the learning curve. And over our 114-year history and dozens of engine programs, we've seen on average that it takes a technician about three years from seeing an engine for the first time to get to what we call specified hours or required number of hours to overhaul an engine.

So as that increases, there's two benefits. Of course, you push the engine through faster, higher profitability and lower working capital. There's a working capital burden on new engine platforms as well. So we – that they're actually tracking to that three-year cycle and we feel pretty confident that they'll get there.

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Last one, I know you're off the hook, free cash flow. How do we think about free cash flow and investments required? How that changed 2025 that was always in your guidance, but how we think about that in 2026?

<<Daniel Satterfield, Chief Financial Officer>>

Yeah. So a lot of questions around free cash flow, about a \$90 million use of cash in the first half, and we expect about \$260 million creation of cash in the second half. Why is that?

Really two factors. One, the investments that you mentioned, Sheila. We mentioned at the beginning of the year, \$90 million of major platform investments that includes the LEAP, the CFM56, Dallas and our new license on the CF34. Of that \$90 million, we've spent \$66 million in the first half. So not much more to go in the second half, and so that will provide a little bit of lift.

And then secondly, the working capital build, about \$108 million working capital build in the second quarter. Of that \$108 million, \$50 million was on LEAP, again, the right thing to do. And we expect that working capital investment to unwind in the second half as we see build or sorry, ship dates on these engines within our visibility. And when those engines ship, we collect within 30 days, and we expect that strong free cash flow in the second half.

<<Sheila Kahyaoglu, Analyst, Jefferies Group LLC>>

Well, thank you so much, Dan. Thanks, Alex. Thanks, guys, for listening. Thank you.