



AeroEdge (7409 JP)

A Japanese version of Precision Castparts at 12x 2027e P/E



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Summary (as of 27 July 2025)



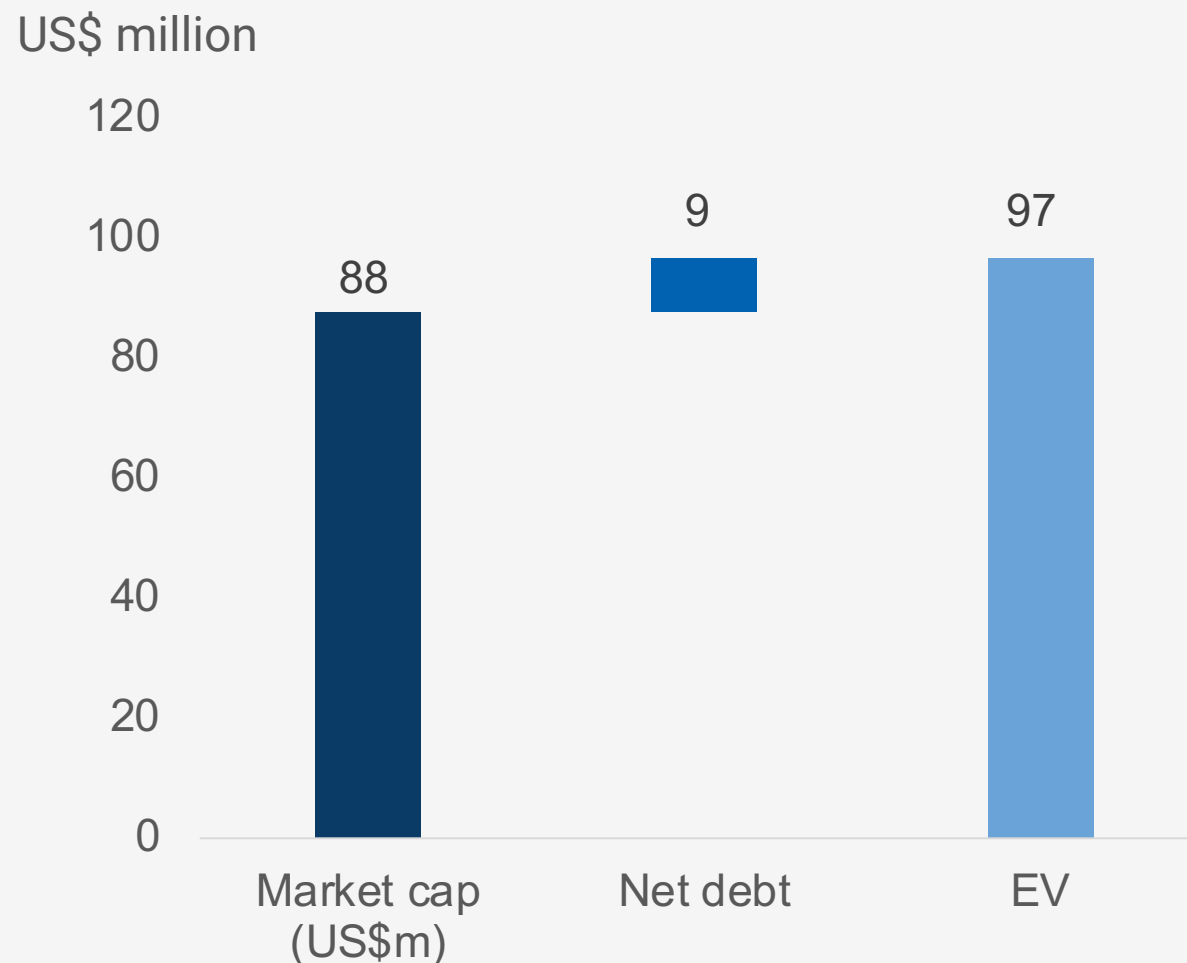
- AeroEdge is a Japanese tier 1 supplier of aircraft parts. It's a new company spun off from Kikuchi Gear back in 2016. It's the only Japanese small- and medium-sized enterprise that's managed to become a tier 1 aircraft supplier in history, much through its technological expertise that it inherited from Kikuchi Gear. Today, it sells titanium-aluminide low-pressure turbine blades for the CFM International's LEAP jet engine, which is used for the Airbus 320neo and the Boeing 737 MAX and produced by GE and Safran. Titanium-aluminide is an intermetallic compound that's durable and only half the weight of older-generation nickel superalloys. However, titanium-aluminide is also exceptionally brittle and challenging to work with, requiring specialist expertise.
- The company is run by the former Kikuchi Gear aerospace division head Jun Morinishi. He owns 10.7% of the company, along with stock options enabling him to buy another 200,000 shares if the company reaches certain revenue and EBITDA objectives. The other shareholders include Kikuchi Gear, trading house Toyota Tsusho who helped AeroEdge implement the Toyota Production System and machinery maker DMG Mori. So the shareholder register has a balance that will ensure skin in the game.
- AeroEdge's contract with Safran guarantees a 40% market share until at least 2034, when it will be renegotiated. But given that there are few companies with AeroEdge's capabilities globally, its position will continue to be strong. Safran gave AeroEdge a supplier performance award in 2022 and called it a top 3 innovative supplier in 2025. So if anything, it's likely to take market share in the future. It also helps that Safran is ramping up its deliveries of LEAP engines through FY2027 to meet exceptionally high demand and a backlog that's going to last for another 16 years, and growing.
- But the growth outlook doesn't rely entirely on the LEAP engine. There are several other growth drivers:
 - After the IPO in 2023, AeroEdge built an entirely new factory next to the old one meant to produce a new product from mid-2025 onwards. I suspect it is the high-pressure compressor blisk for Pratt & Whitney's new GTF Advantage engine, due to be sold to the Airbus A321neo.
 - AeroEdge has signed a long-term agreement until 2036 with a global aircraft manufacturer, who I think could be Airbus itself. I suspect it involves structural machining for the Airbus A320neo/321neo's pylons, which connect their engines to their respective wings. This project would lead to a significant step-up in revenues though at somewhat lower margins.
 - Finally, since 2023, AeroEdge has been trying to develop expertise in the repair of low-pressure turbine blades for the MRO market. The LEAP engine came out in 2017, and the blades need to be replaced after 5-7 years. If AeroEdge can hit its original plan of entering the MRO market by 2028, that could significantly increase its overall take rate.
- With these positive developments in place, and bearing in mind slight ASP decline for TiAl blades for the LEAP engine, I project AeroEdge's earnings per share reaching JPY 256 by 2027, putting the forward P/E ratio at 11.2x. That number assumes a 23% operating margin, which still leaves some upside as the two factories continue to ramp up.
- The main risks are customer concentration, with Safran representing over 90% of revenues as late as FY2025. However, that concentration risk is going to go down significantly from FY2026 onwards. Second, margins are likely to go down short-term as depreciation from Factory 2 starts to impact the income statement, and the risk of a stronger yen starts building. Finally, and perhaps most importantly, there is a risk that titanium-aluminide turbine blades are eventually replaced with ceramic matrix composites, as they can withstand higher temperatures and have greater resistance to cracking. AeroEdge has experience with CMC prototypes but receiving future orders from 2035 onwards is not guaranteed. All in all, however, the outlook for AeroEdge's revenues and earnings is exceptionally positive through at least 2030, and the valuation multiple does not look excessive to me either.

AeroEdge is a nano-cap with a strong balance sheet. Some potentially dilutive stock options bringing S/O to 4.3 million.



- Ticker: 7409 JP
- Listing: Tokyo Stock Exchange (Growth Market)
- Share price: JPY 3,015
- Fully diluted shares outstanding: 4.3 million
- Market cap: US\$88 million
- Net cash: US\$9 million
- Enterprise value: US\$97 million

- Average daily trading volume: US\$380,000



* JPY = Japanese Yen. JPY/USD = 147.0

Business overview



- AeroEdge is a tier 1 supplier of aircraft parts, focusing primarily on titanium-aluminide low-pressure turbine blades for CFM International's LEAP jet engine. These are used for narrow-body aircraft such as the Airbus A320neo, Boeing 737 MAX and COMAC 919. AeroEdge now has a 40% market share in this niche.
- It's the first Japanese SME ever to become a direct Tier 1 aerospace engine supplier, specifically with Safran whose contract will last until 2034 and then renegotiated. Under the long-term agreement, Safran provides the raw titanium-aluminide casings free of charge, reducing the variable cost and enabling AeroEdge to earn high margins.
- The company was spun off from Kikuchi Gear Company in 2016 and was listed on the Tokyo Stock Exchange in 2013. It's run by the former manager of Kikuchi Gear's aerospace division, Jun Morinishi, who's philosophy is to *"create something from nothing"*.
- AeroEdge's main edge is high-precision manufacturing of brittle materials such as titanium, which requires high-end technology. It starts from procurement, machining, surface finishing and then finally inspection and quality control.



AeroEdge is a young company, spun off from Kikuchi Gear Company in early 2016



- AeroEdge was originally a division of Kikuchi Gear Company, a company specializing in the design of gears for autos, construction machinery and aircraft engines.
- At Kikuchi Gear Company, sales manager Jun Morinishi initiated sales discussions with Safran in **2011** and signed a contract in **2013** to supply titanium aluminium blades for the next-generation LEAP engine.
- The aerospace division was spun off in **2016** to become AeroEdge, a specialized manufacturer of aircraft engine parts and raise capital from outside sources and enable it to enter into new partnerships. The initial investment came from Kikuchi Gear Company. The first shipment of titanium aluminide blades started shortly thereafter.
- In December **2017**, AeroEdge was designed as a “regional future driving force” by Japan’s Ministry of Economy, Trade and Industry (METI)
- From **2018**, AeroEdge expanded its production capacity rapidly while securing new equity investment from trading house Toyota Tsusho, Development Bank of Japan, JA Mitsui Leasing. JC Capital and others. That same year, it received Nadcap certification for aerospace manufacturing.
- In **2020**, machine tool maker DMG Mori became a third party investor through an equity raise.
- As aircraft demand recovered after the COVID-19 pandemic, AeroEdge saw its volumes increase rapidly in 2022 and secured its first net profit in history. The same year, it received a supplier performance award from Safran.
- Its IPO was completed in **2023**, with a sell-down by both Jun Morinishi and Kikuchi Gear Company. There was also a primary issue component, used to build a second factory at its main head office site, completed in July **2024**. This factory cost JPY 1.9 billion and has floor space of 3,100sqm.



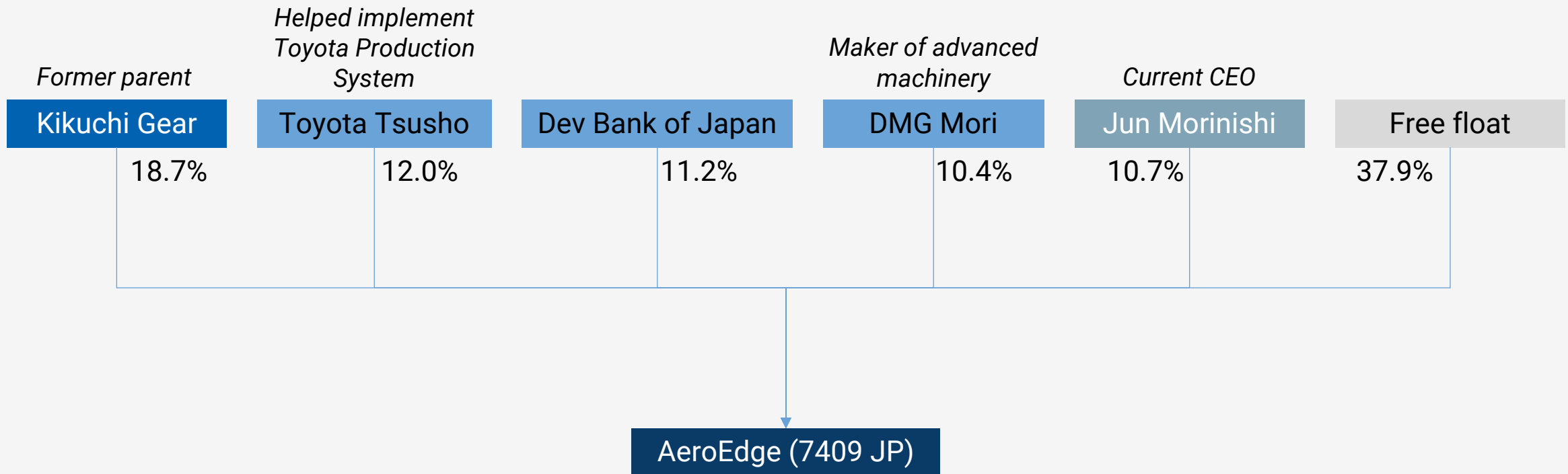
AeroEdge is run by Jun Morinishi



- The founder of the Kikuchi Gear Company's aerospace Jun Morinishi became AeroEdge's new CEO.
- Jun has a long history with precision machining at Matsumoto Seiki in 1990. The company does high-precision machine tool accessories. He then joined Kikuchi Gear Company from 1994 forward, presumably being involved in the manufacturing of gear boxes.
- He then pioneered Kikuchi Gear's involvement the GEnx program, B747-8 and B777-300. Just before spin-off, he signed a significant long-term contract with Safran Aircraft Engines in 2013, the first time it placed orders from a Japanese manufacturing supplier.
- Jun sees AeroEdge as a global niche manufacturer targeting ultra-high-barrier segments, with the TiAl turbine blade product just being the first of many. It's now targeting other engine programs and industries. He thinks moving into repair can raise realized prices 5-10x vs OEM supply.
- In his own words *"every bet must stay relevant for decades"*. He's less risk-averse than the average Japanese CEO. The organizational structure is flat and Jun calls the company's employees its *"main moat"*, suggesting that he values them highly. He seems like an inspirational leader.



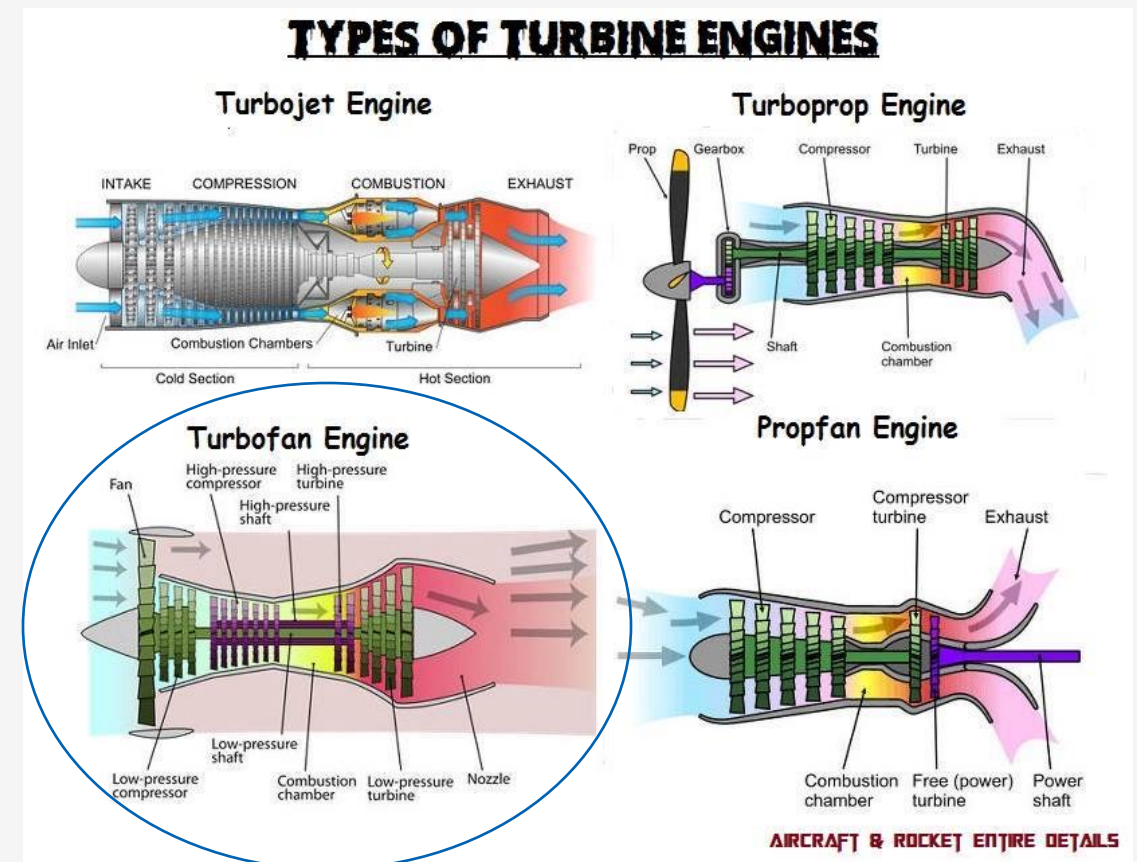
Kikuchi Gear is a shareholder, but so is CEO Jun Morinishi



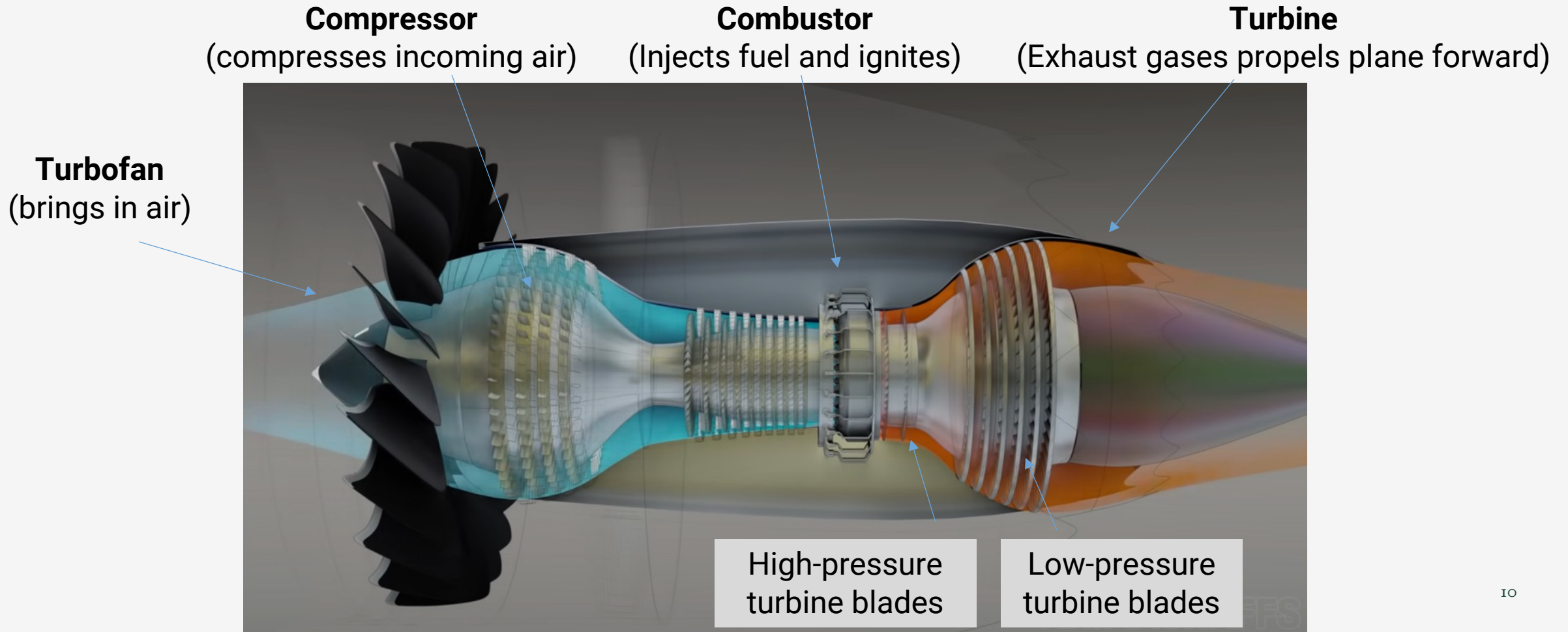
Commercial aircraft started with piston engines but now mostly use turbofan jet engines



- In the early days of commercial flights, **piston engines** were used. But in the 1950s, **jet engines** took over. These generate thrust by jet propulsion - exhaust air pushing the plane forward.
- The first type of jet engine invented during WW2 was the **turbojet**, with air compressed then mixed with fuel and combusted. More advanced versions include **turbofans** where a large fan at the front produces additional thrust by accelerating air around the core. Turbofans are more efficient at subsonic speeds.
- Future jet engine designs are likely centered around **open-fan engines** that have variable-pitch carbon fiber blades that are more fuel efficient and can use sustainable aviation fuels and hydrogen. They'll likely enter commercial service around the mid-2030s.
- Rolls-Royce has also developed so-called **ultra-fan engines**, which use geared turbofan technology to allow larger slower-spinning fans for increased propulsion.



How turbofan jet engines work



The main jet engine programs for narrow-body aircraft



CFM56-5/7B (CFM Int'l)

- JV between Safran & GE
- High-bypass turbofan with a bypass ratio of 6:1
- Smaller fan of 173cm with conventional materials such as nickel-based superalloys in the turbine blades
- Older model in use since the 1980s
- Powers Airbus A320
- Higher noise level



LEAP-1A/B/C (CFM Int'l)

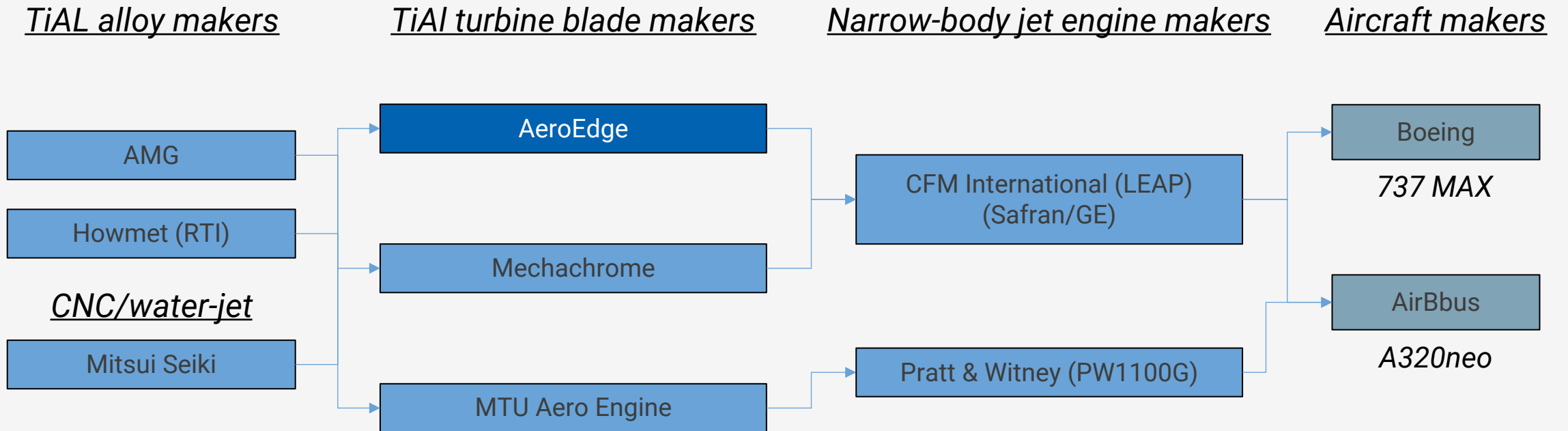
- JV between Safran & GE
- Turbofan with a bypass ratio of 10:1
- Composite fan blades and ceramic matrix composites in the turbine
- Has been around since 2008
- Powers narrow-body aircraft such as Airbus A320neo, Boeing 737 MAX and COMAC C919



PW1100-G (Pratt & Whitney)

- Geared high-bypass turbofan with the fan operating at a different speed than the turbine
- Bypass ratio of 12.5:1
- Uses advanced materials such as ceramic matrix composites for the turbine blades
- Larger at 205cm
- Powers the Airbus A320neo

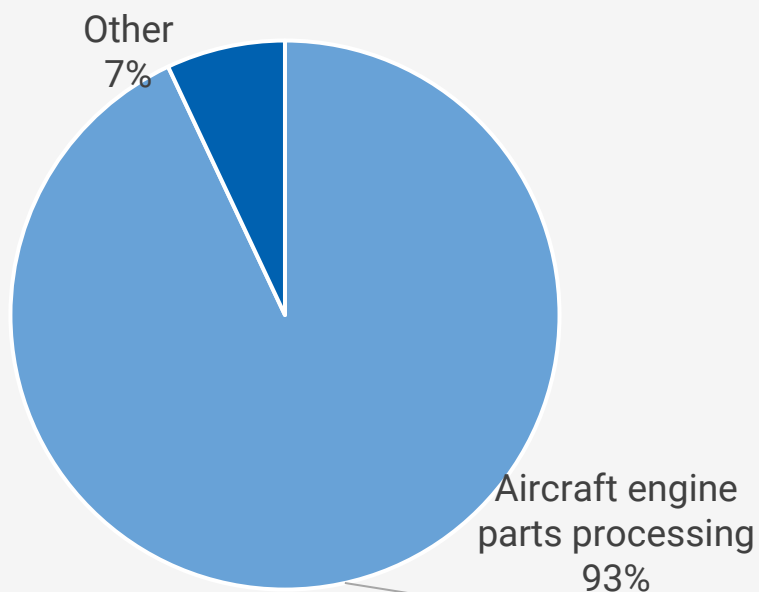
The low-pressure turbine blade (LPT) industry supply chain



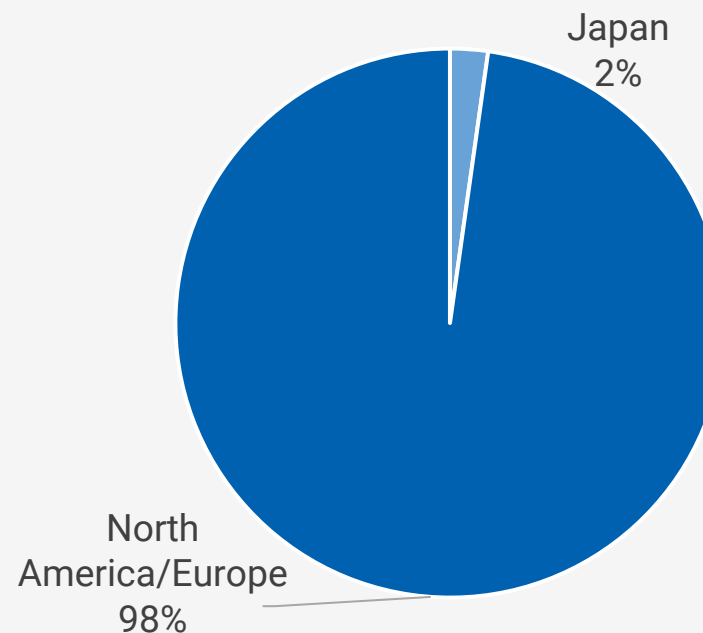
AeroEdge produces aircraft engine parts, sold to Boeing/Airbus



Revenues by segment



Revenues by region



Source: Yuho 2024

AeroEdge's aircraft engine parts segment (93% of revenues)



- The main business is to produce **low-pressure turbine blades** (LPT) for the LEAP engine, made by titanium aluminide (TiAl), an intermetallic alloy of titanium & aluminium
- The **LEAP engine** is used in several top-selling aircraft including the Airbus A320neo and the Boeing 737 MAX
- AeroEdge is currently one of only two companies supplying titanium aluminium blades for the LEAP engine. It has a 40% market share.
- The benefit of **titanium aluminide** in turbine blades is that their weight is significantly lower (10kg or 50%) than comparable nickel-alloy blades, improving fuel efficiency and lowering CO2 emissions.
- Titanium aluminide is has the same reliability and durability as nickel-based alloys, even at the extreme heat levels typically experienced inside jet engine turbines. The downside is that titanium aluminide alloys are **brittle** and challenging to handle and shape. It's time-consuming with a high failure rate.
- Almost all revenues (93%) comes from **Safran**, which means it's highly dependent on Safran's purchasing policies and CFM's engine designs.



AeroEdge's “Other” segment (7% of revenues)



- AeroEdge's “other” segment is mostly about processing and selling the materials used in the main business.
- For example, they sell materials used for parts of electrical vertical take-off and landing aircraft and gas turbine components
- They're also trying to use their additive manufacturing technologies to produce other aircraft engine parts, including those used in maintenance, repair & overhaul operations



AeroEdge has one factory in Ashikaga



Outside the EdgeFactory in Ashikaga City north of Tokyo



2016: Original factory (A棟): LEAP engine turbine blades



2024: Factory 2 (B棟): Non-LEAP parts



Inside the EdgeFactory: producing customized cutting tools, x-ray machines, water jets, 3D measuring devices, 3D printers, etc



Aquarese water jet machine



5-xis cutting machine



5-axis CNC grinding machine



3D coordinate measuring machine



Aicon stereoscan 3D scanner

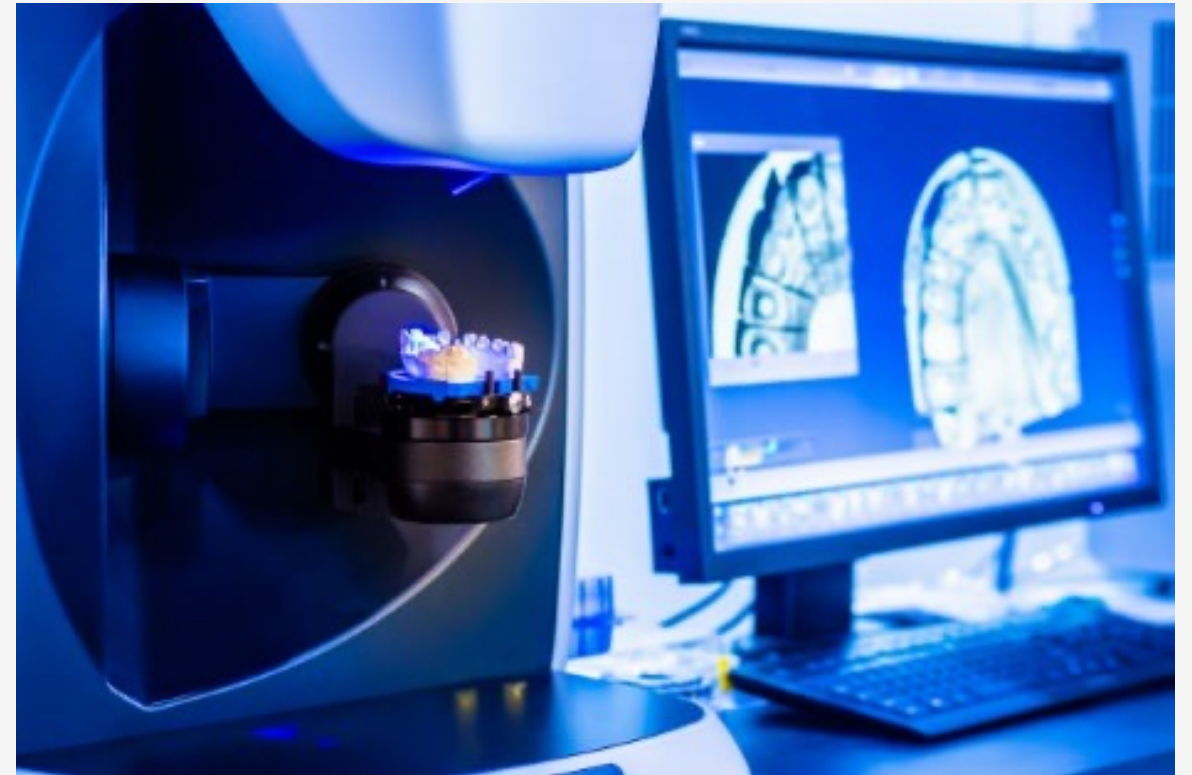


Fluorescence penetrant flaw detector



What takes place inside the EdgeFactory

- Designs and manufactures specialized cutting tools known as “end-mills”
- Creates specialized fixtures in-house to facilities machining of components
- High-precision 3D measurements to ensure quality control
- X-ray penetration inspection and fluorescent penetrant inspection
- AeroEdge is also developing x-ray AI-assisted technology for automated inspection
- It also develops new materials together with National Institute for Materials Science
- 3D printing using Arcam’s and DMG Mori Seiki’s direct energy deposition machines: additive manufacturing technology for metals, used to produce complex shapes
- Finally, it’s developing technologies for repairing titanium aluminide blades without replacement.



Competitive advantages



- **Advanced machining capabilities:** The fact that AeroEdge now has a 40% market share in turbine blades for the LEAP engine tells you it has unique manufacturing capabilities. Some of the tools have been developed inhouse, including its fluorescent penetrant inspection lines and the x-ray inspection technology. Safran gave it a “supplier performance award” in 2022 and called it a top 3 innovative supplier as late as 2025. METI says that AeroEdge has “*overwhelming technical capabilities that no other company can match*”.
- **Certifications:** AeroEdge has received NADCAP accreditation and aerospace QMS certifications. Every part it makes must meet regulatory requirements from FAA/EASA etc. Safran also does supplier audits on AeroEdge’s processes to make sure they’re compliant with group-wide processes. It’s hard to qualify.
- **Company Culture:** Jun Morinishi is 58 years old and has long-term plans for the company. In an interview with the METI Journal, he says that the organization is flat with engineers and executives on the shop floor, which is highly unusual in Japan. In Jun’s word: “*Failure is an inevitable part of technological evolution and growth, so I try to create a flat organization that does not fear failure*”. Employees all wear the same denim style jackets. It’s known for its quick turnaround times. And it funds PhD programs and training programs for its employees.
- **Toyota Tsusho:** The trading house is a key shareholder, and may open the door for new contracts, say with Pratt & Whitney or Rolls-Royce.
- **Low cost:** Safran uses two suppliers for its turbine blades, but AeroEdge is known to offer a lower cost. Its main competitor is French, possibly Mechacrome. Safran pays for the raw material, so labor and PP&E are the biggest cost. The weak yen is an advantage nonetheless.



How the new LEAP turbine blade contract with SAFRAN works



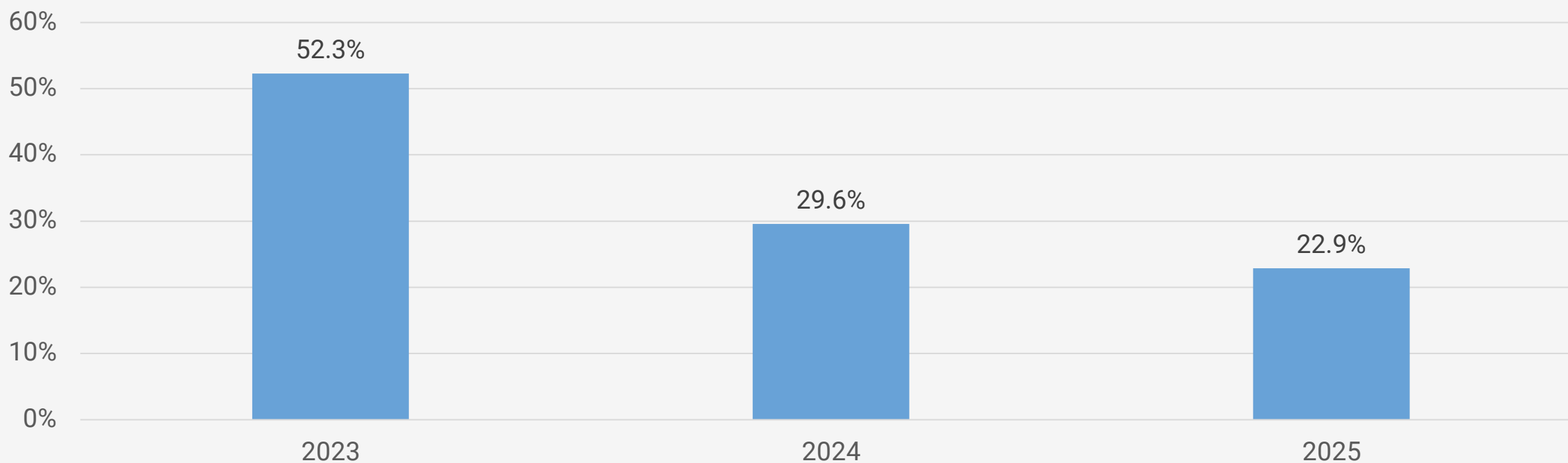
- AeroEdge signed a new contract with Safran in 2024
- It increase AeroEdge's LEAP low-pressure turbine blade market share from 35% to 40%
- It also extended the contract to 2024
- However, on the negative side, the previously fixed US\$ price started declining from 1 July 2024
- The first decline in full-year FY2025 must have been >5% and further cuts are likely
- However, given Safran's 15-20% rise in volumes per year and the higher market share, AeroEdge's LEAP-related earnings are still going to rise over time

Effective date	1 July 2024
Expiry date	31 December 2034
Product	LPT blades for LEAP
Market share	Guaranteed 40%
Price cut	Initial from 2024
Further prices	Formula: FX/volumes
Revenues	US Dollar
Raw materials	Safran provides TiAl

AeroEdge's return on equity profile has been excellent, though falling since the IPO – presumably due to the capacity expansion



AeroEdge return on equity

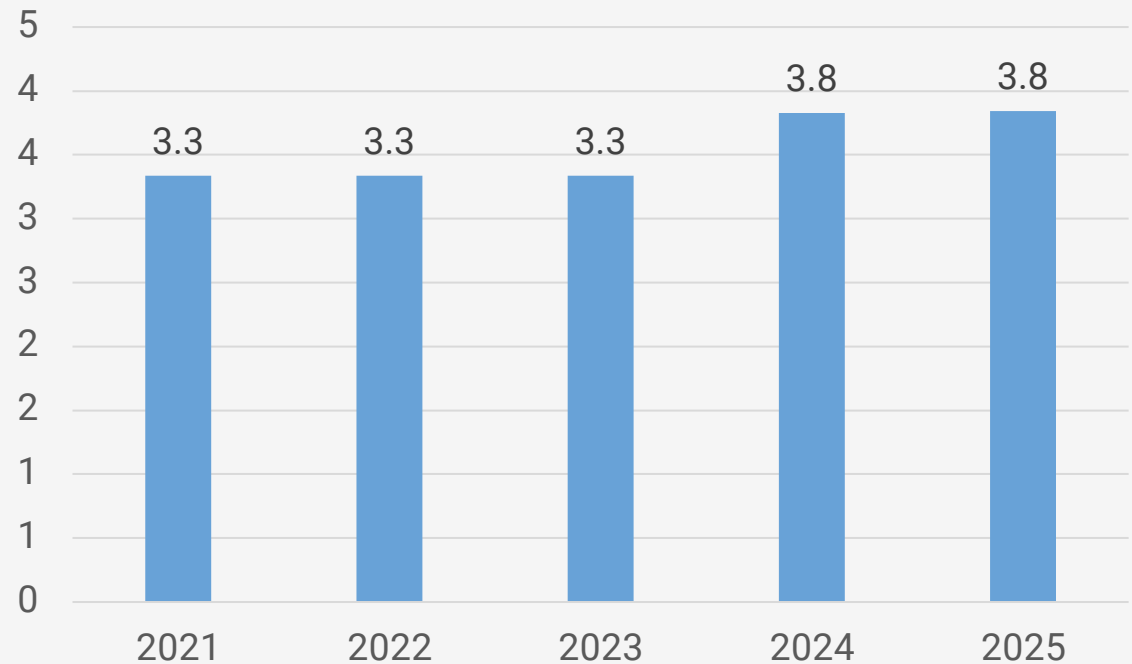


Capital allocation and corporate governance



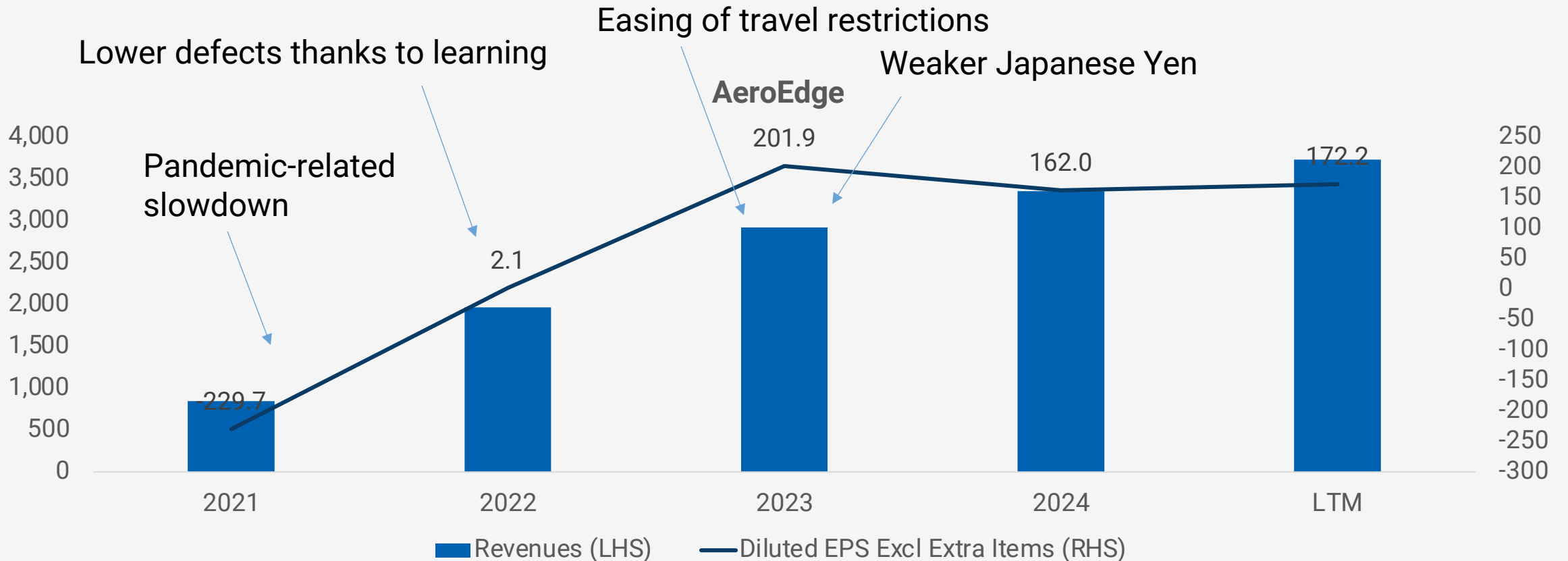
- AeroEdge was listed on the Tokyo Stock Exchange in 2023, causing a one-off increase in the share count. It raised JPY 484 million yen in the IPO on a net basis, used to build a new factory next to the old one as well as new equipment.
- CEO Jun Morinishi owns 412,711 shares in AeroEdge, about 10.7% of shares outstanding. He also owns stock options that give him the opportunity to buy another 200,000 future shares at an exercise price of JPY 300/share. They can be exercised until 30 September 2027 but only if the company achieves sales of JPY 4.6 billion and EBITDA of 700 million or more.
- Given that there are other powerful companies in the shareholder register, there's hopefully some balance. That said, 3/4 directors are insiders including the COO and the CFO. The fourth director Hisashi Ando is a manufacturing industry professional who meets with the team monthly.
- AeroEdge is understandably not paying out any dividends, as it is still in growth mode, with several new projects requiring cash. It also has access to a revolving line of credit.

Shares outstanding (net)

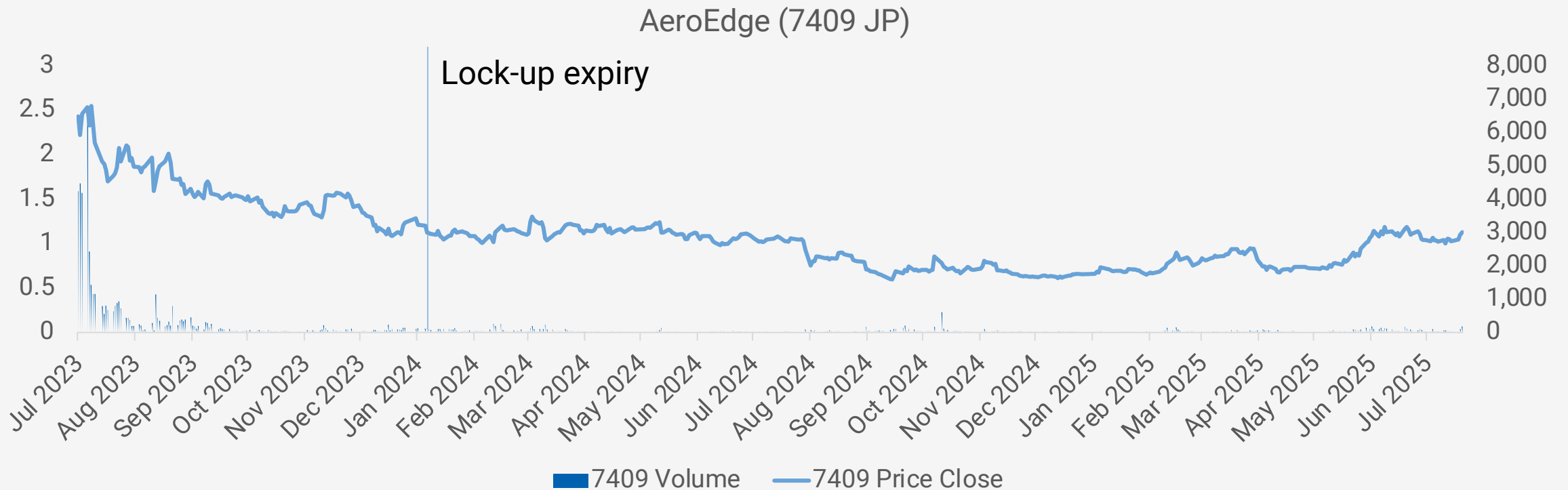


Source: Koyfin

Revenues were "several billion" yen before COVID-19, and it then suffered from a slow-down in demand followed by recovery



The stock is still down significantly from its IPO price

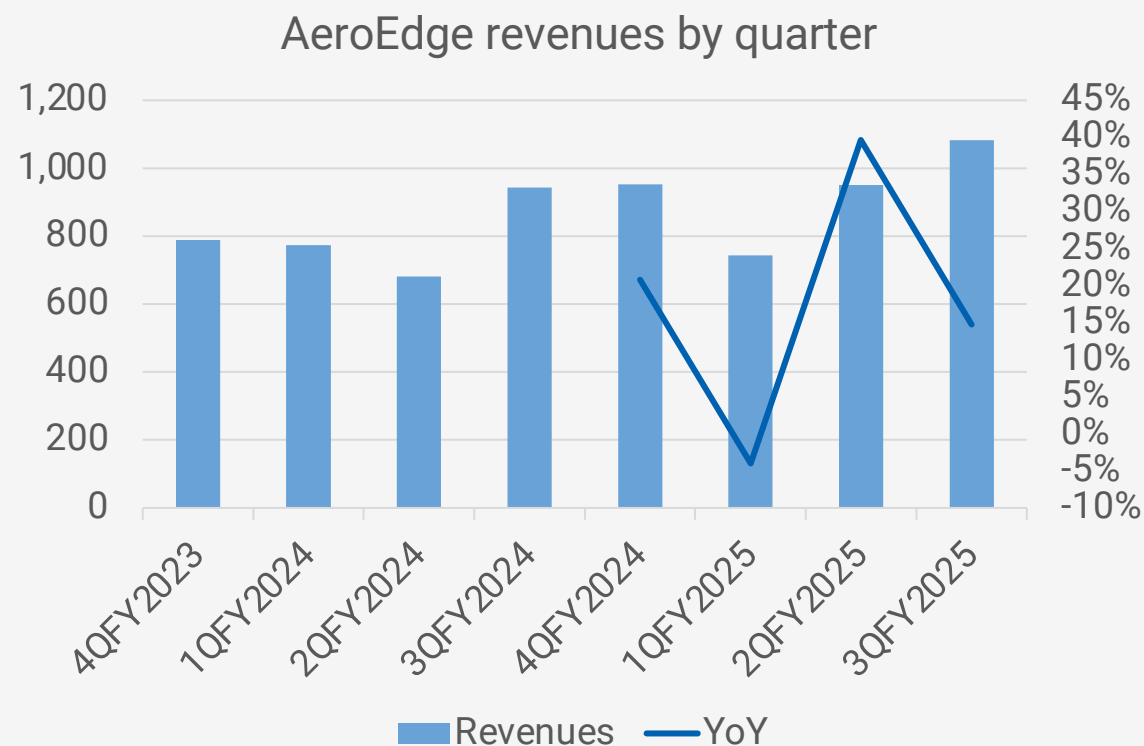


Source: TIKR



The recent decline in AeroEdge's earnings

- In the January-March 2025 quarter, profit declined 5% year-on-year. There were several factors that could explain the margin decrease:
 - Higher expenses from new hires
 - Strengthening of the Japanese Yen against the Euro
 - A price reduction in line with Safran's contract
- AeroEdge's guidance of JPY 560 million is now suggesting a year-on-year dip in earnings
- The primary culprit is the construction of Factory 2, which is going to be used for a new product



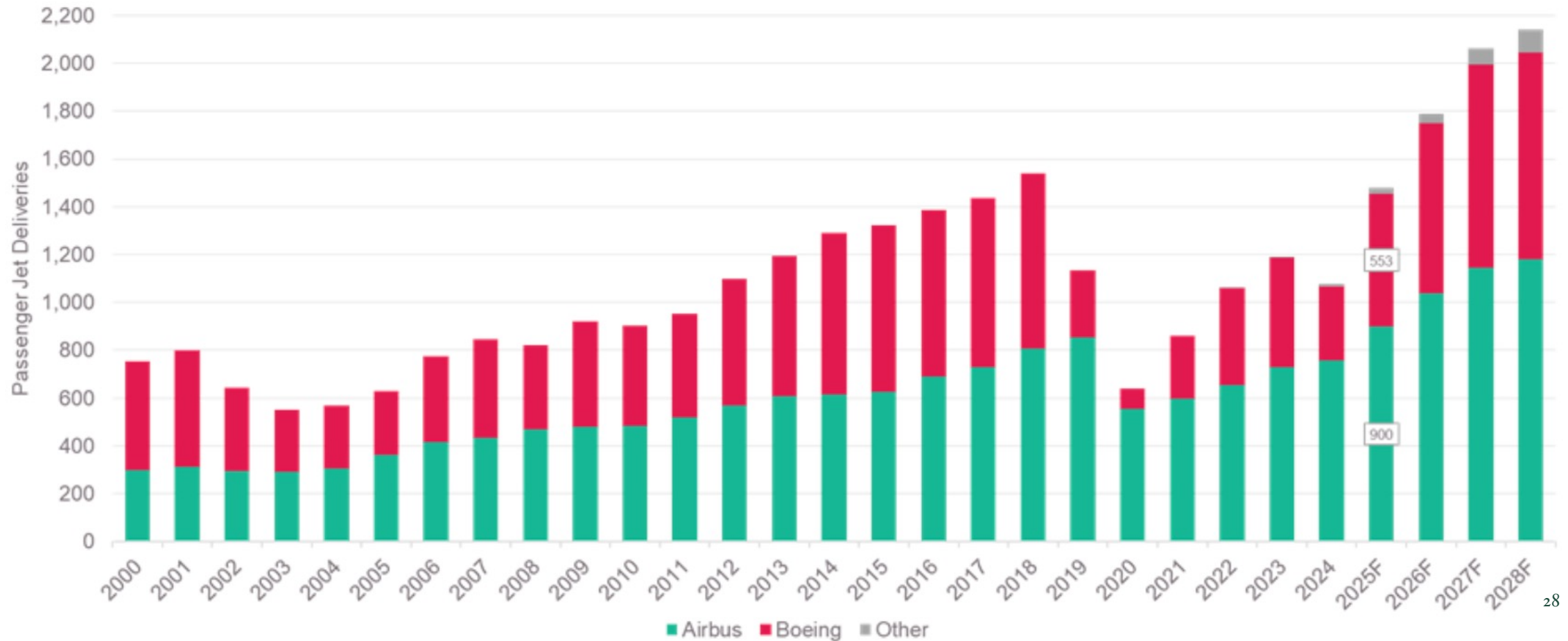
Industry trends



- **Growth in air travel:** Air travel is growing about 5% per year, driven by emerging markets such as India and freight growth. The global aircraft fleet is likely to double over the next 20 years.
- **Low-cost airlines:** Jun Morinishi says that *“Aircraft also have trends, and the trends change roughly every 10 years”*. One such trend has been narrow-body aircrafts such as Airbus A320, popular among low-cost airlines. That opened the opportunity for new suppliers such as AeroEdge.
- **Backlog orders:** Airbus and Boeing have large backorders that they’re ramping production to meet. Delivery slots are taken until 2030+. Safran has publicly stated that suppliers need to support “unprecedented production rates” to meet demand. GE alone expects to increase its production of LEAP engines by 15-20% in 2025.
- **Fuel efficiency:** Aircraft makers are pushing for lower CO2 emissions and lower fuel consumption, increasing demand for the LEAP engine and ultimately titanium-aluminide turbine blades.



Annual passenger jet deliveries are expected to rise: 900 Airbus in and 550 Boeing in 2025 and then rising further



It will take 16 years to complete the current backlog of aircraft equipped with LEAP engines alone



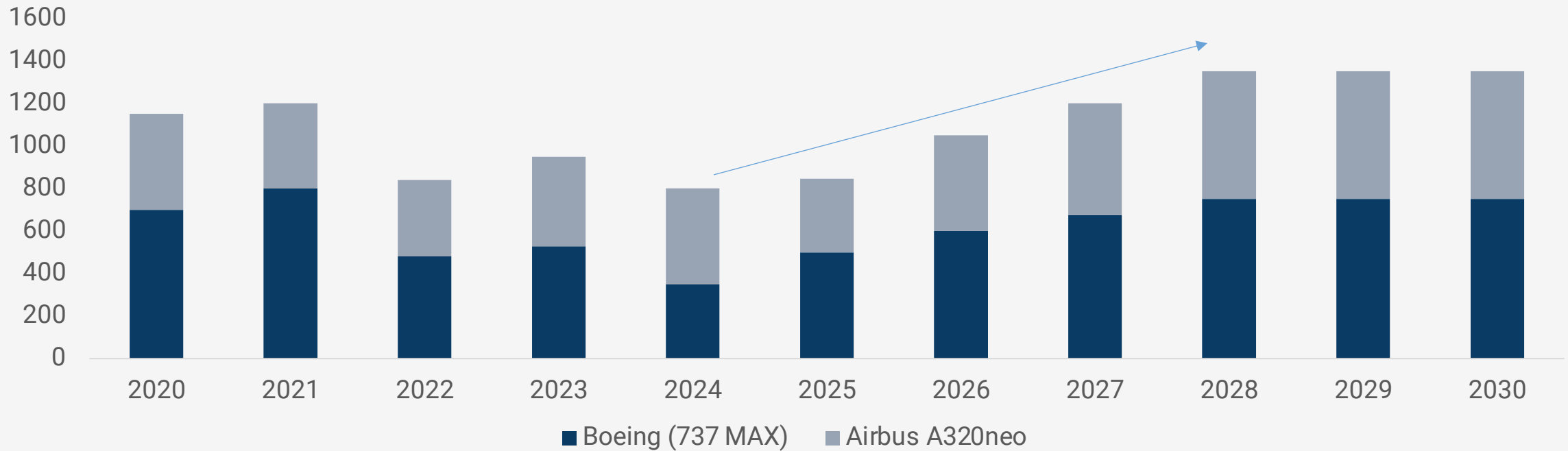
LEAP order balance	1Q2025	Annual deliveries	Years to work through
Airbus A320neo	7328	602	12
Boeing 737 Max	5316	260	20
COMAC C919	951	13	73
<u>Total LEAP orders</u>	<u>13595</u>	<u>875</u>	<u>16</u>

Source: Japan Aircraft Development Corporation

The number of LEAP engine deliveries will rise 50%+ by 2028



Estimated LEAP engine deliveries

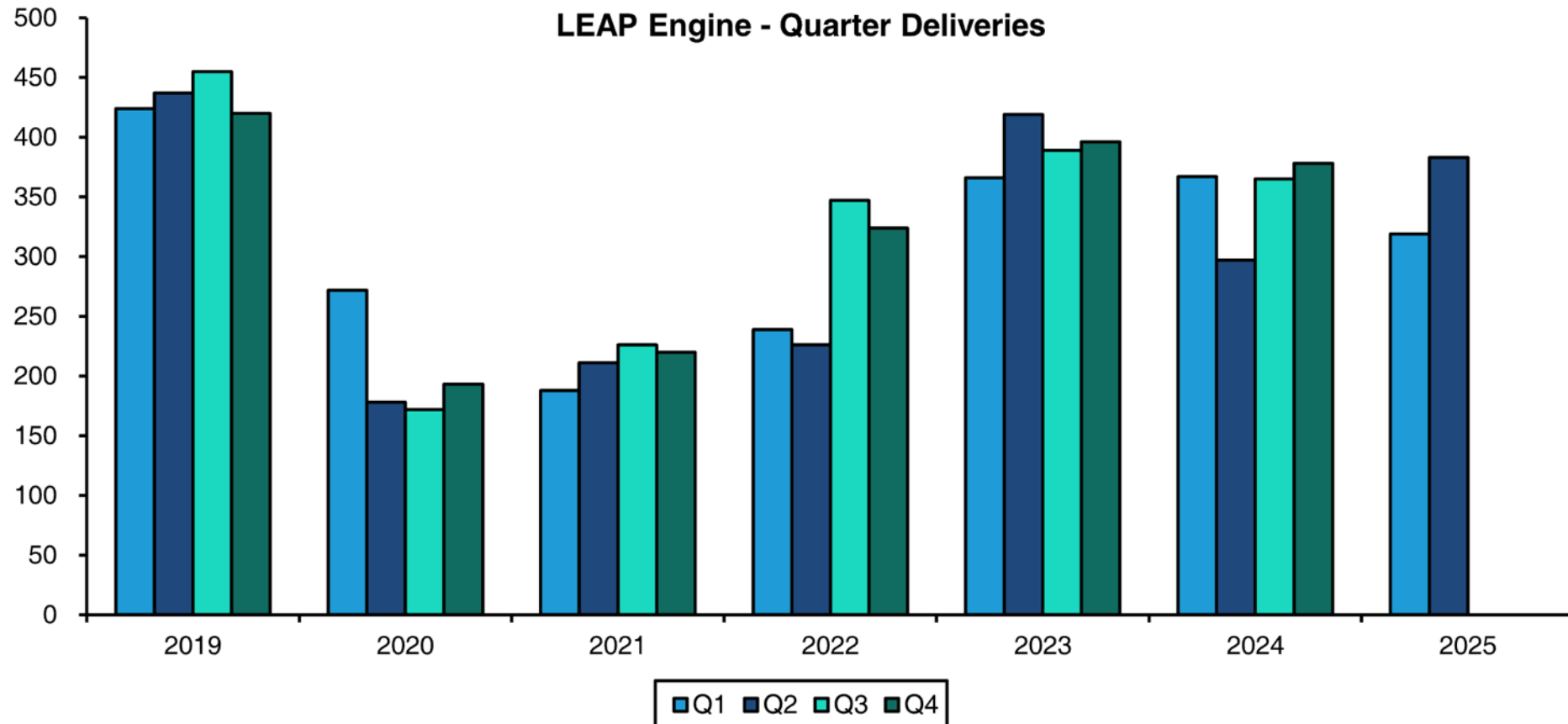


Source: Boeing, Wikipedia, Flight Global

SAFRAN's LEAP engine deliveries were weak in 1Q2025 due to strike's in France but recovered in 2Q2025. Still below 2019 levels.



EXHIBIT 2: LEAP deliveries have been impacted by the strike at Safran's facilities, but started recovering in Q2



Source:
Bernstein

What is going to change for AeroEdge?



1. **Stronger FY2027 guidance:** There have been labor shortages and quality issues at Boeing, causing its orders to drop. AeroEdge has cut its revenue growth guidance to just 10-15% in FY2026. But Safran/GE 2H2025 guidance is positive. And AeroEdge's FY2027 revenue is guided 40-50% higher than FY2025.
2. **Factory 2 ramp-up:** The new factory was finished in the summer of 2024 and ramped-up production from late 2024 onwards. It will produce non-LEAP engine parts for an unnamed customer. Key capabilities include additive-repair and coating sells. It has rooftop solar arrays to cut CO2. The second factory shares the same quality control lab and material can flow through them, allowing for scale advantages.
3. **Two new projects:** In the 1HFY2025 earnings call, AeroEdge mentioned two new projects (JPY 1.9 / 1.7 billion, 50% subsidy):
 1. **Project A:** Mass production of a new aircraft engine part that's NOT related to the LEAP. It will be produced within AeroEdge's Factory 2 and the very reason the new factory was built. It's most likely a high-pressure compressor blisk for Pratt & Whitney's GTF Advantage engine, which is planned to replace the previous PW1100G and sold to the Airbus A320neo. Airbus is hinting that the ramp-up will be slow.
 2. **Project B:** For a "major global aircraft-related manufacturer", possibly Airbus. AeroEdge has signed a long-term agreement until 2036 and includes a guaranteed market share. Start of production is planned for the second half of this year. Gezzogero is guessing that it's related to the GE9x compressor hardware for the Boeing 777X, but it's also possible that the customer is Airbus itself, with AeroEdge helping with structural machining for the Airbus A320neo's and A321neo's wings or pylons, which connect each engine to the wing itself.
4. **Replacement blade demand:** On the website, AeroEdge emphasizes R&D in additive manufacturing, producing parts using 3D printers. Such machinery could be used to repair turbine blades, potentially on behalf of Safran. The LEAP engine entered service in 2016-17 and blades need to be replaced from 5-7 years of service and onwards, i.e. from 2023 onwards. The technology isn't there yet, but AeroEdge is working with European research institutes to develop capabilities for it. In the IPO prospectus, it said it targeted five years after 2023 as its first entry into the MRO market.

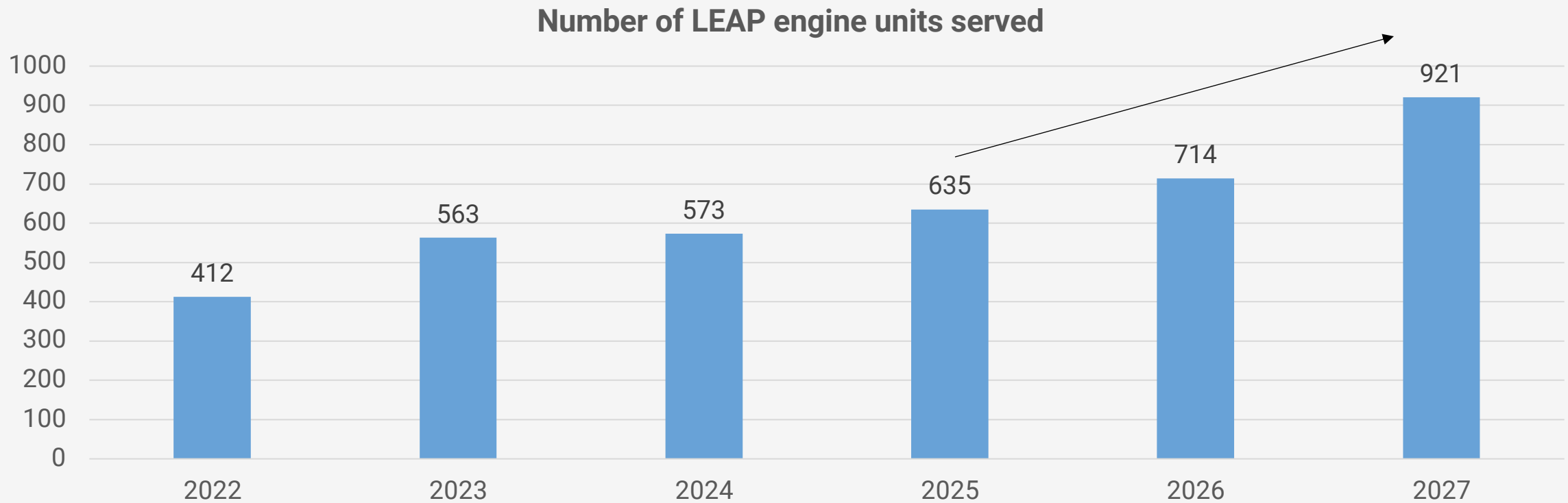
AeroEdge's FY2025 net income guidance is JPY 555 million, down vs FY2024. Culprit: strikes at Boeing and 3 month production cut.



AeroEdge (JPYm)	Sales	Operating profit	Net income	EPS
FY2024 actual	3,550	500	555	183
FY2025 forecast	3,550	705	698	118

Source: Internal estimates

AeroEdge is guiding for 40-50% growth in the next number of LEAP engine units served in the next 2 years



Source: Internal estimates

Possible new products from FY2026 onwards, together contributing JPY 300-500 million in EBIT from FY2027 onwards



Project A: high-pressure compressor blisk (2025)



Titanium or nickel component for GTF Advantage

Project B: A321neo wing ribs / flap tracks / pylons (2026)



Structural work package for Airbus

The stock has traded at around 16x since its IPO



AeroEdge Co., Ltd. (7409)

7409 LTM Price / Diluted EPS (P/E): Mean: 15.98x High: 26.76x Low: 9.83x Last: 16.17x

Zoom 3m 6m ytd 1yr 3y 5y 10y all



But AeroEdge's peers trade at high multiples across the board, and transaction multiples have historically been 12-16x EBITDA



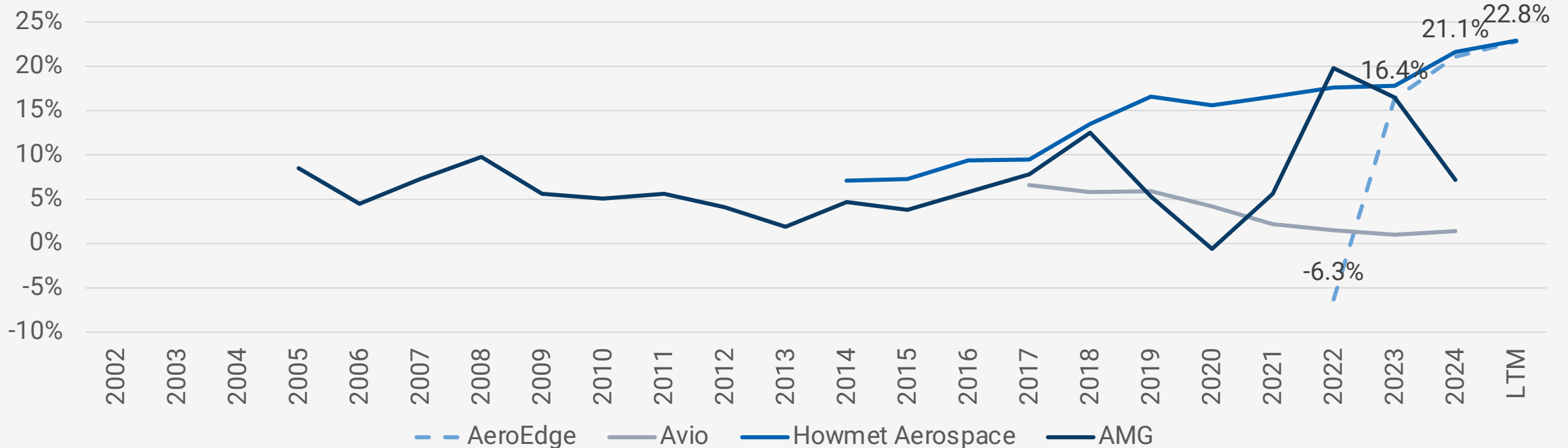
Global aircraft engine suppliers	Ticker	Country	Mkt cap (US\$m)	P/B	EV/Sales	EV/EBIT	P/E	Div yield
AeroEdge	7409 JP	Japan	73	3.0x	2.6x	17.0x	16.2x	n.a.
AMG Critical Materials	AMG NA	The Netherlands	1,011	1.9x	1.0x	10.6x	24.1x	1.3%
Howmet Aerospace	HWM US	United States	74,010	15.6x	9.3x	37.0x	50.5x	0.2%
Avio	AVIO IM	Italy	767	2.1x	1.2x	35.9x	56.4x	0.6%
Safran	SAF FP	France	134,878	11.3x	3.6x	22.3x	32.2x	1.2%
General Electric	GE US	United States	274,654	14.4x	6.7x	31.4x	42.8x	0.6%
Rolls-Royce	RR/ LN	United Kingdom	110,944	n.a.	4.3x	28.4x	40.0x	0.8%
Average ex-AeroEdge			99,377	9.0x	4.3x	27.6x	41.0x	0.8%
Median ex-AeroEdge			92,477	11.3x	3.9x	29.9x	41.4x	0.7%

Source: TIKR

AeroeEdge's margins are below Precision CastPart's 35-40% and also below GE Aerospace's and MTU's 25-30%



Operating margins



I project a P/E of 11.8x by 2027, but it crucially hinges upon the operating margin reaching ~23%



<u>AeroEdge (7409 JP) (FY ending June)</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Total revenues	848	1,965	2,921	3,350	3,728	4,399	5,411	6,060	6,666	7,333
Cost of sales	-1,105	-1,404	-1,716	-1,838	-2,013	-2,331	-2,814	-3,151	-3,466	-3,813
Gross profit	-257	561	1,205	1,512	1,715	2,068	2,597	2,909	3,200	3,520
SG&A	-588	-685	-725	-807	-969	-1,113	-1,331	-1,448	-1,547	-1,650
Operating profit	-845	-124	479	705	746	955	1,266	1,460	1,653	1,870
Non-operating income	162	192	167	190	190	190	190	190	190	190
Non-operating expenses	-74	-57	-48	-53	-53	-53	-53	-53	-53	-53
Gains & losses	-5	0	1	-1	-1	-1	-1	-1	-1	-1
Pretax profit	-763	11	600	842	882	1,091	1,402	1,597	1,790	2,006
Income tax	-4	-4	73	-143	-265	-327	-421	-479	-537	-602
Net profit	-766	7	673	699	617	764	982	1,118	1,253	1,404
EPS (JPY)	-200	2	175	182	161	199	256	291	326	366
EV/EBIT	-16.8x	-114.4x	29.6x	20.1x	19.1x	14.9x	11.2x	9.7x	8.6x	7.6x
P/E	-15.1x	1580.6x	17.2x	16.6x	18.8x	15.2x	11.8x	10.4x	9.2x	8.2x
GPM	-30.3%	28.5%	41.2%	45.1%	46.0%	47.0%	48.0%	48.0%	48.0%	48.0%
OPM	-99.7%	-6.3%	16.4%	21.1%	20.0%	21.7%	23.4%	24.1%	24.8%	25.5%

Potential downside risks



- **Customer concentration:** Safran represents more than 90% of revenues, so it's highly dependent on its actions. That said, the fact that Safran named AeroEdge a top 3 innovative supplier suggests that it has a strong relationship with its customer. It could even gain further orders from aftermarket blades or next-generation projects.
- **Margin pressure:** There are plenty of reasons to think that margins could go down. The yen is likely to strengthen if US rates come down. The new factory could suffer from a high defect rate initially. Macro could also lead to lower orders and negative operating leverage.
- **Ceramic Matrix Composites:** CMCs are more advanced than titanium-aluminide alloys in that they can withstand higher temperatures and greater resistance to cracking. AeroEdge has experience with CMC prototypes but it's not obvious that it will receive future orders. That could be an issue from the mid-2030s onwards.



Catalysts



- Project A mass-production from mid-2025 onwards
- Project B mass-production from early 2026 onwards
- LEAP engine delivery ramp through FY2027

