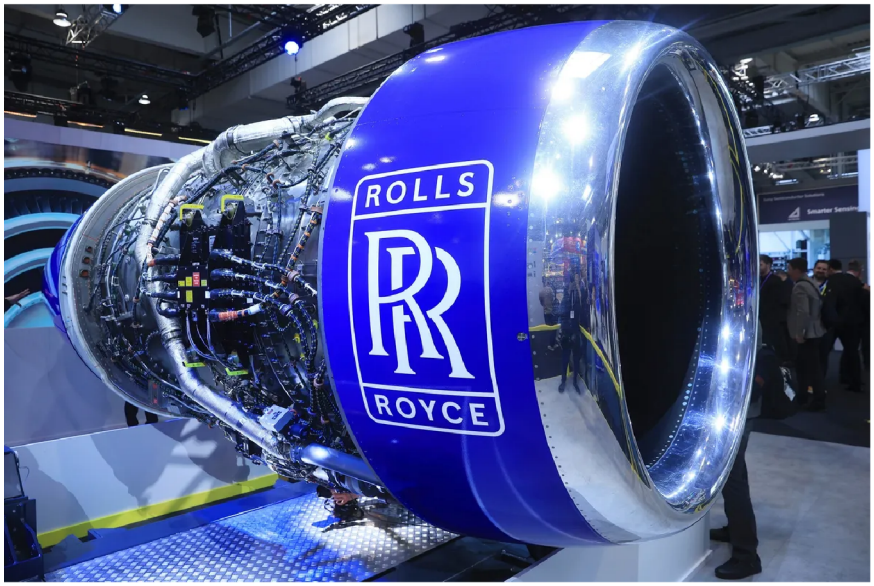
Opinion | Chris Bryant, Columnist

Investors Love Jet Engine Makers. Airlines Aren't So Sure

March 17, 2026 at 8:45 AM GMT-3

By Chris Bryant
Chris Bryant is a Bloomberg Opinion columnist covering industrial companies in Europe. Previously, he was a reporter for the Financial Times.



Jet-heeled. *Photographer: Krisztian Bocsi/Bloomberg*

Save Translate

Takeaways by Bloomberg AI Hide

- Jet engine makers such as General Electric Co., Safran SA and Rolls-Royce Holdings Plc have had high cash flows and profits as travel recovered following the pandemic.
- The Iran conflict and accompanying oil price shock are creating turbulence for these companies, which need their customers to be financially healthy to maintain overhaul fees.
- Engine makers have high profit margins, with some scooping up a large proportion of the earnings generated by the commercial aerospace industry, and have been criticized by airlines for charging high prices and not delivering enough production or reliability.

Until recently jet engine makers such as General Electric Co., Safran SA and Rolls-Royce Holdings Plc had never had it so good. As travel recovered following the pandemic their cash flows and profits soared. Investors like British hedge fund manager Chris Hohn who spotted their strengths – high technical barriers to entry and a massive installed base that creates lucrative long-term maintenance opportunities – have made fortunes. GE and Safran are among his TCI Fund Management's largest positions.

Bloomberg Opinion

Congress Is Playing Favorites With the Prediction Markets Bill

A Columbia Student Strike May Foreshadow the End of Unions

Private Credit Has an AI Recovery Problem

Rubio's Courtroom Moment Has 2028 Implications

While these advantages remain, the Iran conflict and accompanying oil price shock are creating turbulence, in part because the market values of these companies are much higher than in the past.

They also need their customers to be financially healthy. Depending on how long jet fuel prices remain elevated, airlines may be forced to ground or retire older aircraft, bad news for the engine makers' overhaul fees. That's all the more reason to ensure they're doing as good a job for customers and aircraft producers as they have for shareholders in recent years.

Although engines are the most expensive component of an aircraft, it's still striking that the companies building them tend to have far higher profit margins than the airplane makers Airbus SE and Boeing Co. Airlines don't come close. And lately engine makers have grabbed more of the spoils. They've scooped up some 42% of the earnings generated by the commercial aerospace industry in 2024, according to consultants AlixPartners. That's around double the proportion a decade ago.

GE, whose engines and those of its joint ventures power roughly three-quarters of all commercial flights, is worth almost twice as much as Boeing. Paris-based Safran's €128 billion ($147 billion) market capitalization is only a fraction less than Airbus's. GE and Safran have a shared engine business, CFM International, which dominates the short-haul jet market.

Rolls-Royce, a British manufacturer of engines for wide-body jets, has outperformed artificial intelligence darling Nvidia Corp. over the past three years in US dollar terms. It helps that Rolls-Royce and its peers also have significant defense activities. The Iran war will only accelerate the rearmament trend. Pratt & Whitney owner RTX Corp. also makes Tomahawk cruise missiles.

Executives have done well, too. The 8.3 million shares Tufan Erginbilgic received on becoming Rolls-Royce's boss in 2023 are now valued at about £100 million ($134 million). [1] GE Aerospace Chief Executive Officer Larry Culp has accumulated $440 million or so of the company's stock.

In fairness, these companies risked billions of dollars to develop fuel-efficient engines. Such investments typically don't pay off for years. Most of them ramped up output last year and they're investing to improve product durability, expand overhaul facilities and to develop next-generation technology.

Yet even before the Iran war squeezed air travel, engine-maker profits had understandably become a source of envy and annoyance in the aviation industry. Airlines have criticized companies for charging high prices while not delivering enough production, maintenance capacity or reliability. International Air Transport Association Director General Willie Walsh, who rarely minces his words, has slammed engine makers for making "massive margins at the same time as imposing huge additional costs on the airline industry."

Neither has Airbus concealed its disappointment with Pratt for forcing it to pare back production targets for its single-aisle A320neo jets because the supplier is struggling to deliver sufficient engines. Pratt has been busy putting right a defect involving engines already in service. The A320neo engine sips less fuel than its predecessor, so these problems are doubly frustrating for airlines at a time of soaring kerosene prices.

One challenge for airline customers (and advantage for engine makers) is a lack of choice. Although Rolls-Royce is hoping to reenter the narrowbody market, in the near-term there's little chance of more competition.

Developing a jet engine is incredibly expensive and technically difficult, and there hasn't been a new entrant in decades. While some aircraft types have two different suppliers, others like Boeing's 737 Max have only one. Even China, which has mastered most high-tech industries, probably won't have an engine for sale until 2030 at the earliest.

Manufacturers often lose money (or earn very little) when they hand over a completed engine. [2] The real profits are made over the following decades as those products require maintenance, repair and overhauling. [3]

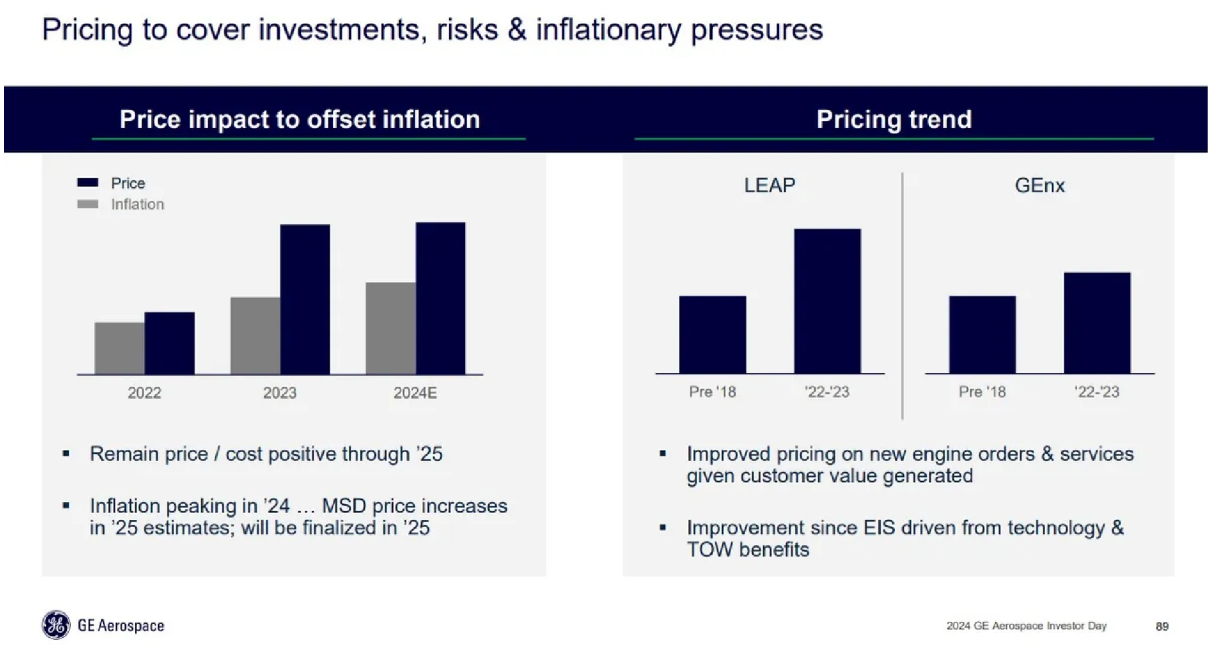
Lately, a shortage of new aircraft – caused by Boeing's various safety and quality problems, and a post-pandemic shortage of supply-chain workers – has turned this industry into even more of a cash machine. Airlines have had to keep flying older jets, a phenomenon dubbed "older for longer," which tend to require more comprehensive overhauls.

"Aging aircraft have created an aftermarket super-cycle," Ivan Rodon of consultancy AlixPartners, tells me.

Annoyingly for airlines, aircraft availability is also being constrained by new engines not being durable enough. Engine manufacturers have developed fixes, but the problem has contributed to congested maintenance workshops and long turnaround times, saddling airlines with additional costs.

Fortunately, nowadays this equipment is often sold with so-called power-by-the-hour contracts, a model pioneered by Rolls-Royce which bills most customers this way. Airlines pay a subscription fee for maintenance based on how often their engines are in the air. This keeps the manufacturer on the hook for reliability. One explanation for Rolls-Royce's much improved profitability are its technical improvements to keep its engines airborne.

But, for the airlines, there's been another less welcome driver of the engine makers' financial prospects: They've raised their prices and are often not shy about it, as this slide from a 2024 GE investor event shows. [4]



Source: GE Aerospace

The pressure for engine makers to cut airlines a good deal hasn't been the same as when they were trying to win market share with new fuel-efficient designs more than a decade ago. "Airlines have less leverage and must pay up to maintain their fleets," says Nick Cunningham, an analyst at Agency Partners.

Unhappy with what it was being quoted to renew a power-by-the-hour contract, budget carrier Ryanair Holdings Plc plans to bring engine maintenance in-house from 2029. Its boss Michael O'Leary says engine costs are "out of control" and the makers "incredibly difficult to deal with." [5]

The Iran war will likely sharpen the views of O'Leary and his peers. Jet fuel typically accounts for more than a quarter of an airline's expenses. Depending on how long the conflict lasts and to what extent they've hedged their fuel exposure, some carriers could find themselves in a tough spot.

If that happens, you'd hope engine makers would cut airlines some slack by moderating price increases. Furthermore, pricey fuel could incentivize airlines to ground or retire less efficient aircraft. When airline profitability deteriorates, "maintenance is one of the cost areas that are cut first," according to Bernstein analyst Adrien Rabier.

Eventually, the new fuel-efficient jets will also allow more aircraft retirements. "As build rates rise some of the margin will come down. And you certainly won't have margins like this if there's a recession. Older-generation aircraft will get parked," Bloomberg Intelligence analyst George Ferguson tells me.

Nevertheless, years of aircraft under-production, massive installed bases and order backlogs should cushion the engine makers against a slowdown (Chris Hohn can probably sleep easy). They just shouldn't forget who's footing the bill.

More From Bloomberg Opinion:

- GE's CEO Has Saved House That Jack Built: Thomas Black