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ROLLS-ROYCE HOLDINGS STOCK OUTLOOK,

London – 2 December 2025

Rolls-Royce Holdings plc (LSE: RR., OTC: RYCEY) enters December 2025 as one of the standout performers on the London market, capping a multi-year turnaround that has transformed the group from recovery story to premium growth stock.

As of early trading on 2 December, Rolls-Royce shares on the London Stock Exchange were trading around **1,040–1,050p**, after closing at **1,037p** on 1 December. [1] The stock's 52-week range now sits roughly between **554p and 1,196p**, with that all-time high reached on 28 September 2025. [2]

From a starting point of **588.4p on 2 January 2025**, the share price has climbed around 75–80% year to date, vastly outpacing the FTSE 100's gain of about 19% over the same period. [3] Over five years, Rolls-Royce is now the **best-performing UK stock**, with gains above 1,000%. [4]

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New York and Frankfurt

- **London (RR.)** – Around 1,040–1,050p on 2 December; previous close 1,037p. 52-week range roughly 557p–1,195p. [5]
- **US ADR (RYCEY)** – Closed at **$13.87** on 1 December, with a 52-week range of **$6.80–$16.27** and a market cap of about **$116.5bn**. [6]
- **Frankfurt (RRU.F)** – Closed at **€11.82** on 1 December, 52-week range **€6.54–€14.10**, market cap just over **€99bn**. [7]

Short-term technical models are, interestingly, cautious. Quantitative service StockInvest.us currently flags both RYCEY and RRU.F as holding “several negative signals” and expects weak trading over the coming days, even while acknowledging the huge longer-term uptrend. [8]

How Rolls-Royce earned its rally

From crisis to record profits

The backdrop to the current valuation is a dramatic financial turnaround:

- For 2024, Rolls-Royce delivered underlying

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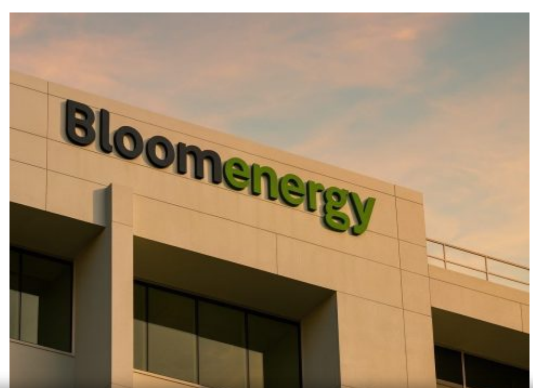

clear sign of balance-sheet repair. [10]

Half-year results on 31 July 2025 showed that the transformation momentum was not fading:

- **H1 2025 underlying operating profit** rose 50% year on year to about **£1.7bn**, with margins near **19%**.
- Full-year **2025 guidance was raised** to **£3.1–3.2bn** of underlying operating profit and **£3.0–3.1bn** of free cash flow, thanks to strong civil aerospace demand and growing power-generation sales into data centres. [11]

The market reaction was immediate: the shares jumped around 11–12% on the day of the July upgrade, hitting record highs and extending an already spectacular two-year rally under CEO Tufan Erginbilgiç. [12]

Trading update: guidance reaffirmed

A **trading update on 13 November 2025** confirmed that the recovery is holding:

- **Large engine flying hours** – a key profit driver in Civil Aerospace – grew 8% in the first 10 months of 2025 to **109% of 2019 levels**.
- The group **reaffirmed** its full-year 2025 guidance for profit and free cash flow: £3.1–3.2bn and £3.0–3.1bn respectively. [13]
- About **£0.9bn** of the **£1.0bn share buyback** had

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Fresh catalysts in late 2025

1. Dubai Airshow orders and engine durability improvements

Rolls-Royce entered the November **Dubai Airshow 2025** with strong momentum in wide-body engines:

- **Emirates** ordered **eight additional Airbus A350-900s**, all powered exclusively by the **Trent XWB-84**, explicitly citing the engine's durability and low fuel burn. [16]
- Sector coverage of the show indicates that **GE Aerospace and Rolls-Royce led engine order wins**, while rival Pratt & Whitney lagged on key narrow-body deals, underscoring Rolls-Royce's strength in the long-haul segment. [17]

On the **Boeing 787** programme, where historic durability issues on Trent 1000 engines damaged profitability and reputation, management is signalling a turning point. At Dubai, Civil Aerospace president Rob Watson stressed that the new **Trent 1000 XE** upgrade, based on the successful Trent 7000 durability package for the A330neo, is already tripling time-on-wing for some operators. The first 787-9 with the upgraded engine has been delivered to Lufthansa, and Rolls-Royce aims to convert the entire Trent 1000 TEN fleet to XE standard by **2027**. [18]

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Regulators have not forgotten the history of Trent issues. On **28 November 2025**, the European Union Aviation Safety Agency (EASA) issued two new airworthiness directives for **Trent 7000** engines:

- **AD 2025-0265** covers **intermediate and high-pressure air tubes**, mandating additional inspections after concerns about potential fractures.
- **AD 2025-0266** deals with **high-pressure turbine blades**, tightening inspection requirements and superseding an earlier 2025 directive. [19]

A related **FAA directive** earlier in 2025 also mandated checks for cracked compressor shaft seals on Trent 1000 and Trent 7000 engines. [20]

For Rolls-Royce, these directives mean extra maintenance complexity and some incremental cost, but they stop well short of grounding fleets or suggesting a new crisis. Recent analysis of the stock notes that regulatory risk remains "alive but manageable", provided the company continues to demonstrate improving durability and proactive engagement with authorities. TS2 Tech+1

3. Quantum computing breakthrough for jet engine design

Beyond the show floor, Rolls-Royce is also leaning hard into advanced computing. In late November, the company and partners **Xanadu** and **Riverlane** announced completion of a hybrid quantum-classical simulation project for jet engine airflow:

The result doesn't change today's earnings, but it supports the long-term thesis that Rolls-Royce can use digital twins and quantum-enhanced simulation to design more efficient engines faster – a potential competitive advantage in an industry where design cycles and certification costs are enormous.

4. Small modular reactors (SMRs) move from concept to pipeline

The **New Markets** segment – especially nuclear **small modular reactors** – is becoming a major part of the equity story.

Recent milestones include:

- The UK government confirmed that **Wylfa in north Wales** will host the country's first SMR site, with **three Rolls-Royce units** planned and **£2.5bn** of public funding pledged, though final agreements are pending. [22]

- In its **half-year 2025 results**, Rolls-Royce reiterated that the SMR business is expected to be **profitable and free-cash-flow positive by 2030**, with the first UK SMR project generating revenues and profit from the later 2020s and connecting to the grid in the mid-2030s. [24]

SMRs are still capital-intensive and highly regulated, but they give Rolls-Royce a potentially huge second growth engine beyond aviation – one reason some analysts ascribe significant optionality value to the New Markets division. [25]

5. Moody’s upgrade: back to solid investment grade

On **20–21 November 2025**, **Moody’s** upgraded Rolls-Royce’s long-term rating from **Baa2 to Baa1** with a **positive outlook**, citing:

- Strong operating performance and a successful turnaround.
- Net cash balance sheet and reduced leverage.
- Robust liquidity of about **£8.3bn** as of 30 June 2025, including **£5.8bn** of cash and a **£2.5bn** undrawn credit facility maturing in 2028. [26]

Moody’s expects adjusted gross debt/EBITDA to stay around **1x** through 2027 – a far cry from the stressed metrics seen during the pandemic.

unanimously bullish.

- **RBC Capital Markets** initiated coverage in November with an **"Outperform"** rating and a **£12.75** price target, arguing that the current wide-body civil engine portfolio alone could justify about **70% of the company's market value**, despite representing only ~37% of sales. RBC also highlights upside from the Ultrafan next-generation engine and SMRs, and estimates a **2026 free-cash-flow yield of 4.4%** versus a sector average around 3.2%. [27]
- **Goldman Sachs** launched coverage in September with a **"Buy"** rating, projecting roughly **£4.9bn of free cash flow in 2028**, ahead of management's own **£4.2–4.5bn** target, and pointing to time-on-wing improvements and high growth in Power Systems as key drivers. [28]
- According to data collated by MarketBeat and InsiderTrades, the stock currently carries a **"Moderate Buy"** consensus, with **three Buy and three Hold ratings** and an average target around **1,160–1,220p**, modestly above today's price. [29]

In other words, most mainstream brokers still see upside, but they are no longer calling Rolls-Royce deeply undervalued.

Quant and AI-driven forecasts

At the more speculative end of the spectrum:

- Technical-signal service **StockInvest.us**, by contrast, rates RYCEY a **short-term "sell candidate"**, despite acknowledging the strong long-term trend, and warns of potential near-term weakness after the big run. [31]

These models are not fundamental equity research, but they underscore how polarised expectations have become.

Valuation: premium multiple, slim margin for error

Rolls-Royce now trades on valuation metrics that would have seemed unthinkable during the crisis years:

- InsiderTrades data shows a **trailing P/E of about 38.9** and a **PEG ratio around 0.55**, based on consensus growth estimates. [32]
- Hargreaves Lansdown puts the **forward P/E at roughly 35.9**, compared with a **10-year average around 17.4** – more than double its historic norm – and a prospective dividend yield of **0.9%**, below the 10-year average of 1.2%. [33]

Opinion columns have started to push back. A new piece from **Motley Fool UK** on 2 December explicitly asks whether **Rolls-Royce shares might be 26%**

2028 targets, show continued improvement in engine durability and manage the SMR build-out without major cost overruns to justify today's multiples.

Key risks heading into 2026

Even fans of the stock acknowledge several risk factors:

1. **Regulatory and technical risk on Trent engines**
   - New EASA and FAA directives for **Trent 7000** and **Trent 1000** underline that safety oversight remains intense, and inspection regimes can change quickly. [35]
   - While current actions focus on inspections rather than groundings, any future finding of unexpected wear or cracks could trigger further cost and reputational damage. [36]
2. **Cyclical exposure to long-haul air travel**
   Civil Aerospace still relies heavily on long-haul flying hours. A global slowdown, higher oil prices or geopolitical shocks could reduce flying hours and delay new wide-body orders, pressuring high-margin service revenues. [37]
3. **Supply chain and inflation pressures**
   Management continues to flag bottlenecks in components and labour, as well as tariff and raw-material headwinds. These can limit delivery volumes and squeeze margins even when demand

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5. **Valuation and sentiment risk**
   After a 700%+ move in three years and more than 80% this year, expectations are elevated. [40] Any disappointment on guidance, a negative surprise from engine inspections or a general market correction could lead to a sharp derating.

6. **Insider selling optics**
   A recent disclosure shows CEO Tufan Erginbilgiç sold **6,128 shares at 1,065p on 28 November**, following smaller sales in September and October. While the total amounts are modest relative to his overall stake and are not unusual after a big rally, they add to the perception that management recognises the stock's strong run. [41]

The bottom line: a quality franchise priced as such

Putting it together, the late-2025 story on Rolls-Royce looks something like this:

- **Turnaround: largely delivered.** Profitability, free cash flow and the balance sheet have been transformed. The group is back to investment-grade, paying dividends and buying back shares, with 2025 guidance reaffirmed and 2028 targets that imply further growth. [42]

- **Valuation: rich, not obviously insane.** The shares trade at a premium to historical averages and many industrial peers but, arguably, with fundamentals to match. The debate now is less about survival and more about whether Rolls-Royce can keep compounding at this pace without stumbling.

For investors and traders watching RR.L and RYCEY into 2026, the key variables to track will be:

- Delivery against the **2025 guidance** and any **upgrade or refinement to 2026–2028 targets** in the full-year results, scheduled for late February 2026. [44]
- Evidence that **Trent engine durability** is improving faster than regulatory demands, reducing the risk of further costly interventions. [45]
- Concrete progress on **SMR contracts, partnerships and project milestones**, and whether these can move from optional upside to visible, bankable earnings. [46]

Rolls-Royce has gone from distressed asset to market darling in record time. December 2025 finds the stock in rarefied air: the engines beneath the business look powerful, but the share price now leaves much less room for error. This article is news and analysis, not personal investment advice; anyone considering exposure should weigh their own risk tolerance, time horizon and portfolio mix before making decisions.

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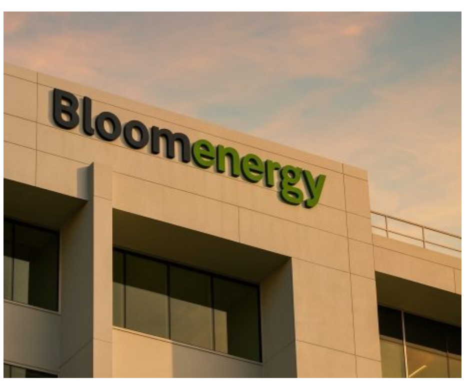

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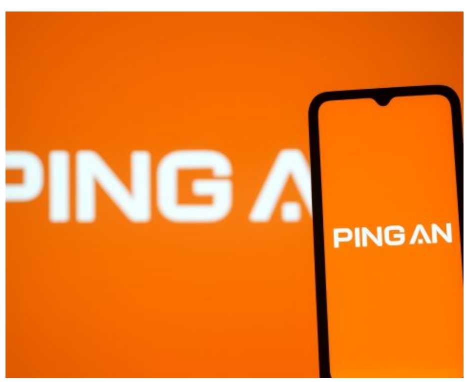

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