

## Boeing

# The first shoe drops, Boeing shakes up 737MAX program leadership

Maintain Rating: NEUTRAL | PO: 225.00 USD | Price: 201.57 USD

## Ed Clark, VP of 737MAX program, stepping down

Boeing announced Ed Clark, Vice President of the 737MAX program and general manager of the Renton facility will stepdown after 18 years with Boeing. The separation marks the first executive change following the [Mid-flight fuselage panel blow-out \(see report\)](#). Clark will be succeeded by Katie Ringgold. Ringgold joined Boeing in 2011 with her latest role serving as Vice President of 737 Delivery Operations.

## Two new Commercial Airplanes leaders announced

Boeing also announced Elizabeth Lund was named Senior Vice President of BCA Quality. Lund most recently served as Senior Vice President and General Manager of all Boeing Commercial Airplanes (BCA) programs. Mike Fleming will succeed Lund in her prior role overseeing 737, 767, 777/777X, and 787 production, reporting directly to Stan Deal.

## Change is good, but is it enough?

We view the appointment of Lund as a positive. Lund brings with her over three decades of Aerospace experience and is well respected in the industry as a strong operator and technical expert. Additionally, the appoint of Ringgold may help Boeing usher in a new era with a culture focused on safety, quality, and assurance with greater speed. However, the latest quality escape is only one of many which has been brought to the light in recent years. We continue to see it as fair for investors to ask, “will this change be enough?”, and if not, how high-up should the changes reach. We maintain our Neutral rating as robust demand environment coupled with OEMs struggling to meet customer orders should enable Boeing to continue benefiting from its albeit shrinking share of the global duopoly for commercial aircraft.

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### Stock Data

Price	201.57 USD
Price Objective	225.00 USD
Date Established	25-Jan-2024
Investment Opinion	B-2-9
52-Week Range	176.25 USD - 267.54 USD
Mrkt Val (mn) / Shares Out (mn)	122,985 USD / 610.1
Free Float	99.9%
Average Daily Value (mn)	2579.82 USD
BofA Ticker / Exchange	BA / NYS
Bloomberg / Reuters	BA US / BAN
ROE (2024E)	NA
Net Dbt to Eqty (Dec-2023A)	NA
ESGMeter™	High

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OEM: original equipment manufacturer

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Timestamp: 21 February 2024 04:45PM EST

## Price objective basis & risk

### Boeing (BA)

Our PO of \$225 is based on the 2026e FCF of \$13/share and relative discount to the S&P500 of 0.9x (about one standard deviation above historical average). In our view, a multiple roughly in line with the historical average fairly reflects the looming aerospace recovery, strong demand for commercial jets, defense opportunities, and the lack of dividend.

Upside risks to our PO are the possible involvement of an activist shareholder, better-than-expected cash margins at 787 and/or MAX programs, the company's ability to sustain 777 delivery rates through the bridge to 777X, lower-than-expected 777X, future single-aisle and middle-of-the-market aircraft development costs.

Downside risks to our PO are as follows: Tight competition for engineering talent in the current labor market could make new product development more challenging. Execution risk on new programs and production ramp-ups (737MAX, 777X, KC-46) could result in cost overruns and margin contractions. Changes in trade policy that end in a trade war. A sharp and prolonged surge in oil prices to above \$100/bbl would be negative to aircraft demand. A downturn in commercial aviation, due to an exogenous factor, could adversely affect financial results. As aircraft are priced in USD, an unexpected rapid revaluation in the dollar could significantly affect order activity. Also, a strong dollar could improve Airbus' competitive advantage. 787 fixes could take longer than expected.

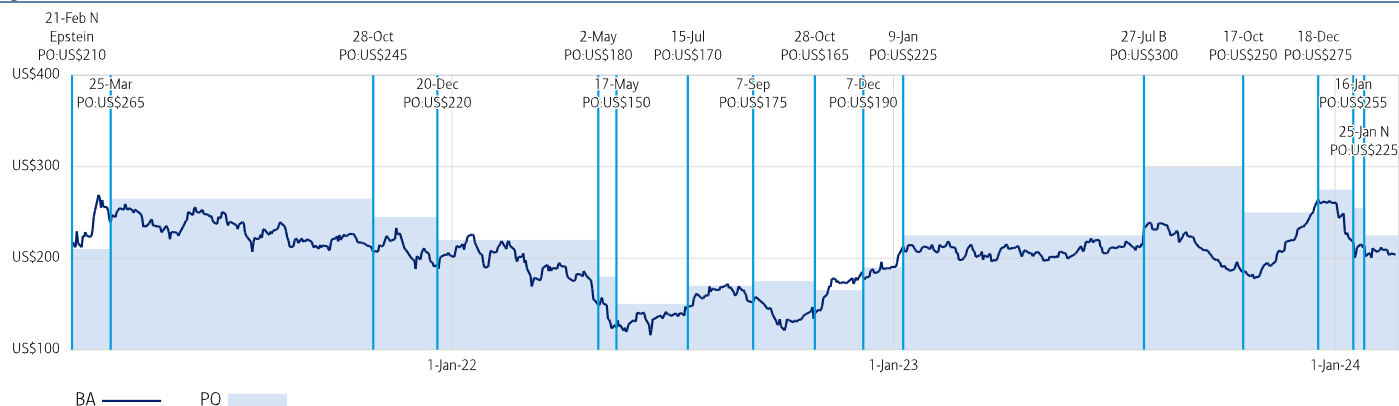
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### Boeing (BA) Price Chart



BA — PO —  
B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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### Equity Investment Rating Distribution: Aerospace/Defense Electronics Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	31	62.00%	Buy	23	74.19%
Hold	11	22.00%	Hold	9	81.82%
Sell	8	16.00%	Sell	6	75.00%

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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