

Boeing

March deliveries to remain light with 737 production at mid-teen levels

Maintain Rating: NEUTRAL | PO: 225.00 USD | Price: 179.84 USD

March dels set to continue soft across all BA programs

According to Aero Analysis Partners/AIR (AAP/AIR), Boeing has delivered 13 MAXs as of March 14th. This marks an improvement from the 8 MAXs delivered during the same timeframe in February. However, AAP/AIR anticipates that March deliveries will continue to be sluggish across all Boeing programs. Additionally, as of mid-March, there has been no deliveries of other variants besides the 737-8 aircraft.

737's production expected to hover around mid-teens

In terms of production, AAP/AIR observes a shift in Boeing's approach since mid-February, instead of rolling out completed MAX aircraft from the Final Assembly Line, they are now being retained within this facility. Despite this, MAX production continues at a steady albeit moderate pace, with completed aircraft kept within the FAL upon completion. AAP/AIR foresees that 737 production will persist in the mid-teens range for the next few months. We maintain our Neutral rating on Boeing, as we think that it will be able to continue to benefit from the robust global demand environment and in the long run benefit from increased quality assurance, despite possible short- to medium-term risks.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(11.05)	(5.81)	0.70	6.55	8.90
GAAP EPS	(8.29)	(3.67)	2.34	8.03	10.24
EPS Change (YoY)	-17.1%	47.4%	NM	835.7%	35.9%
Consensus EPS (Bloomberg)			3.04	8.04	10.53
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	NM	256.9x	27.5x	20.2x
GAAP P/E	NM	NM	76.9x	22.4x	17.6x
EV / EBITDA*	NM	166.8x	34.3x	19.4x	15.9x
Free Cash Flow Yield*	2.1%	4.0%	3.8%	5.8%	7.3%

* For full definitions of *IQmethod*SM measures, see page 4.

19 March 2024

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Stock Data

Price	179.84 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)	109,727 USD / 610.1
Free Float	99.9%
Average Daily Value (mn)	1357.45 USD
BofA Ticker / Exchange	BA / NYS
Bloomberg / Reuters	BA US / BAN
ROE (2024E)	NA
Net Dbt to Eqty (Dec-2023A)	NA

Dels: Deliveries

FAL: Final Assembly Line

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iQprofileSM Boeing

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-5.8%	-1.4%	6.8%	15.2%	18.6%
Return on Equity	NM	NM	NM	NM	NM
Operating Margin	-5.3%	-1.0%	4.1%	8.2%	9.8%
Free Cash Flow	2,290	4,433	4,217	6,324	8,030

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	13.5x	2.0x	1.8x
Asset Replacement Ratio	0.6x	0.8x	0.8x	0.9x	0.9x
Tax Rate	NM	NM	4.1%	13.0%	19.0%
Net Debt-to-Equity Ratio	NM	NM	NM	NM	NM
Interest Cover	-1.5x	-0.4x	1.4x	3.4x	4.6x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	66,608	77,794	83,300	90,983	96,531
% Change	6.9%	16.8%	7.1%	9.2%	6.1%
Gross Profit	3,530	7,724	12,288	16,663	19,083
% Change	15.8%	118.8%	59.1%	35.6%	14.5%
EBITDA	(1,568)	1,088	5,290	9,359	11,379
% Change	-106.9%	NM	386.3%	76.9%	21.6%
Net Interest & Other Income	(1,475)	(1,232)	(1,863)	(1,772)	(1,662)
Net Income (Adjusted)	(6,577)	(3,521)	429	4,032	5,506
% Change	-18.5%	46.5%	NM	840.4%	36.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(5,171)	(2,262)	1,435	4,943	6,334
Depreciation & Amortization	1,979	1,861	1,912	1,883	1,872
Change in Working Capital	4,139	4,089	422	(653)	(94)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	2,565	2,272	2,000	1,800	1,620
Capital Expenditure	(1,222)	(1,527)	(1,552)	(1,649)	(1,702)
Free Cash Flow	2,290	4,433	4,217	6,324	8,030
% Change	NM	93.6%	-4.9%	49.9%	27.0%
Share / Issue Repurchase	50	45	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(1,276)	(5,141)	(4,000)	(5,500)	(8,000)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	14,614	12,691	12,908	13,732	13,762
Trade Receivables	2,517	2,649	2,510	2,991	3,438
Other Current Assets	92,392	93,935	87,867	84,587	82,022
Property, Plant & Equipment	10,550	10,661	10,557	10,568	10,629
Other Non-Current Assets	17,027	17,076	16,820	16,576	16,344
Total Assets	137,100	137,012	130,662	128,453	126,195
Short-Term Debt	5,190	5,204	5,204	5,204	5,204
Other Current Liabilities	84,862	90,623	87,247	86,079	85,851
Long-Term Debt	51,811	47,103	43,103	37,603	29,603
Other Non-Current Liabilities	11,085	11,310	10,901	10,417	10,053
Total Liabilities	152,948	154,240	146,455	139,303	130,711
Total Equity	(15,848)	(17,228)	(15,793)	(10,850)	(4,516)
Total Equity & Liabilities	137,100	137,012	130,662	128,453	126,195

* For full definitions of iQmethodSM measures, see page 4.

Company Sector

Aerospace

Company Description

Boeing (BA) is the world's leading aerospace company and the largest manufacturer of commercial jetliners and military aircraft combined. The different segments in the company are Commercial Airplanes, Boeing Defense, Space & Security (BDS), Boeing Global Services, and Boeing Capital Corporation, which provide financial solutions facilitating sale and delivery of Boeing commercial and military aircraft, satellites, and launch vehicles. BA is based in Arlington, Virginia.

Investment Rationale

Boeing is participating in the commercial aerospace recovery, as part of the global duopoly in large commercial aircraft manufacturing. However, there are some company-specific challenges. Boeing is confronted with losing market share in the narrowbody jet market, refocusing it on engineering excellence and execution, and deleveraging its balance sheet. Reputation risk stemming from recent incidents could result in fewer incremental orders.

Stock Data

Average Daily Volume 7,548,102

Quarterly Earnings Estimates

	2023	2024
Q1	-1.27A	NA
Q2	-0.82A	NA
Q3	-3.26A	NA
Q4	-0.47A	NA

Price objective basis & risk

Boeing (BA)

Our PO of \$225 is based on 2026e FCF of \$13/share and relative discount to the S&P500 of 0.9x (about one standard deviation above historical avg). 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 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: 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 EU competitor's advantage. 787 fixes could take longer than expected. Reputation risk stemming from recent incidents could result in fewer incremental orders.

Analyst Certification

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US - Aerospace and Defense Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Booz Allen Hamilton	BAH	BAH US	Mariana Perez Mora
	BWX Technologies, Inc.	BWXT	BWXT US	Ronald J. Epstein
	CACI International	CACI	CACI US	Mariana Perez Mora
	Crane Co.	CR	CR US	Ronald J. Epstein
	Embraer	ERJ	ERJ US	Ronald J. Epstein
	GE Aerospace	GE	GE US	Ronald J. Epstein
	General Dynamics	GD	GD US	Ronald J. Epstein
	HEICO Corporation	HEI	HEI US	Ronald J. Epstein
	Howmet Aerospace Inc.	HWM	HWM US	Ronald J. Epstein
	KBR	KBR	KBR US	Mariana Perez Mora
	Leidos Holdings	LDOS	LDOS US	Mariana Perez Mora
	Leonardo DRS, Inc.	DRS	DRS US	Ronald J. Epstein
	Northrop Grumman	NOC	NOC US	Ronald J. Epstein
	Palantir Technologies	PLTR	PLTR US	Mariana Perez Mora
	Parsons Corporation	PSN	PSN US	Mariana Perez Mora
	RBC Bearings Inc	RBC	RBC US	Ronald J. Epstein



US - Aerospace and Defense Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Teledyne Technologies Inc	TDY	TDY US	Ronald J. Epstein
	Textron	TXT	TXT US	Ronald J. Epstein
	TransDigm Group Inc.	TDG	TDG US	Ronald J. Epstein
	Triumph Group	TGI	TGI US	Ronald J. Epstein
NEUTRAL				
	Albany International	AIN	AIN US	Ronald J. Epstein
	Boeing	BA	BA US	Ronald J. Epstein
	Garmin	GRMN	GRMN US	Ronald J. Epstein
	Hexcel Corporation	HXL	HXL US	Ronald J. Epstein
	L3Harris	LHX	LHX US	Ronald J. Epstein
	Lockheed Martin	LMT	LMT US	Ronald J. Epstein
	RTX Corp	RTX	RTX US	Ronald J. Epstein
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	CAE Inc.	YCAE	CAE CN	Ronald J. Epstein
	CAE Inc.	CAE	CAE US	Ronald J. Epstein
	Huntington Ingalls Industries	HII	HII US	Ronald J. Epstein
	Mercury Systems	MRCY	MRCY US	Ronald J. Epstein
RSTR				
	Cadre Holdings Inc	CDRE	CDRE US	Ronald J. Epstein

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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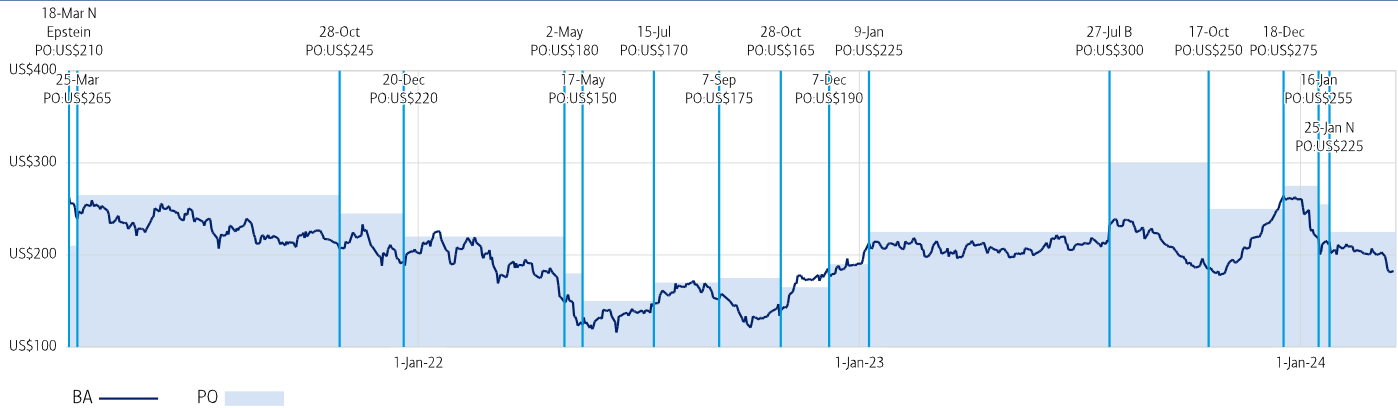
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Boeing (BA) Price Chart



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

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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