

Boeing

Navigating the turbulence – upgrade to Buy on comm'l ramp and FCF growth: PO \$300

Rating Change: BUY | PO: 300.00 USD | Price: 232.80 USD

Worst is behind Boeing - Upgrading to Buy, PO to \$300

While we, along with the broader market, maintain some reservations around execution, it appears as though the worst may be behind Boeing (NYSE: BA). We are currently in the midst of the post-COVID commercial recovery with passenger demand emerging back to pre-pandemic levels. On the defense side, both domestic and international demand continues to accelerate, with investment outlays at new peak levels. As such, we are raising our PO to \$300 (\$225 prior) on improved FCF expectations and upgrading BA to Buy from Neutral.

737 & 787 production rates raised

We now expect MAX deliveries peaking at 60/month by 2027 and 787 at 10/month by 2029 (vs. prior peaks of 5/month by 2026 and 7/month by 2027, respectively). We expect these higher delivery rates to unlock an incremental \$2bn in annual FCF by 2026. This tailwind will likely be partially offset by lower profitability from defense. We now see Boeing generating \$20/share FCF by mid-2020s, vs. prior \$15/share.

Not without execution concerns, especially at BDS

However, we emphasize that performance through the commercial and defense upcycle does not come without execution risks. We still expect some execution volatility, especially at BDS, which has struggled to maintain schedule on development programs and faced disruptions on legacy platforms. Nevertheless, the rising tide of commercial demand coupled with stronger deliveries will support growth through the mid-term, with higher volumes at Boeing Global Services also serving as a tailwind.

Plenty of demand, even with only 40% narrowbody share

We believe that demand is strong enough for Boeing to grow further, even if it were to only maintain its ~40% share of the narrowbody market. Additionally, we believe the 787 will remain the widebody of choice, holding onto the lion's share of the widebody market vs. its competitors. We also expect there to be ample demand for 10 787s/month through the outyears.

| Estimates (Dec) (US\$) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---------------------------|--------|---------|--------|-------|-------|
| EPS | (9.44) | (11.05) | (1.45) | 4.55 | 8.90 |
| GAAP EPS | (7.15) | (8.29) | 0.86 | 6.69 | 10.94 |
| EPS Change (YoY) | 59.4% | -17.1% | 86.9% | NM | 95.6% |
| Consensus EPS (Bloomberg) | | | (1.01) | 5.73 | 9.27 |
| DPS | 0 | 0 | 0 | 0 | 0 |
| Valuation (Dec) | | | | | |
| P/E | NM | NM | NM | 51.2x | 26.2x |
| GAAP P/E | NM | NM | 270.7x | 34.8x | 21.3x |
| Dividend Yield | 0% | 0% | 0% | 0% | 0% |
| EV / EBITDA* | NM | NM | 66.2x | 25.2x | 19.0x |
| Free Cash Flow Yield* | -3.1% | 1.6% | 3.5% | 7.3% | 8.8% |

* For full definitions of *IQmethod*SM measures, see page 8.

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12584182

Timestamp: 27 July 2023 06:00AM EDT

27 July 2023

Equity

Key Changes

| (US\$) | Previous | Current |
|---------------|----------|----------|
| Inv. Opinion | B-2-9 | B-1-9 |
| Inv. Rating | NEUTRAL | BUY |
| Price Obj. | 225.00 | 300.00 |
| 2023E Rev (m) | 76,482.6 | 78,064.1 |
| 2024E Rev (m) | 86,716.4 | 86,986.8 |
| 2025E Rev (m) | 93,611.9 | 94,819.3 |
| 2023E EPS | -0.70 | -1.45 |
| 2024E EPS | 4.85 | 4.55 |
| 2025E EPS | 7.40 | 8.90 |

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Stock Data

| | |
|---------------------------------|-------------------------|
| Price | 232.80 USD |
| Price Objective | 300.00 USD |
| Date Established | 27-Jul-2023 |
| Investment Opinion | B-1-9 |
| 52-Week Range | 120.99 USD - 233.09 USD |
| Mrkt Val (mn) / Shares Out (mn) | 140,426 USD / 603.2 |
| Average Daily Value (mn) | 1221.34 USD |
| BofA Ticker / Exchange | BA / NYS |
| Bloomberg / Reuters | BA US / BA.N |
| ROE (2023E) | NA |
| Net Dbt to Eqty (Dec-2022A) | NA |
| ESGMeter TM | High |

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

iQprofileSM Boeing

iQmethodSM – Bus Performance*

| (US\$ Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|----------------------------|---------|-------|-------|--------|--------|
| Return on Capital Employed | -4.0% | -5.8% | 2.3% | 12.3% | 19.5% |
| Return on Equity | NM | NM | NM | NM | NM |
| Operating Margin | -4.7% | -5.3% | 1.7% | 7.5% | 9.8% |
| Free Cash Flow | (4,396) | 2,290 | 4,981 | 10,302 | 12,351 |

iQmethodSM – Quality of Earnings*

| (US\$ Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|--------------------------|-------|-------|-------|-------|-------|
| Cash Realization Ratio | NM | NM | NM | 4.5x | 2.9x |
| Asset Replacement Ratio | 0.5x | 0.6x | 0.8x | 0.9x | 1.0x |
| Tax Rate | 14.5% | NM | NM | 15.2% | 18.2% |
| Net Debt-to-Equity Ratio | NM | NM | NM | NM | NM |
| Interest Cover | -1.1x | -1.5x | 0.7x | 2.8x | 4.2x |

Income Statement Data (Dec)

| (US\$ Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|------------------------------|----------------|----------------|--------------|--------------|--------------|
| Sales | 62,286 | 66,608 | 78,064 | 86,987 | 94,819 |
| % Change | 7.1% | 6.9% | 17.2% | 11.4% | 9.0% |
| Gross Profit | 3,049 | 3,530 | 8,848 | 14,083 | 17,155 |
| % Change | NM | 15.8% | 150.7% | 59.2% | 21.8% |
| EBITDA | (758) | (1,568) | 3,205 | 8,425 | 11,177 |
| % Change | 92.8% | -106.9% | NM | 162.9% | 32.7% |
| Net Interest & Other Income | (2,131) | (1,475) | (1,221) | (1,815) | (1,712) |
| Net Income (Adjusted) | (5,551) | (6,577) | (877) | 2,695 | 5,009 |
| % Change | 58.0% | -18.5% | 86.7% | NM | 85.9% |

Free Cash Flow Data (Dec)

| (US\$ Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|--|---------------|--------------|---------------|---------------|---------------|
| Net Income from Cont Operations (GAAP) | (4,378) | (5,171) | 377 | 3,963 | 6,156 |
| Depreciation & Amortization | 2,144 | 1,979 | 1,908 | 1,864 | 1,871 |
| Change in Working Capital | (6,977) | 4,139 | 3,103 | 5,211 | 5,263 |
| Deferred Taxation Charge | NA | NA | NA | NA | NA |
| Other Adjustments, Net | 5,795 | 2,565 | 1,116 | 1,004 | 1,004 |
| Capital Expenditure | (980) | (1,222) | (1,522) | (1,740) | (1,944) |
| Free Cash Flow | -4,396 | 2,290 | 4,981 | 10,302 | 12,351 |
| % Change | 77.7% | NM | 117.5% | 106.8% | 19.9% |

Balance Sheet Data (Dec)

| (US\$ Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cash & Equivalents | 8,052 | 14,614 | 10,442 | 12,244 | 12,296 |
| Trade Receivables | 2,641 | 2,517 | 2,599 | 2,777 | 3,027 |
| Other Current Assets | 97,973 | 92,392 | 90,105 | 83,988 | 79,334 |
| Property, Plant & Equipment | 10,918 | 10,550 | 10,353 | 10,486 | 10,801 |
| Other Non-Current Assets | 18,968 | 17,027 | 16,816 | 16,560 | 16,317 |
| Total Assets | 138,552 | 137,100 | 130,316 | 126,055 | 121,774 |
| Short-Term Debt | 1,296 | 5,190 | 4,609 | 4,609 | 4,609 |
| Other Current Liabilities | 80,696 | 84,862 | 82,712 | 83,582 | 86,100 |
| Long-Term Debt | 56,806 | 51,811 | 47,659 | 42,659 | 38,359 |
| Other Non-Current Liabilities | 14,600 | 11,085 | 9,807 | 9,213 | 8,558 |
| Total Liabilities | 153,398 | 152,948 | 144,787 | 140,063 | 137,626 |
| Total Equity | (14,846) | (15,848) | (14,471) | (14,008) | (15,852) |
| Total Equity & Liabilities | 138,552 | 137,100 | 130,316 | 126,055 | 121,774 |

* For full definitions of iQmethodSM measures, see page 8.

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 Chicago, Illinois.

Investment Rationale

Boeing is participating in the commercial aerospace recovery, as part of the global duopoly in large commercial aircraft manufacturing, with 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. That said, we expect aircraft deliveries to return to pre-Covid levels by the mid-2020s which in turn should drive cash flow generation and the stock higher.

Stock Data

Average Daily Volume 5246314

Quarterly Earnings Estimates

| | 2022 | 2023 |
|----|--------|--------|
| Q1 | -2.75A | -1.27A |
| Q2 | -0.37A | -0.82A |
| Q3 | -6.18A | -0.16E |
| Q4 | -1.75A | 0.80E |

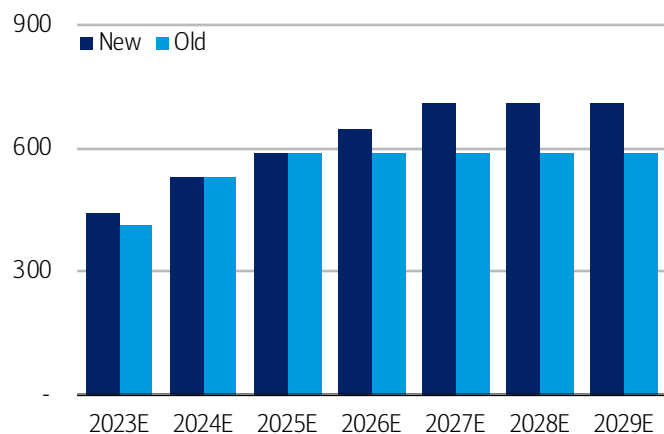
FCF generation significantly above STe estimates

Boeing surprised investors with better-than-expected FCF generation of \$2.6bn, significantly above consensus expectations for \$74mn cash burn. Management reiterated its \$3-5bn FCF target for the full year. We note that prior to today's announcement, many investors with whom we spoke questioned the company's ability to meet its full year target. As the company continues to burn down inventory, we expect BA to meet its full year FCF guide. We model \$5.0bn of FCF generation in 2023 and expect sequential increases in the out years.

We are raising our MAX delivery rate to 55/month in 2026 and 60/month starting in 2027 (up from prior unchanged rate of 50/month beyond 2025). We are also increasing our 787 delivery rate to 8/month in 2025/26, 9/month in 2027/28 and 10/month by 2029 (up from prior unchanged rate of 7/month beyond 2024). See charts below.

Exhibit 1: Raising MAX delivery estimates

On strong narrowbody demand

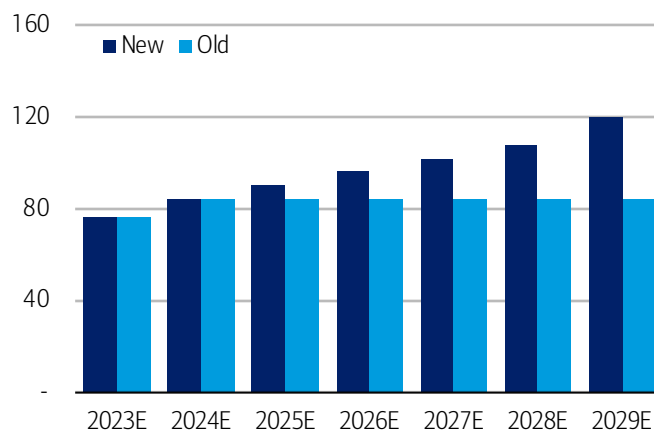


Source: BofA Global Research estimates

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Exhibit 2: Raising 787 delivery estimates

We see the 787 will continue to be the widebody of choice



Source: BofA Global Research estimates

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BCA: strong deliveries; expect margin improvement

Boeing topline performance beat expectations on stronger than expected deliveries at Boeing Commercial Airplanes (BCA). In the quarter, BCA delivered 136 aircraft and secured 460 net orders for a backlog of \$363bn. Margins at BCA have improved sequentially, and we expect them to continue to improve sequentially into the second half of the year. We continue to expect negative margins in 3Q23, improving afterwards as 787 rework and 777X abnormal costs subside. As production rates stabilize, we expect BCA margins to normalize by the 2025/2026 timeframe.

MAX: move to 38/month, better supply chain visibility

We were pleasantly surprised by the earlier-than-expected 737 MAX delivery rate ramp increase to 38/month. The full year delivery range of 400-450 aircraft remains unchanged. Management noted that they have "high confidence" that BCA will hit the middle of the 400-450 delivery range. As of right now, management noted that wing shops, fabrication and the vast majority of the supply chain are already performing at 38/month. Final assembly will be the last step and management expects this ramp to occur relatively soon. Further, we were encouraged by management's commentary surrounding increased visibility to the supply chain. In our view, this will help the MAX program undergo additional rate increases (up to 50/month by 2025/2026 timeframe) more smoothly. We note, however, some key suppliers like Spirit AeroSystems might need meaningful financial support from Boeing.

787: move to 4/month, abnormal costs worked though by year-end

[Despite a slow start to July deliveries](#) (see report), 787s have moved up to a rate of 4/month and expects to reach 5/month by year end. Management reiterated their

guidance of 70-80 787 deliveries for full year 2023. We are encouraged by the movement through abnormal costs associated with the program and expect the \$2.8bn of abnormal costs to be largely worked through by the end of the year.

We are also encouraged by internal optimization within Boeing facilities, which we think will increase Boeing capacity and make the eventual increase to a goal rate of 10/month more seamless. By the end of the year, management expects to have completely moved rework to the Everett facility, thus freeing up a production line.

777X: moving production forward, lowering total abnormal cost estimates

We were encouraged by the progress BCA is making on the 777X program. Management reported \$136mn of abnormal costs in the quarter and lowered total estimates to \$1bn of abnormal cost (down from \$1.5bn), reflecting plans to start production by the end of this year (as opposed to early next year).

BDS: ~15% of portfolio impact by fixed price dev. pgms

Defense margins continue to show significant pressure, printing an operating loss for the quarter (even adjusting for charges related to cash losing fixed price programs: Commercial Crew, T-7, MQ-25). 60% of the portfolio continues to perform at solid levels while ~15% of the portfolio is impacted by fixed price development programs. On the MQ-25, schedule pressure added costs to the program. On the T-7A, there has been cost growth related to supply chain and future production costs.

We expect a return to low single digit margins at BDS and see potential upside to mid-single digits as Boeing continues to work through these fixed price development programs. We are lowering our BDS margins before one-time charges to 5% in 2025 and 6% in 2026 (down from prior 7% level).

Taking out the ~15% of the portfolio impacted by fixed price development program charges, the core BDS business still did not break even in 2Q23. As noted above, 60% of the total portfolio performed at strong levels. The remaining 25%, made up primarily of legacy programs, struggled due to distinct challenges. The introduction of the F-15EX model caused more disruption than estimated in 1Q23. On the F-18 program, labor turnover has led to a decrease in productivity levels. Additionally, management notes that supply chain disruptions have been particularly challenging for BDS's satellite programs. We will keep an eye on these core programs performance.

Updating EPS estimates on (+) comm'l ^ (-) defense

We are lowering our 2023e core EPS to (\$1.45) from (\$0.70) and 2024e to \$4.55 from \$4.85 mainly to reflect higher than expected charges on cash losing programs and challenges at some legacy programs (F-15, F-18 and satellites). In the outyears, defense margin pressures are more than offset by higher-than-expected MAX & 787 deliveries and lower abnormal costs related to 777X. We are raising 2025e core EPS to \$8.90 from \$7.40 and 2026e to \$12.05 from \$8.50.

BGS: Strong commercial aftermarket

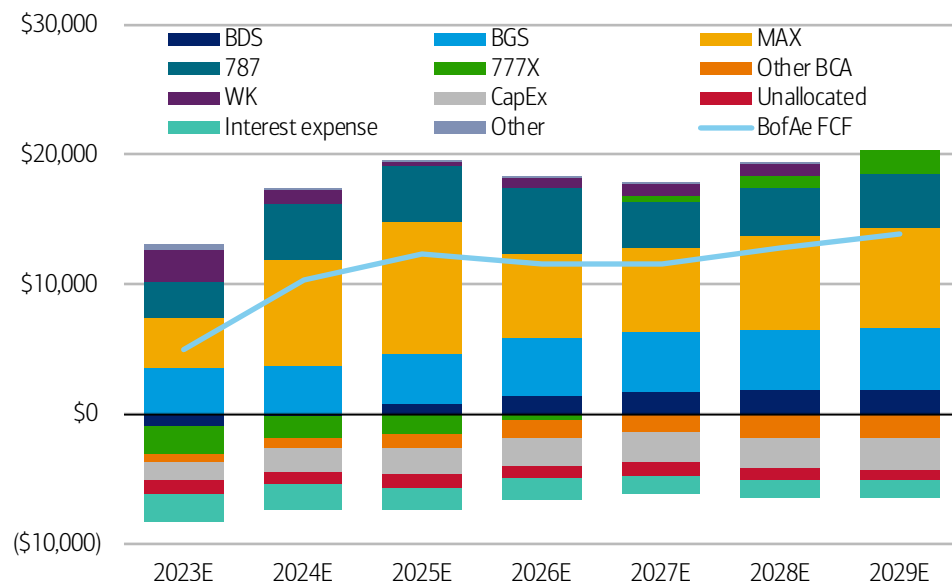
Boeing Global Services (BGS) reported revenues up 10% Y/Y and operating margins up 110bps. Both the commercial and government businesses performed well. We expect strong air traffic demand coupled with older planes flying longer will continue to support the services business. Despite strong performance, we think it is unlikely BGS will be able to sustain these elevated margin levels (~18%).

Higher MAX & 787 drive FCF/share to \$20

We expect these higher delivery rates to unlock incremental \$2bn in annual FCF by 2026. This tailwind will be partially offset by lower profitability from defense. We now see Boeing generating \$20/share FCF by mid-2020s, vs. prior \$15/share.

Exhibit 3: FCF waterfall

MAX to contribute \$6.5bn in FCF by 2026

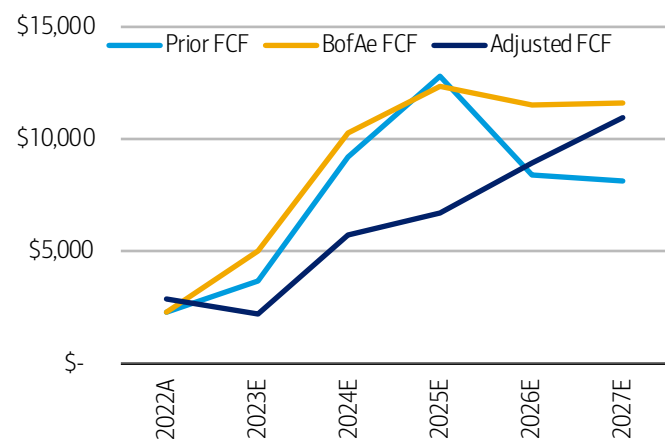


Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 4: Raising FCF estimates on higher MAX & 787 deliveries

We now see core FCF (excl. inventories) exceeding \$10bn by 2027

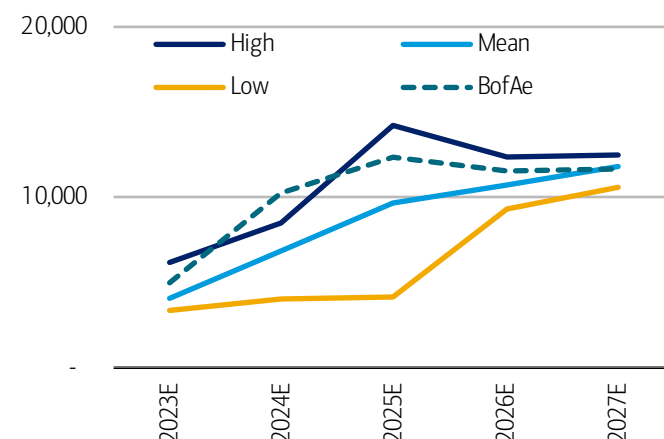


Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 5: BofAe new FCF is at the higher end of consensus

We are above consensus in 2024e



Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Raising PO to \$300

We are raising our PO to \$300 from \$225 mainly to reflect higher MAX and 787 deliveries. Our PO of \$300 is based on the near-term average FCF of \$20/share (vs. prior \$15) and relative discount to the S&P500 of 0.7x (in line with historical average, and down from 0.8x that reflected upside risks to FCF). In our view, a multiple in line with the historical average fairly balances the looming aerospace recovery as well as the execution risks ahead and lack of dividend.

Exhibit 6: Boeing valuation

Our PO of \$300 is based on the near-term average FCF of \$20/share and relative discount to the S&P500 of 0.7x

S&P 500

P/FCF 2024

21.4x

FCF yield

5%



Exhibit 6: Boeing valuation

Our PO of \$300 is based on the near-term average FCF of \$20/share and relative discount to the S&P500 of 0.7x

S&P 500**Normalized FCF \$20/share**

| | FCF/sh | Min | BofAe | Max |
|---------------|---------------|-------------|--------------|-------------|
| Defense | \$3 | 0.6x | 0.6x | 1.0x |
| Commercial | \$17 | 0.6x | 0.7x | 1.4x |
| Boeing | \$20 | 0.6x | 0.7x | 1.3x |

Valuation Implication

| | Min | BofAe | Max |
|-----------------------------------|--------------|--------------|--------------|
| Defense | \$37 | \$37 | \$67 |
| Commercial | \$209 | \$263 | \$492 |
| Total Value | \$246 | \$300 | \$559 |
| Potential upside to current price | 7% | 31% | 144% |

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Boeing (BA)

Our PO of \$300 is based on the near-term average FCF of \$20/share (vs. prior \$15) and relative discount to the S&P500 of 0.7x (in line with historical average, and down from 0.8x that reflected upside risks to FCF). In our view, a multiple in line with the historical average fairly balances the looming aerospace recovery as well as the execution risks ahead and 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.

Analyst Certification

I, Ronald J. Epstein, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Aerospace and Defense Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|---------------------------|-------------|------------------|--------------------|
| BUY | | | | |
| | AerCap Holdings N.V. | AER | AER US | Ronald J. Epstein |
| | Air Lease Corporation | AL | AL US | Ronald J. Epstein |
| | Boeing | BA | BA US | Ronald J. Epstein |
| | BWX Technologies, Inc. | BWXT | BWXT US | Ronald J. Epstein |
| | CACI International | CACI | CACI US | Mariana Perez Mora |
| | Cadre Holdings Inc | CDRE | CDRE US | Ronald J. Epstein |
| | Crane Co. | CR | CR US | Ronald J. Epstein |
| | Embraer | ERJ | ERJ US | Ronald J. Epstein |
| | General Dynamics | GD | GD 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 |
| | Northrop Grumman | NOC | NOC US | Ronald J. Epstein |
| | Palantir Technologies | PLTR | PLTR US | Mariana Perez Mora |
| | Raytheon Tech | RTX | RTX US | Ronald J. Epstein |
| | Rocket Lab | RKLB | RKLB US | Ronald J. Epstein |
| | Teledyne Technologies Inc | TDY | TDY 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 |
| | Booz Allen Hamilton | BAH | BAH US | Ronald J. Epstein |
| | CAE Inc. | YCAE | CAE CN | Ronald J. Epstein |
| | CAE Inc. | CAE | CAE US | Ronald J. Epstein |
| | Garmin | GRMN | GRMN US | Ronald J. Epstein |
| | HEICO Corporation | HEI | HEI US | Ronald J. Epstein |



US - Aerospace and Defense Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|--------------------|-------------|------------------|-------------------|
| | Hexcel Corporation | HXL | HXL US | Ronald J. Epstein |
| | L3Harris | LHX | LHX US | Ronald J. Epstein |
| | Lockheed Martin | LMT | LMT US | Ronald J. Epstein |
| | Textron | TXT | TXT US | Ronald J. Epstein |

UNDERPERFORM

| | | | | |
|--|-------------------------------|--------|----------|--------------------|
| | Astra Space Inc. | ASTR | ASTR US | Ronald J. Epstein |
| | Bombardier | BDRBF | BDRBF US | Ronald J. Epstein |
| | Bombardier Inc. | YBBD B | BBD/B CN | Ronald J. Epstein |
| | Huntington Ingalls Industries | HII | HII US | Ronald J. Epstein |
| | Parsons Corporation | PSN | PSN US | Mariana Perez Mora |
| | RBC Bearings Inc | RBC | RBC US | Ronald J. Epstein |
| | Spire Global inc | SPIR | SPIR US | Ronald J. Epstein |
| | Spirit AeroSys-A | SPR | SPR US | Ronald J. Epstein |
| | Terran Orbital Corporation | LLAP | LLAP US | Ronald J. Epstein |
| | Virgin Galactic Holdings | SPCE | SPCE US | Ronald J. Epstein |

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

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

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

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

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

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of *iQmethod* are: A consistently structured, detailed, and transparent methodology; Guidelines to maximize the effectiveness of the comparative valuation process; and to identify some common pitfalls.

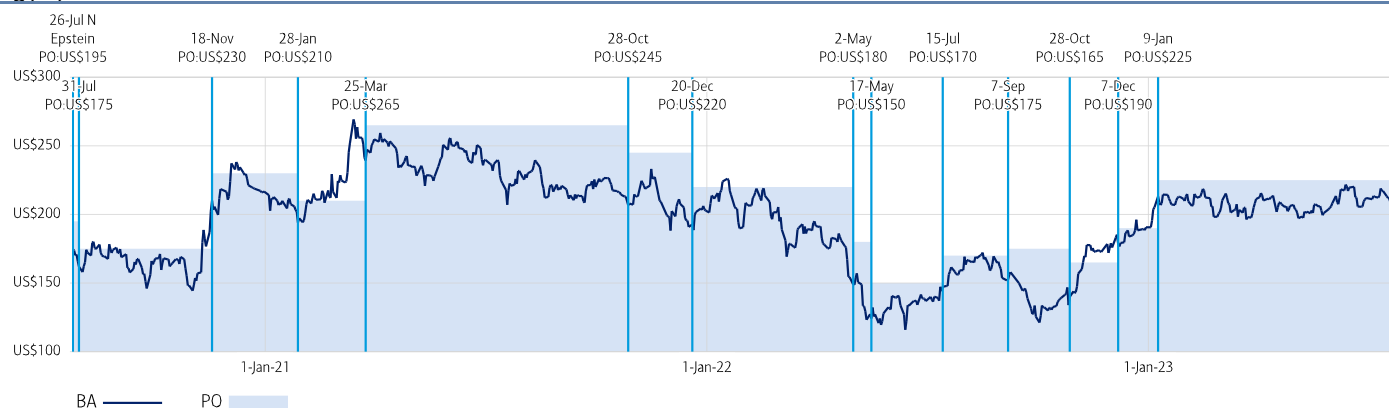
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Disclosures

Important Disclosures

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 30 Jun 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 25 | 50.00% | Buy | 17 | 68.00% |
| Hold | 14 | 28.00% | Hold | 13 | 92.86% |
| Sell | 11 | 22.00% | Sell | 4 | 36.36% |

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 1877 | 53.28% | Buy | 1040 | 55.41% |
| Hold | 815 | 23.13% | Hold | 464 | 56.93% |
| Sell | 831 | 23.59% | Sell | 385 | 46.33% |

^{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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| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster ^{R2} |
|-------------------|---|--|
| 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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