

Boeing

Boeing targets remain within grasp, while facing a delay in the first delivery to China

Rating Change: BUY | PO: 275.00 USD | Price: 260.41 USD

One delivery away – BA nearing its full-year 737 target

According to Aero Analysis Partners/AIR (AAP/AIR), Boeing is steadily progressing toward its 737 annual target, with 23 deliveries completed since the beginning of December, out of the 24 required to achieve the lower-end of its full-year target of 375-400 737s. Moreover, AAP foresees a potential return to a production rate of 31 this month as Boeing already manufactured 16-17 737s in December.

787 target also remains on track, with four dels remaining

Boeing delivered four 787s since the start of December. However, with ten aircraft currently undergoing production test flights, the company is well-positioned to reach its FY23 target of 70-80 787s, requiring only four additional deliveries by the month's end. Other December deliveries thus far include one 767 and two 777s. We are updating our model to reflect lower than expected 787 & 737 deliveries (737: 385 from 390, 787: 75 from 80). We lower our 2023e EPS to (\$6.20) from (\$6.15), while keeping the outyear EPS estimates unchanged. We continue to expect FCF of \$3.4bn in 2023e.

First 787 delivery to China has been deferred to Dec 31

The long-awaited Juneyao 787 delivery flight, the first to China in over two years, has been postponed to December 31 from prior expectations of a December 14 delivery ([see our prior report](#)). The exact reasoning behind the roughly half month delay is still uncertain, but it could have something to do with: 1) the need for multiple customer acceptance flights, 2) a Spirit AeroSystems supplier issue affecting ~12 aircraft, or 3) politically motivated circumstances. We emphasize that given the unstable relations between China and the US, the latter factor makes estimating exact delivery timing difficult.

Raising PO to \$275 on int. rates easing market

We continue to expect Boeing to generate \$15 FCF/share by 2026e. We raise our PO to \$275 from \$250 to reflect a cyclicals' re-rating as the market prices an easing interest rates' environment. Our PO of \$275 is based on the near-term average FCF of \$15/share and relative discount to the S&P500 of 0.8x (about half standard deviation above historical average) vs 0.9x previously.

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Refer to important disclosures on page 3 to 5. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

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Timestamp: 18 December 2023 06:59PM EST

18 December 2023

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	250.00	275.00
2023E Rev (m)	76,236.6	75,339.0
2023E EPS	-6.15	-6.20

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Stock Data

Price	260.41 USD
Price Objective	275.00 USD
Date Established	18-Dec-2023
Investment Opinion	B-1-9
52-Week Range	176.25 USD - 265.52 USD
Mrkt Val (mn) / Shares Out (mn)	157,542 USD / 605.0
Free Float	99.9%
Average Daily Value (mn)	1604.52 USD
BofA Ticker / Exchange	BA / NYS
Bloomberg / Reuters	BA US / BA.N
ROE (2023E)	NA
Net Dbt to Eqty (Dec-2022A)	NA
ESGMeter™	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"](#).

Price objective basis & risk

Boeing (BA)

Our PO of \$275 is based on the near-term average FCF of \$15/share and relative discount to the S&P500 of 0.8x (about half 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.

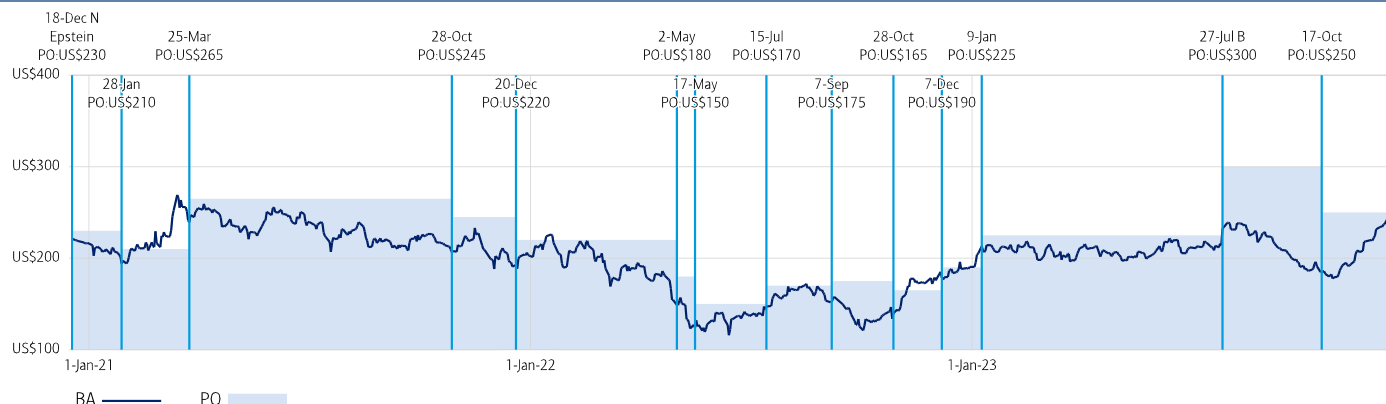
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Boeing (BA) Price Chart



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 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	26	52.00%	Buy	21	80.77%
Hold	14	28.00%	Hold	11	78.57%
Sell	10	20.00%	Sell	4	40.00%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

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

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