

Boeing Co.

4Q23 earnings beat, but FY24 guide suspended

Earnings Review

4Q23 earnings beat, but FY24 guide suspended

Boeing's (BA) 4Q23 total revenues were up 10% YoY to \$22.0bn, which was slightly above Bloomberg consensus of \$21bn, primarily reflecting 157 commercial deliveries (+3% YoY). Adj. loss/share was (\$0.47) vs (\$1.75) YoY, beating Bloomberg consensus of (\$0.76). Total company backlog grew to \$520bn, including more than 5,600 commercial airplanes. FCF for the quarter was \$2.95bn vs \$3.13bn YoY, well above consensus of \$2.1bn. Boeing has suspended 2024 financial forecasts as it continues to deal with the fallout from an accident involving an Alaska Airlines 737-9 MAX in early January and a subsequent FAA investigation. BA announced that 737 production reached a peak of 38 jets/month in December and will remain there until the investigation is complete. Prior to the accident BA had planned on producing 737 jets at a rate of 50/month in 2025/2026.

During the quarter, Commercial Airplanes booked 611 net orders, including 411 737, 98 777X, and 83 787 airplanes, began certification flight testing on the 737-10, and resumed production on the 777X program. Commercial Airplanes delivered 157 airplanes during the quarter and backlog included more than 5,600 airplanes valued at \$441bn. The 787 program production rate is now at 5/month. Commercial Airplanes revenue was up 13% YoY to \$10.5bn, with segment earnings from operations of \$41mn vs (\$603)mn YoY, driven by a 3% YoY decrease in deliveries. Defense, Space & Security (DSS) revenue was up 9% YoY at \$6.8bn with segment loss from operations of (\$101)mn vs \$112mn YoY. DSS backlog was valued at \$59.0bn. Global Services revenue grew 6% YoY to \$4.8bn. 4Q23 operating margins by segment: Commercial Airplanes was 0.4% vs (6.5)% YoY; DSS was (1.5)% vs 1.8%; and Global Services was 17.4% vs 13.9% YoY.

On the earnings call, Boeing's Chief Executive Dave Calhoun once again took responsibility for the Alaska Airlines door plug blow-out incident and noted his expectation that the NTSB's investigation will "narrow quickly." So far, 129 MAX 9s have returned to service. Management also noted that BA will pay down ~\$4bn of maturing debt in the coming days using cash on hand. The company expects another year of steady FCF in FY24 and remains confident in the financial targets it set for 2025/2026.

Balance sheet

Cash/Mark Sec stand at \$16.0bn, up from \$13.4bn sequentially. Boeing had \$10bn of revolving credit facilities, all of which remained undrawn, resulting in total liquidity of \$26.0bn. Total consolidated debt was flat sequentially at \$52.3bn in 4Q23.

Maintain MW on Boeing Co bonds and Neutral on CDS

We maintain our Marketweight on the bonds and Neutral on CDS. The suspended 2024 forecast is not ideal but was somewhat expected. 4Q results were solid, and we think the bonds are still a good core holding. On a relative basis, Boeing seems fairly priced to the ICE BofA BBB index and the general ICE BofA IG index with Boeing 3.625% due 2031 trading at a G-spread of 116bps, through our intermediate BBB index, which is at 125bps. The Boeing 5.805% due 2050 trades at a G-spread of 144bps, wide to the ICE BofA BBB (long bond index 15+yrs), which trades at 137bps.

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31 January 2024

High Grade
United States
Capital Goods -Aerospace/Defense

Douglas Karson
Research Analyst
BofAS
+1 646 855 7405
doug.karson@bofa.com

Somaia Barakah
Research Analyst
BofAS
somaia.barakah@bofa.com

Drew Thompson
Research Analyst
BofAS
andrew.thompson2@bofa.com

Table 1: Ratings

Agency credit ratings

Agency Ratings	BA
Mdys/S&P/Fitch	Baa2/BBB-/BBB-
Outlooks	S/S/P

Source: Moody's, S&P, Fitch

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Table 2: Selected Bonds & CDS

Levels are offer side

Sr Unsecured	Price	STW	G-Sprd
3.625% 2031	\$91.11	113	116
5.805% 2050	\$100.39	155	144
Boeing 5yr CDS			89

Source: BofA Global Research, Bloomberg
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NTSB: National Transportation Safety Board

Valuation & risk

Boeing Co. (BA)

We have Marketweight on Boeing and Neutral on 5-year CDS. Boeing has a dominant market share in commercial aircraft market and Boeing defense is among the world's largest defense contractors, neither of which we expect to change in the near future. BA has adequate liquidity and strong coverage for medium-term maturities. On a relative basis, Boeing seems about fairly priced relative to the ICE BofA BBB index as well as the general ICE BofA IG index. However, Boeing has faced multiple setbacks in its commercial aircraft business as well as its defense business which has significantly hindered performance.

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Security/Loan pricing

Boeing Co. / BA

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)
4.875, Senior, USD, 2025:B	3,500	01-MAY-2025	Baa2/BBB-/BBB-	99.21	30-Jan-2024	5.52	84
3.25, Senior, USD, 2028:B	350	01-MAR-2028	Baa2/BBB-/BBB-	93.19	30-Jan-2024	5.12	105
5.15, Senior, USD, 2030:B	4,500	01-MAY-2030	Baa2/BBB-/BBB-	99.54	30-Jan-2024	5.23	123
5.705, Senior, USD, 2040:B	3,000	01-MAY-2040	Baa2/BBB-/BBB-	100.22	30-Jan-2024	5.68	143
3.625, Senior, USD, 2048:B	350	01-MAR-2048	Baa2/BBB-/BBB-	71.26	30-Jan-2024	5.87	145
5.805, Senior, USD, 2050:B	5,500	01-MAY-2050	Baa2/BBB-/BBB-	99.36	30-Jan-2024	5.85	147
5.93, Senior, USD, 2060:B	3,500	01-MAY-2060	Baa2/BBB-/BBB-	98.98	30-Jan-2024	6.00	177
Senior Unsecured, USD, Y5:CDS					31-Jan-2024		90

For pricing information refer to "Other Important Disclosures" below.

B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Disclosures

Important Disclosures

Credit opinion history

Boeing Co. / BA

Company	Date ^{R1}	Action	Recommendation	
Boeing Co. / BA	31-Dec-2020		Marketweight	
Security	Date ^{R1}	Action	Recommendation	Price
4.875, Senior, USD, 2025:B	31-Dec-2022		Marketweight	
3.25, Senior, USD, 2028:B	31-Dec-2022		Marketweight	
5.15, Senior, USD, 2030:B	31-Dec-2022		Marketweight	
5.705, Senior, USD, 2040:B	31-Dec-2022		Marketweight	
3.625, Senior, USD, 2048:B	31-Dec-2022		Marketweight	
5.805, Senior, USD, 2050:B	31-Dec-2022		Marketweight	
5.93, Senior, USD, 2060:B	31-Dec-2022		Marketweight	
Senior Unsecured, USD, Y5:CDS	31-Dec-2022		Neutral	

Table reflects credit opinion history as of previous business day's close.^{R1}First date of recommendation within the last 36 months, if for an issuer or within the last 12 months, if for a security or loan. The investment opinion system is contained at the end of the report under the heading "BofA Global Research Credit Opinion Key."

Pricing information in the table is provided for each action where available. In the case of bonds, loans, capital securities and equity preferreds, the price shown reflects the nominal cash price for the security; and in the case of CDS, the price shown reflects the spread, on the date of the relevant action.

B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); EP=Equity Preferred; CDS=Credit Default Swap

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Corporate Credit Issuer Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R2}	Count	Percent
Buy	144	37.21%	Buy	119	82.64%
Hold	193	49.87%	Hold	163	84.46%
Sell	50	12.92%	Sell	37	74.00%

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