

## Boeing

# Deliveries picking up steam, but outlook still remains subdued

Maintain Rating: NEUTRAL | PO: 225.00 USD | Price: 200.54 USD

## Light 737 activity but recent mgmt. shakeup

According to Aero Analysis Partners/AIR (AAP/AIR), Boeing (BA) has delivered 14 737 aircraft as of February 23, 2024. As we highlighted last week, Boeing deliveries have been more subdued in February compared to January. However, 43% of total February deliveries occurred this past week, likely as Boeing tries to strengthen delivery numbers towards the end of the month. AAP/AIR believes February deliveries could reach the twenty-mark as six out of eight aircraft have taken customer acceptance flights. Additionally, this past week Boeing's 737 line underwent a series of management changes ([read our note here](#)). We maintain our Neutral rating as the 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.

## Still no 777 roll outs & only one 777x

As of February 23, AAP/AIR reports five 787 roll outs and seven 787 deliveries. These five aircraft were expected to roll out in October 2023, confirming a four-month roll out delay. Additionally, AAP/AIR reports no 777 roll outs in February. An EVA Airways Cargo rollout was expected in January followed by China Airlines Cargo rollout in February, however neither of these two aircraft have been spotted yet. AAP/AIR reports one rollout on the 777X program so far in February.

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)			3.22	8.08	10.76
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	NM	286.5x	30.6x	22.5x
GAAP P/E	NM	NM	85.7x	25.0x	19.6x
EV / EBITDA*	NM	178.4x	36.7x	20.7x	17.1x
Free Cash Flow Yield*	1.9%	3.6%	3.4%	5.2%	6.6%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

27 February 2024

### Equity

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### Stock Data

Price	200.54 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)	122,357 USD / 610.1
Free Float	99.9%
Average Daily Value (mn)	2191.12 USD
BofA Ticker / Exchange	BA / NYS
Bloomberg / Reuters	BA US / BA.N
ROE (2024E)	NA
Net Dbt to Eqty (Dec-2023A)	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"](#).

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Timestamp: 27 February 2024 05:17AM EST

# iQprofile<sup>SM</sup> Boeing

## iQmethod<sup>SM</sup> – 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

## iQmethod<sup>SM</sup> – 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)
<b>Net Income (Adjusted)</b>	<b>(6,577)</b>	<b>(3,521)</b>	<b>429</b>	<b>4,032</b>	<b>5,506</b>
<b>% Change</b>	<b>-18.5%</b>	<b>46.5%</b>	<b>NM</b>	<b>840.4%</b>	<b>36.6%</b>

## 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)
<b>Free Cash Flow</b>	<b>2,290</b>	<b>4,433</b>	<b>4,217</b>	<b>6,324</b>	<b>8,030</b>
<b>% Change</b>	<b>NM</b>	<b>93.6%</b>	<b>-4.9%</b>	<b>49.9%</b>	<b>27.0%</b>
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
<b>Total Assets</b>	<b>137,100</b>	<b>137,012</b>	<b>130,662</b>	<b>128,453</b>	<b>126,195</b>
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
<b>Total Liabilities</b>	<b>152,948</b>	<b>154,240</b>	<b>146,455</b>	<b>139,303</b>	<b>130,711</b>
<b>Total Equity</b>	<b>(15,848)</b>	<b>(17,228)</b>	<b>(15,793)</b>	<b>(10,850)</b>	<b>(4,516)</b>
<b>Total Equity &amp; Liabilities</b>	<b>137,100</b>	<b>137,012</b>	<b>130,662</b>	<b>128,453</b>	<b>126,195</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## 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.

## Stock Data

Average Daily Volume 10,926,114

## 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 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.

## 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
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	Air Lease Corporation	AL	AL US	Ronald J. Epstein
	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
	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
	HEICO Corporation	HEI	HEI US	Ronald J. Epstein
	Howmet Aerospace Inc.	HWM	HWM US	Ronald J. Epstein
	KBR	KBR	KBR US	Mariana Perez Mora
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	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
	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
<b>NEUTRAL</b>				
	Albany International	AIN	AIN US	Ronald J. Epstein
	Boeing	BA	BA US	Ronald J. Epstein
	Garmin	GRMN	GRMN US	Ronald J. Epstein

**US - Aerospace and Defense Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	L3Harris	LHX	LHX US	Ronald J. Epstein
	Lockheed Martin	LMT	LMT US	Ronald J. Epstein
	RTX Corp	RTX	RTX US	Ronald J. Epstein
	Textron	TXT	TXT 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
	Spirit AeroSys-A	SPR	SPR US	Ronald J. Epstein

**iQmethod<sup>SM</sup> 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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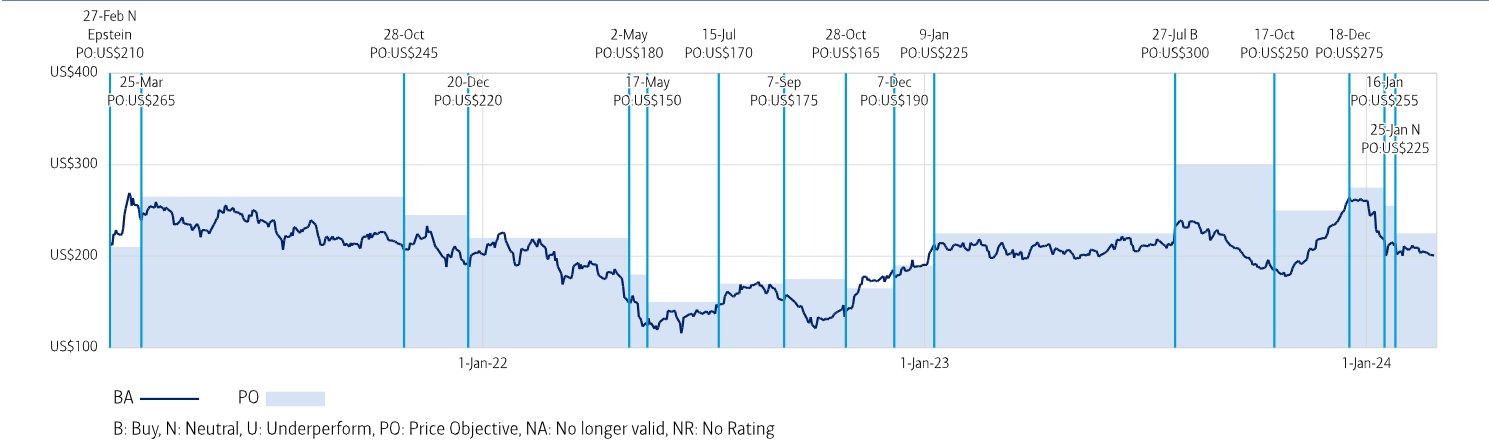
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### Boeing (BA) Price Chart



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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%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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%

<sup>R1</sup> 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%
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<sup>R2</sup> 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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