

Boeing

Strong 1Q23 deliveries, in line with Aero Analysis estimates

Maintain Rating: NEUTRAL | PO: 225.00 USD | Price: 212.32 USD

Boeing in the lead: 1Q23 deliveries were ahead of Airbus

Boeing delivered 64 total aircraft in March, above Airbus deliveries of 61 aircraft, 56% and 120% higher than in 2022 and 2021, respectively. March deliveries included one 767, 3 777s, 7 787s, and 53 737s. 737 deliveries were higher than the 46 estimated by Cirium and in line with Aero Analysis Partners estimates, see our note: [BA March 2023 delivery estimates; MAX appears back on track](#). Boeing's 1Q deliveries of 130 aircraft included 113 737s, one 747, one 767, 4 777s and 11 787s. 737 deliveries averaged a 38 monthly rate, exceeding the 33-37 monthly delivery rate the company needs to hit its delivery target of 400-450 aircraft in 2023 and fueling market expectations for a looming outlook raise (both for deliveries and production). According to Aero Analysis Partners, Boeing plans to raise MAX production rates by increments of 4 units starting in June 2023 with 38 units/month, which we see as challenging given current supply-chain environment

787 deliveries tick up - 2023 target remains challenging

Boeing restarted deliveries on March 10th, delivering 7 787s since then, ahead of Cirium estimates of 5 and in line with Aero Analysis Partners estimates. However, with only ~16% of its 2023 delivery target of 70-80 units achieved year-to-date, meeting the target remains a challenging goal for the company.

1Q23 orders were below 2022 levels

Boeing recorded 60 orders and 22 cancellations in March, ahead of Cirium estimates of 43 orders. For the March quarter-end, Boeing recorded 120 orders, 28% below 2022 levels. However, these figures don't include the historic order from Air India of 220 aircraft. We maintain our Neutral rating on Boeing as recovering commercial aero is partially offset by execution.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(9.44)	(11.05)	(0.75)	5.15	7.30
GAAP EPS	(7.15)	(8.29)	1.81	7.52	9.51
EPS Change (YoY)	59.4%	-17.1%	93.2%	NM	41.7%
Consensus EPS (Bloomberg)			0.29	5.52	9.26
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	NM	NM	41.2x	29.1x
GAAP P/E	NM	NM	117.3x	28.2x	22.3x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA*	NM	NM	44.9x	22.8x	19.8x
Free Cash Flow Yield*	-3.5%	1.8%	3.7%	7.8%	9.2%

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

12 April 2023

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Stock Data

Price	212.32 USD
Price Objective	225.00 USD
Date Established	9-Jan-2023
Investment Opinion	B-2-9
52-Week Range	113.02 USD - 221.33 USD
Mkt Val (mn) / Shares Out (mn)	126,880 USD / 597.6
Average Daily Value (mn)	1220.80 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

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Timestamp: 12 April 2023 03:00AM EDT

iQprofileSM Boeing

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-4.0%	-5.8%	4.6%	13.0%	16.7%
Return on Equity	NM	NM	NM	NM	NM
Operating Margin	-4.7%	-5.3%	3.2%	8.0%	8.8%
Free Cash Flow	(4,396)	2,290	4,670	9,869	11,635

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	3.8x	3.2x
Asset Replacement Ratio	0.5x	0.6x	0.8x	0.9x	1.0x
Tax Rate	14.5%	NM	NM	15.3%	18.3%
Net Debt-to-Equity Ratio	NM	NM	NM	NM	NM
Interest Cover	-1.1x	-1.5x	1.0x	3.0x	3.9x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	62,286	66,608	77,407	85,627	92,494
% Change	7.1%	6.9%	16.2%	10.6%	8.0%
Gross Profit	3,049	3,530	10,080	14,424	16,212
% Change	NM	15.8%	185.6%	43.1%	12.4%
EBITDA	(758)	(1,568)	4,420	8,693	10,054
% Change	92.8%	-106.9%	NM	96.7%	15.7%
Net Interest & Other Income	(2,131)	(1,475)	(1,548)	(1,492)	(1,412)
Net Income (Adjusted)	(5,551)	(6,577)	(449)	3,020	4,169
% Change	58.0%	-18.5%	93.2%	NM	38.1%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(4,378)	(5,171)	844	4,407	5,428
Depreciation & Amortization	2,144	1,979	1,908	1,874	1,876
Change in Working Capital	(6,977)	4,139	2,582	4,575	5,502
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	5,795	2,565	845	725	725
Capital Expenditure	(980)	(1,222)	(1,509)	(1,713)	(1,896)
Free Cash Flow	-4,396	2,290	4,670	9,869	11,635
% Change	77.7%	NM	103.9%	111.3%	17.9%

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	8,052	14,614	14,184	15,553	18,388
Trade Receivables	2,641	2,517	2,258	2,381	2,572
Other Current Assets	97,973	92,392	84,013	78,850	73,497
Property, Plant & Equipment	10,918	10,550	10,421	10,516	10,779
Other Non-Current Assets	18,968	17,027	17,094	16,838	16,595
Total Assets	138,552	137,100	127,970	124,138	121,830
Short-Term Debt	1,296	5,190	5,190	5,190	5,190
Other Current Liabilities	80,696	84,862	81,308	82,082	83,747
Long-Term Debt	56,806	51,811	46,711	41,711	37,411
Other Non-Current Liabilities	14,600	11,085	9,645	9,132	8,530
Total Liabilities	153,398	152,948	142,854	138,114	134,879
Total Equity	(14,846)	(15,848)	(14,884)	(13,976)	(13,048)
Total Equity & Liabilities	138,552	137,100	127,970	124,138	121,830

* 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 Chicago, Illinois.

Investment Rationale

While we think that Boeing will participate in the commercial aerospace recovery, some company-specific challenges lie ahead. Boeing is confronted with losing market share in the narrowbody jet market, refocusing it on engineering excellence, and deleveraging its balance sheet. Our current outlook for commercial aviation is a return to 2019 air traffic levels in 2024.

Stock Data

Average Daily Volume 5,749,833

Quarterly Earnings Estimates

	2022	2023
Q1	-2.75A	-0.54E
Q2	-0.37A	-0.35E
Q3	-6.18A	-0.14E
Q4	-1.75A	0.29E

Price objective basis & risk

Boeing (BA)

Our PO of \$225 is based on the near-term average FCF of \$15/share and relative discount to the S&P500 of 0.8x. In our view, a multiple in line with the historical average fairly balances the looming aerospace recovery as well as the significant risks ahead and lack of dividend.

Upside risks to our PO could be 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				
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	Air Lease Corporation	AL	AL 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	Elizabeth Grenfell
	Crane Co.	CR	CR US	Elizabeth Grenfell
	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	Elizabeth Grenfell
	Terran Orbital Corporation	LLAP	LLAP 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
	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



US - Aerospace and Defense Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Garmin	GRMN	GRMN US	Ronald J. Epstein
	HEICO Corporation	HEI	HEI 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
	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	Ronald J. Epstein
	RBC Bearings Inc	RBC	RBC US	Elizabeth Grenfell
	Spire Global inc	SPIR	SPIR US	Ronald J. Epstein
	Spirit AeroSys-A	SPR	SPR 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

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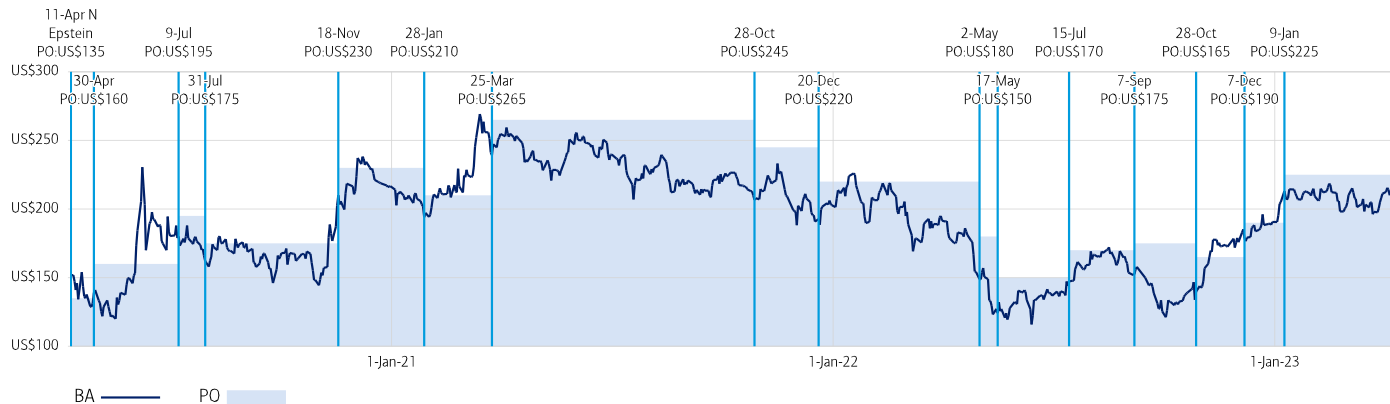
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Boeing (BA) Price Chart



BA — PO
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 Mar 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	25	51.02%	Buy	18	72.00%
Hold	14	28.57%	Hold	13	92.86%
Sell	10	20.41%	Sell	4	40.00%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.01%	Buy	1030	55.11%
Hold	827	23.45%	Hold	476	57.56%
Sell	830	23.54%	Sell	389	46.87%

^{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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