

# Boeing Business and Financial Overview



CARLSON SCHOOL  
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# AGENDA

- Company Overview
- General Business Strategy
- 5C's Analysis
- Financial Trend Analysis
- 4P's Analysis
- Issues
- Recommendations



## ABOUT BOEING :

- **Founded** : In 1916 by William E. Boeing as Pacific Aero Products Company, focusing on building aircraft and military technology
- **1997 Merger with McDonnell Douglas**: The merger created one of the largest aerospace companies, expanding Boeing's product portfolio and market reach in commercial and defense sectors
- **Advanced R&D**: in aviation, sustainable aviation fuel (SAF), **autonomous flight**, and **space exploration**
- **Sustainable Advancement**: Boeing is working towards **carbon-neutral growth by 2050**, through innovation in aircraft technology and green aviation solutions.



**Backbone of U.S. Aviation**

America's **Aerospace** Giant

Cornerstone of **American** Industry

A **National** Champion

A Critical **Defense** Contractor

**One of America's Largest**  
Exporters



# GENERAL BUSINESS STRATEGY



## Diverse Revenue Streams:

Boeing generates revenue through a mix of commercial aircraft sales, defense and security products, and aftermarket services. This diversification enhances financial stability and resilience.

## Customer-Centric Approach:

Foster strong relationships with airlines and customers by providing tailored solutions and comprehensive support services.

**Global Market Expansion:** Increase presence in emerging markets, particularly in Asia-Pacific, to capture growing air travel demand.

**Defense and Space Growth:** Continue to invest in and grow Boeing's defense and space divisions, seeking contracts and partnerships in these sectors.



# 5C Analysis



# 5Cs Analysis



## Internal

Company	Customers	Competitors	Collaborators	Context
				

**Company**

- Over the past 15 years, Boeing has maintained a **dominant position in the twin-aisle** delivering nearly 2,600 jets, compared to just over 1,800 by Airbus
- Holds **70% of the current backlog** for new twin-aisle jets

**Customers**

- Customer demographics include commercial airlines, government agencies, defense contractors
- Boeing also collaborates with NASA and commercial space operators for **space exploration**
- Ideal customers for Boeing** are airlines that have long-standing relationships with the company and a high degree of fleet commonality

**Competitors**

- Boeing's **primary competitor**, **Airbus**, offers a diverse range of commercial aircraft, including the A320 and A350 families
- Chinese Manufacturers:** Companies like **COMAC** (Commercial Aircraft Corporation of China) are emerging competitors in the commercial aircraft market, aiming to capture a share of the market with models like the C919

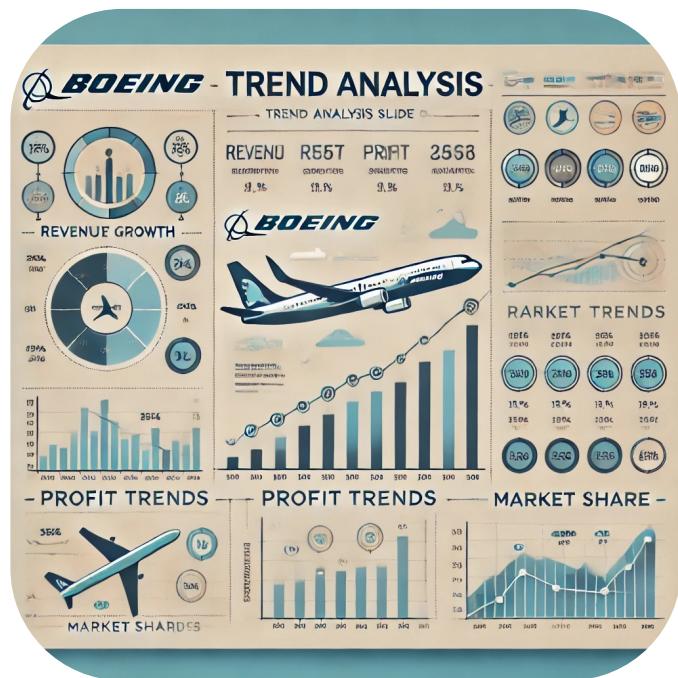
**Collaborators**

- Boeing collaborates with a **global network of suppliers** for essential aircraft components, including engines, avionics, and other critical systems
- It's reliance on **outsourcing has led to significant production and quality control challenges**, particularly during the 737 MAX crisis and the pandemic
- Recently announced **acquisition** of Spirit AeroSystems

**Context**

- Political scrutiny and regulatory issues** have intensified after recent **safety incidents**, such as the door plug failure in the 737 MAX
- Ongoing investigations** present **legal challenges** that add to the complexity of Boeing's recovery efforts
- With **Airbus holding 62%** of the **market share**, few airlines are willing to pay switching cost to move to airbus

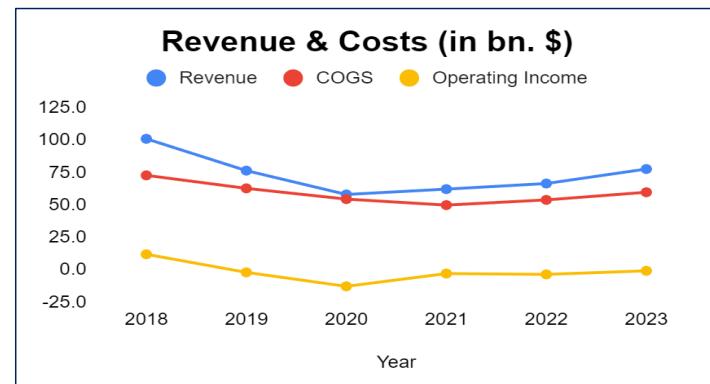
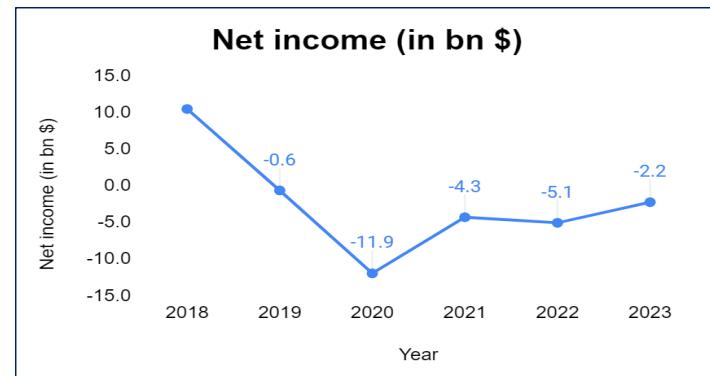
# TREND ANALYSIS



Net income fell from \$10B in 2018 to a \$5B loss in 2020, recovering to a \$2B loss by 2023.



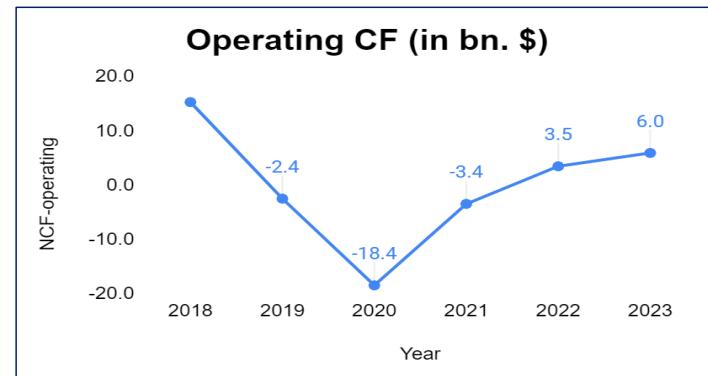
- 737 Max **grounding in 2019** and the pandemic slowed demand, causing a sharp revenue decline.
- Global supply chain disruptions **increased production** and raw material costs during the pandemic
- Income began recovering post FAA 737 Max approval in late 2020 but remained below pre-grounding levels.
- Net income dropped by **150%** from \$10B in 2018 to a \$5B loss in 2020, then recovered by **60%** to a \$2B loss by 2023



## Operating cash flow fell by 220%, while investments rose by 350% between 2018 and 2020



- Operating cash flow dropped from **\$15B in 2018 to - \$18B in 2020**, Investments rose from **\$4B to \$18B** during the same period.
- **Grounding of the 737 Max and pandemic** led to deliveries getting **deferred**, which heavily impacted Boeing's cash flow.
- **Invested heavily (\$18B)** in safety fixes, software upgrades, and **necessary certifications** to bring the aircraft back to service.



# How Did Boeing Fund Its Cash Needs?



Boeing took on **\$36B in new debt** and began repaying it in subsequent years.

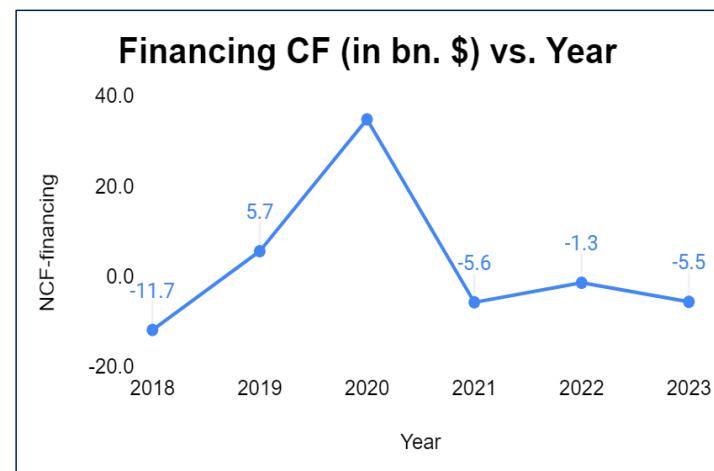
## How was this funded?

### Corporate Bond Issuance:

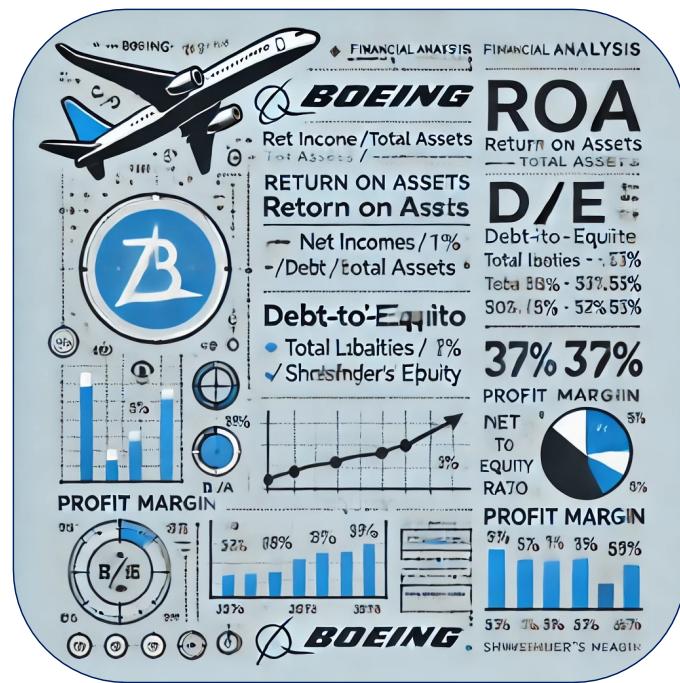
\$25B of Boeing's debt in 2020 came from corporate bonds. The bond sale was **heavily oversubscribed**, signaling investor confidence in Boeing's long-term future despite challenges.

### Federal Reserve Interest Rate Cut:

The **Federal Reserve** cut interest rates to near zero in response to the pandemic. Boeing took advantage of these low rates to **offset immediate cash flow** needs.



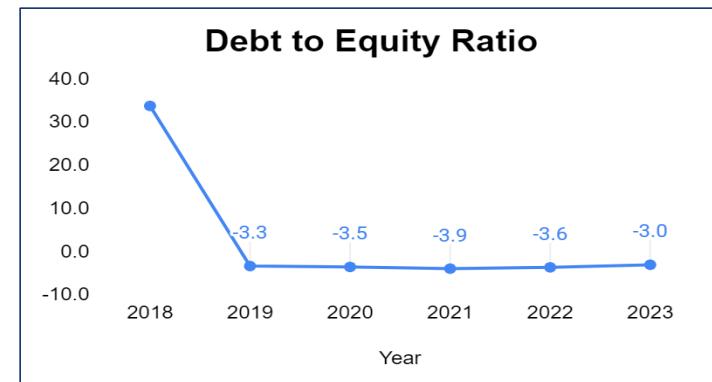
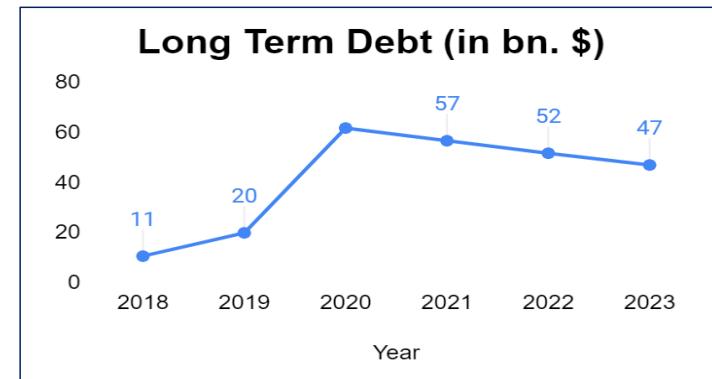
# Financial Ratios



Debt-to-Equity of -3.0 indicates a highly leveraged financial position



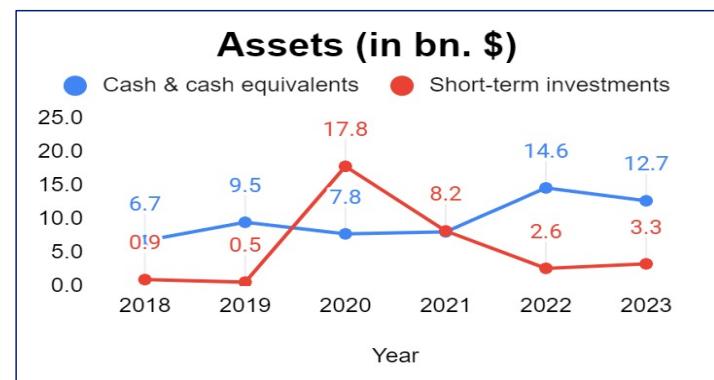
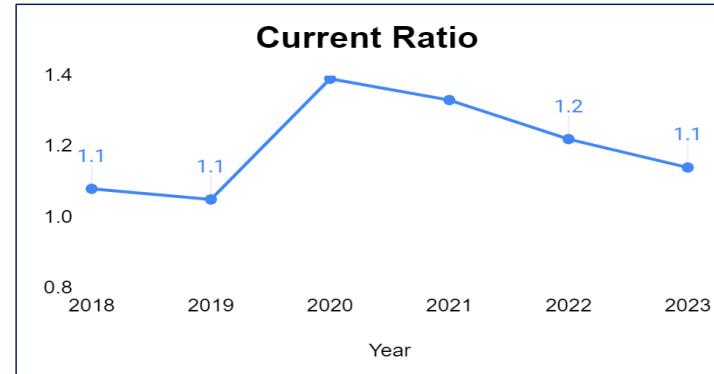
- ▶ In 2020, Boeing issued **significant corporate bonds** to raise debt and fund operations, increasing its long-term debt.
- ▶ Currently, Boeing is using its free cash flows to pay off portions of its debt, **aiming to restore financial health**.



Boeing's current ratio rose to 1.4 in 2020 due to debt, then fell to 1.0 as they started repaying from 2021.



- ▶ Boeing sold more than **\$10 billion** in short-term investments, which primarily included U.S. government securities, and corporate bonds to liquidate funds.
- ▶ Boeing's **current ratio declined** due to the **737 Max grounding** and the pandemic, signaling potential difficulty in covering immediate liabilities.
- ▶ To address this, Boeing **raised debt to improve its current ratio** and cover short-term obligations.
- ▶ Post-2020, the current ratio decreased further as Boeing prioritized using free cash flows to pay down long-term debt.

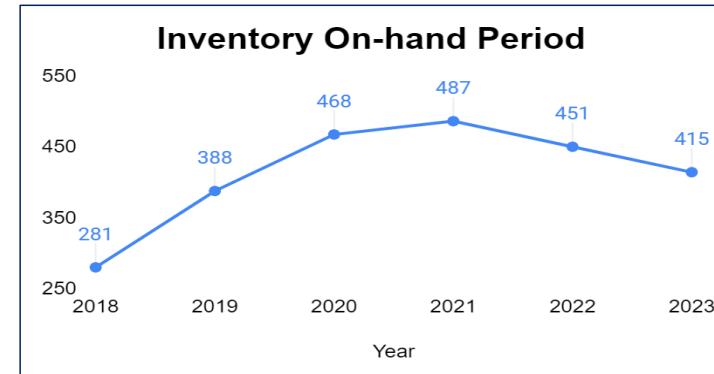


# Boeing's inventory on hand period stands at 415 days



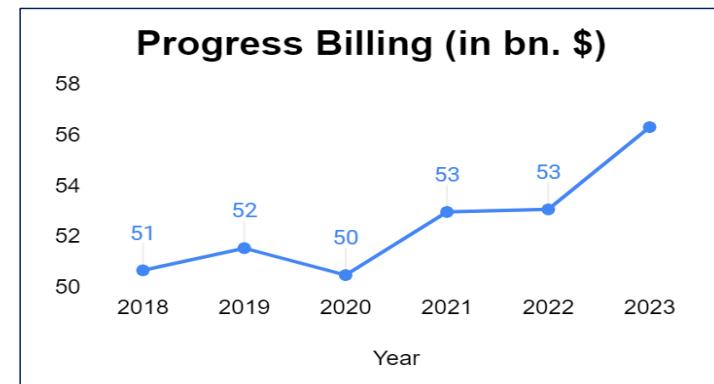
## Inventory on Hand Period

- Boeing needs 415 days to sell its inventory.
- Significant delays due to Quality Control issues.
- Extended inventory period highlights production challenges



## Progress Billings

- Invoices submitted at different stages of a major project for completed work.
- Common in long-term projects like aircraft production.
- Frequent progress billings reflect Boeing's large backlog and efforts to improve production efficiency



## Return Of Assets -1.64% reflects their inability to generate profit from its assets



- ▶ A negative ROA highlights challenges like high operating costs, reduced revenues, or inefficient asset utilization.
- ▶ This aligns with the financial strain Boeing faced due to the **737 Max grounding** and the lasting impacts of the **COVID-19 pandemic**.



# 4Ps of Marketing Mix



# 4P's of Marketing Mix



## Product Strategy

Boeing offers a wide range of products:

- **Commercial Airplanes** - e.g., 737, 777, 787 Dreamliner
- **Military Aircraft** - e.g., F/A-18, AH-64 Apache
- **Space Systems** - e.g., NASA's Space Launch System
- **Satellites, Autonomous Systems**, and other defense technologies

## Price Strategy

- Boeing and Airbus operate in a **duopoly**, leading to mostly **premium pricing**
- Competitive pricing for similar products, with **high discounts** offered to compete with Airbus
- **Price discrimination** based on carrier size, order volume, and specific product situations (e.g., 737 Max grounding)

# 4P's of Marketing Mix



## Place Strategy

- **Global Manufacturing:**
  - Major plants in the U.S. (e.g., Everett, WA; Charleston, SC)
  - Facilities specialize in specific products like 737, 777, and 787 models
- **Sales & Service Hubs :** Worldwide (North America, Europe, Middle East, Asia-Pacific)
- **Diversified Distribution Channels:** Commercial airlines, government contracts, private corporations

## Promotion Strategy

- **TV Commercials & Print Media:** Showcases innovations like the 787 Dreamliner
- **Event Sponsorships** (e.g., Paris Air Show, Dubai Airshow)
- **Direct Marketing:** B2B focus with airlines and governments
- **Indirect Marketing:** Targets consumers by promoting comfort and eco-friendliness of Boeing aircraft, influencing airline purchases

# Issues & Recommendations



# Issues currently plaguing Boeing



## Quality Control Issues :

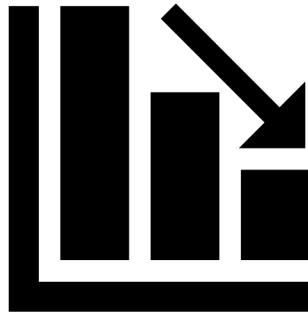
- The two crashes, as well as the blow-up of a door of Alaska Airlines, led to a significant decline in faith in Boeing and its capabilities.
- Supplier oversight failures and lapses in internal inspections, such as metal contamination in aircraft, further underscored weaknesses in Boeing's safety culture.
- These issues, often driven by cost-cutting and production speed pressures, have prompted the company to reform its processes and safety standards



## Budget overruns and delays :

- The new program for the 777-X aircraft has faced significant delays from 2020 to 2026 and beyond, costing the company billions of dollars.
- The development of the 787 Dreamliner, for instance, experienced severe delays and cost overruns, largely caused by reliance on an extensive global supply chain and the need to rework faulty components.

# Issues currently plaguing Boeing



## Financial Crunch:

- Boeing has faced significant financial challenges in recent years, primarily due to the grounding of the 737 MAX after two fatal crashes, which led to lost sales, compensation payouts, and regulatory fines.
- The COVID-19 pandemic further exacerbated its woes, as demand for air travel plummeted, causing reduced orders and cancellations. Production issues with the 787 Dreamliner and KC-46 tanker added to costs and delays. Boeing's debt increased sharply as it sought liquidity to navigate these crises. Despite efforts to streamline operations and cut costs, the company continues to grapple with financial recovery.



## Defense and Space innovation:

- The company's Starliner spacecraft, designed for NASA's Commercial Crew Program, experienced significant software glitches and parachute problems, leading to delays in its crewed missions.
- Boeing has also struggled with satellite production, facing stiff competition from more agile companies like SpaceX.
- These issues have raised concerns about Boeing's ability to innovate and adapt quickly in the highly competitive defense and space sectors.



## Recommendation



### **Proper Assimilation of Spirit AeroSystems and Boeing**

The acquisition of Spirit AeroSystems by Boeing faces challenges due to supply chain dependencies, cost management issues, and production delays. Both companies need to resolve quality control concerns and improve coordination to streamline operations. Regulatory hurdles and financial constraints also complicate the potential acquisition.



### **Increase in production:**

Boeing currently manufactures 38 MAX jets whereas the same Airbus in that same category manufactures 72 airplanes, leading to difficulties in selling these airplanes and a longer waiting time.



## Recommendation



### Structural Changes:

Boeing was an engineering firm and need to return to its roots and with sweeping changes in its management structure, as well as better relations with its collaborators.



### Better Marketing Outreach to Consumers(passengers):

Boeing should spend more towards marketing of their planes, processes and the new quality measures that they considered.



# Thank you

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