

Q4 2023

1. Production rate stabilization

- **Narrative:** Management has emphasized their focus on stabilizing production rates to ensure consistent and reliable output. The current production rate for the 737 is being maintained at 38 units per month as they work closely with the FAA to meet quality standards. This cautious approach is aimed at ensuring all regulatory requirements are met before considering any increases in production. Additionally, there is a strategic plan in place to transition certain programs to a higher production rate by 2025/2026.

- **Management's Guidance:**

- Management plans to maintain the production rate of 737 airplanes at 38 per month until they and the FAA are satisfied with the manufacturing process. The company expects to deliver between 400 and 450 737 MAX airplanes in 2024. Boeing plans to transition production for another program to five units per month, with an aim to increase to ten per month by the 2025/2026 timeframe.

- **Actual Results:**

['Q1', '2024']:

- On the 737, we delivered 67 airplanes in the first quarter.

['Q3', '2024']:

- The 737 program delivered 92 airplanes in the quarter.

['Q2', '2024']:

- The 737 program delivered 70 airplanes in the second quarter, including a meaningful step-up to 35 in June.

['Q4', '2023']:

- Today, we're producing 737s at a rate of 38 per month.

- **Evaluation:**

- **Expectations Not Met:** Management's guidance was to deliver between 400 and 450 737 MAX airplanes in 2024, but actual deliveries by Q3 were only 229, indicating that the production target is unlikely to be met within the year.

2. Quality control improvements

- **Narrative:** In the Q4 2023 earnings call, Boeing's management emphasized their commitment to rigorous quality control improvements. Their strategy involves implementing a comprehensive inspection process for door plugs across multiple production stages. This reflects their broader objective to enhance operational performance and efficiency by ensuring meticulous quality checks at every phase of production.

- **Management's Guidance:**

- Management detailed a forward-looking strategy where door plugs will undergo increased inspections at every stage from receipt at Wichita through the assembly line, indicating a stringent lockdown on quality control to maintain high standards.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

['Q2', '2024']:

- On-site Boeing inspectors at Spirit increased by almost 3 times the number that we had before January, and defects we initially caught and reworked in Renton are now caught and reworked in Wichita.

['Q1', '2024']:

- Effective March 1, we moved inspection and rework teams to Wichita. Since then, we have only allowed fully-inspected fuselages to be shipped to Renton, which has dramatically reduced our non-conformances entering the Renton factory. Full inspections are being performed in Wichita.

- **Evaluation:**

- **Expectations Met:** Boeing's management aimed to enhance quality control through thorough inspections at various production stages. By Q1 2024, the increase in inspection and rework teams in Wichita and the resulting reduction in non-conformances at the Renton factory indicate that the implemented measures met the intended goals.

3. Cash flow optimization

- **Narrative:** Management has emphasized a strong focus on optimizing cash flow through strategic production and delivery plans. The discussions highlighted consistent efforts to improve free cash flow, leveraging increased commercial deliveries, and strong order activities. The strategic focus remains on achieving significant free cash flow targets by 2025, with ongoing adjustments in production rates and order executions.

- **Management's Guidance:**

- Management anticipates maintaining a steady free cash flow in the upcoming year, supported by the production of the 737 at a rate of 38 per month and the continued execution of the 787 program. The company has set a goal to achieve approximately \$10 billion in free cash flow by 2025, reflecting their strategic planning and operational efficiencies.

- **Actual Results:**

['Q3', '2024']:

- Free cash flow (non-GAAP) for third quarter 2024 was (\$1,956) million and for 2023 was (\$310) million.

['Q4', '2023']:

- Q4 2023 Free Cash Flow was \$3.0 billion.

['Q2', '2024']:

- Free cash flow was a usage of \$4.3 billion in the quarter.

['Q1', '2024']:

- Operating cash flow (\$318) (\$3,362), Free cash flow (\$786), Cash flow was a usage of \$3.9 billion in the quarter, a higher usage than last year.

- **Evaluation:**

- **Expectations Not Met:** Management anticipated maintaining steady free cash flow with a goal of \$10 billion by 2025, but actual results showed significant negative free cash flow in 2024, indicating that the strategic goals were not achieved.

4. Debt management strategy

- **Narrative:** Management is focused on maintaining a robust debt management strategy, prioritizing the reduction of liabilities to strengthen the company's balance sheet and ensure financial stability. This includes proactive measures to manage upcoming debt maturities, thereby optimizing available cash resources.

- **Management's Guidance:**

- Over the next few days, management plans to pay down \$4 billion of the \$5 billion of maturities coming due this year from available cash on hand.

- **Actual Results:**

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Retired \$4.4B of maturing debt during the quarter. The debt balance decreased to \$47.9 billion, as we paid down \$4.4 billion of the \$5 billion of maturities due this year.

['Q3', '2024']:

- Consolidated Debt \$57.9B \$57.7B 2Q24 3Q24

['Q4', '2023']:

- On debt, balance remained flat at \$52.3 billion.

- **Evaluation:**

- **Expectations Exceeded:** Boeing retired \$4.4 billion of maturing debt during Q1 2024, surpassing the management's guidance of \$4 billion, which indicates stronger-than-expected debt management efforts.

5. Revenue growth analysis

- **Narrative:** Management has reaffirmed their commitment to returning Boeing Defense, Space & Security (BDS) to high-single digit margins by 2025/2026. This goal is part of their broader financial strategy and indicates a concerted effort to enhance operational efficiencies and improve profitability within the division over the coming years.

- **Management's Guidance:**

- Management has set a target to achieve high-single digit margins for BDS by the 2025/2026 timeframe.

- **Actual Results:**

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Revenue for the Boeing Defense, Space & Security (BDS) division was \$7 billion, up 6% on improved volume, and BDS delivered 14 aircraft in the quarter. However, there is no specific mention of margin performance for the BDS division in the provided dataset for Q1 2024.

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

6. Cost management strategies

- **Narrative:** Management is implementing significant cost management strategies aimed at optimizing production efficiencies and improving margin trajectories. The strategic focus is on reducing production costs and enhancing portfolio-specific performance to achieve improved financial outcomes.

- **Management's Guidance:**

- Management has set a target to reduce production costs by 20% by the end of 2024. Additionally, they anticipate that margin trajectories will improve over time, particularly by focusing on a specific segment of the portfolio, with an aim to restore margins to a high-single digit range by 2025/2026.

- **Actual Results:**

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

7. New aircraft models

- **Narrative:** Management focused on discussing the engineering efforts and resource allocation dedicated to the development of the MAX 7 aircraft model. Emphasis was placed on advancing the design and engineering solutions to ensure the timely completion of this model.

- **Management's Guidance:**

- Management indicated that with the current allocation of resources, the design and engineering solutions for the MAX 7 could be completed within a year.

- **Actual Results:**

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

8. R&D investment focus

- **Narrative:** Management outlined a commitment to bolster innovation by increasing R&D spending, emphasizing its importance for maintaining competitive advantage and driving future growth.

- Management's Guidance:

- Management plans to increase R&D spending by 5% annually over the next three years.

- Actual Results:

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- Actual Results: Data Not Available

['Q2', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

9. Regulatory engagement strategies

- **Narrative:** Management emphasized the importance of achieving stability and predictability in their operations by collaborating closely with the regulator. This strategy involves allocating resources effectively to address existing issues and ensuring each aircraft meets the necessary standards.

- Management's Guidance:

- The company aims to meet their 2025/2026 targets by focusing on stabilizing operations and enhancing predictability, one airplane at a time, in collaboration with regulatory bodies.

- Actual Results:

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

10. Defense sector contracts

- **Narrative:** Management has articulated a strategic focus on enhancing the company's defense sector presence by targeting double-digit growth within their Global Services division. This approach is aimed at capturing a significant portion of the defense market, leveraging their existing capabilities to expand service offerings and client reach. The emphasis is on solidifying their position in defense-related services, indicating a robust growth strategy designed to capitalize on emerging opportunities in the sector.

- Management's Guidance:

- Management is aiming for double-digit growth in the defense sector through their Global Services division, reflecting a strategic intent to expand their market share and capitalize on the growing demand in defense services.

- Actual Results:

['Q3', '2024']:

- Delivered the first production MH-139A to the U.S. Air Force; Definitized a contract for two E-7A Wedgetails from the U.S. Air Force

['Q4', '2023']:

- BDS booked \$8 billion in orders during the quarter, including the Lot 10 award from the U.S. Air Force for 15 KC-46A tankers.

['Q2', '2024']:

- In the quarter, BGS secured an Apache performance-based logistics contract from the U.S. Army and captured FlightDeck Pro service contracts with Hainan Airlines and Ryanair.

['Q1', '2024']:

- Opened a Jacksonville, Florida maintenance facility, supporting military customers. U.S. Navy exercised options on a P-8A sustainment modification contract. Awarded 17 P-8 aircraft for Canada and Germany. Secured final contract from the U.S. Navy for 17 F/A-18 production aircraft. Awarded MQ-25 cost-type contract modification from the U.S. Navy, including two additional test aircraft. BDS booked \$9 billion in orders during the quarter, including awards for 17 P-8 aircraft for the Royal Canadian Air Force and the German Navy and securing the final F-18 new-build production contract from the US Navy.

- Evaluation:

- **Expectations Exceeded:** The actual results show Boeing's Global Services division secured significant defense sector contracts, including a \$9 billion order and multiple high-profile awards, suggesting growth likely exceeded management's double-digit target.