Q4 2020

1. Production rate stabilization

- **Narrative:** Management is focused on stabilizing production rates across various aircraft programs to align with market demand and operational efficiency goals. The strategic approach includes transitioning production rates and consolidating assembly operations to streamline processes, thereby enhancing overall production efficiency.

- **Management's Guidance:**

- Management expects to transition to a production rate of five 787 aircraft per month by March, with final assembly consolidated to Boeing South Carolina. The production rate expectations for the combined 777/777X program remain at two per month in 2021, with a gradual increase to 31 per month expected in early 2022, aligned with market demand.

- **Actual Results:**

['Q1', '2021']:

- The 787 production rate was transitioned to 5 per month by the end of the first quarter, and the final assembly was consolidated to South Carolina.

['Q3', '2021']:

- We did not deliver any 787s in the third quarter. The combined production rate is two per month.

['Q2', '2021']:

- The 787 production rate is now lower than 5 per month. The combined 777/777X production rate is two per month.

['Q4', '2020']:

- Our production rate expectations for the combined 777/777X program remains at two per month in 2021.

- **Evaluation:**

- Expectations Not Met: While the 787 production rate initially met the target of 5 per month by the end of Q1 2021, it subsequently fell below that rate in Q2, and no 787s were delivered in Q3. The 777/777X production rate remained at two per month, not increasing as expected, indicating that overall production stabilization goals were not achieved.

2. Supply chain management

- **Narrative:** Management highlighted the resumption of 787 deliveries as a key strategy to improve inventory management and enhance operational efficiency. This initiative is expected to streamline supply chain processes and positively impact the company's performance in subsequent quarters.

- **Management's Guidance:**

- Management anticipates that the resumption of 787 deliveries will lead to a substantial reduction in inventory levels, with notable improvements expected in the second, third, and fourth quarters.

- **Actual Results:**

['Q3', '2021']:

- Data Not Available

['Q1', '2021']:

- Data Not Available

['Q4', '2020']:

- 489de3ea0bf1777bf3e3dd9c537f70de --> Seth M. Seifman[Greg, you mentioned about 80 aircraft in inventory.] bd6660c24d50d552f1a3318846df4e7d --> [Unnamed] all the deliveries we've had to date, the 40 aircraft, have all come out of inventory.

['Q2', '2021']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

3. Workforce management

- **Narrative:** Management has outlined a strategic plan to optimize workforce levels as part of their operational performance and efficiency improvement efforts. This includes a significant reduction in workforce numbers in the short term, aiming to align staffing levels with long-term operational goals.

- **Management's Guidance:**

- Management is planning to reduce the workforce by 10% over the next six months. They also aim to achieve an overall staffing level of approximately 130,000 by the end of 2021.

- **Actual Results:**

['Q2', '2021']:

- We now plan to keep our overall workforce size roughly consistent with where we are today at approximately 140,000.

['Q1', '2021']:

- Data Not Available

['Q3', '2021']:

- Data Not Available

['Q4', '2020']:

- Data Not Available

- **Evaluation:**

- Expectations Not Met: Management planned to reduce the workforce to 130,000 by the end of 2021, but actual results indicate the workforce remained consistent at approximately 140,000, not achieving the targeted reduction.

4. Cash flow optimization

- **Narrative:** Management has articulated a clear strategy focused on improving cash flow through several key initiatives. A significant focus is on achieving positive free cash flow by 2022, driven by improvements in operational efficiency and strategic program adjustments. The changes to the 777X program are a notable element, with an expectation of initial cash flow challenges followed by improvements as the program progresses towards entry into service and subsequent deliveries. Additionally, the company plans to leverage inventory burn-downs and increased efficiencies in the 737 and 787 programs to bolster cash flow, particularly emphasizing the reduction of customer considerations and the increase in delivery payments.

- **Management's Guidance:**

- The company aims to achieve positive free cash flow by 2022. Cash flow headwinds are anticipated for 2021 and 2022 due to the 777X program timeline adjustments, with improvements expected as the program approaches entry into service and begins deliveries in late 2023. The 777X program is expected to become cash flow positive approximately one to two years after starting initial deliveries. 2021 operating cash flow is projected to be significantly better than 2020, primarily due to inventory reductions associated with the 737 and 787 programs. The company expects to be cash flow positive in 2022, with improvements from 2021 driven by the 737 program's progress, reduced customer considerations, and higher delivery payments. The two primary drivers for achieving cash flow positivity in 2022 and beyond are improvements in the 737 program and commercial services.

- **Actual Results:**

['Q3', '2021']:

- Operating cash flow for the quarter was negative $0.3 billion. Operating cash flow was favorably impacted by a $1.3 billion income tax refund.

['Q4', '2020']:

- Operating cash flow for the quarter was negative $4 billion driven by lower commercial airplane delivery volume, advanced payment timing, and commercial service volume.

['Q2', '2021']:

- Operating cash flow for the quarter improved significantly to negative $0.5 billion. We ended the second quarter with strong liquidity, including $21.3 billion of cash and marketable securities on our balance sheet and access to $14.8 billion from our bank credit facilities.

['Q1', '2021']:

- Operating cash flow for the quarter improved to negative $3.4 billion.

- **Evaluation:**

- Expectations Not Met: The management aimed for positive free cash flow by 2022, with improvements expected in 2021 from the 737 and 787 programs. However, actual results for 2021 showed consistently negative operating cash flow across all quarters, indicating that the expected cash flow improvements were not realized.

5. Revenue growth analysis

- **Narrative:** Management highlighted a positive outlook for revenue growth in 2021, primarily driven by an increase in deliveries of the 737 and 787 aircraft models. This strategy is aimed at reducing inventory levels and enhancing production line efficiency. Additionally, the Boeing Defense, Space & Security (BDS) segment is expected to experience low to single-digit growth, while the Boeing Global Services (BGS) revenue is anticipated to remain stable compared to the previous year.

- **Management's Guidance:**

- Management expects 2021 revenue to improve from 2020 levels, driven by higher deliveries of 737 and 787 aircraft as they plan to unwind inventory and deliver from production lines. BDS is projected to generate low to single-digit growth in 2021 revenue compared to 2020. BGS revenue is expected to remain relatively stable in 2021 versus 2020.

- **Actual Results:**

['Q3', '2021']:

- Brian J. West reported that in Q3 2021, third-quarter revenue increased to $15.3 billion, primarily due to higher commercial deliveries and commercial services volume. Revenue from higher 737 deliveries was partially offset by lower 787 deliveries. Global Services revenue increased to $4.2 billion, and the operating margin grew to 15.3%.

['Q4', '2020']:

- Data Not Available

['Q1', '2021']:

- First quarter revenue decreased to $15.2 billion primarily due to lower 787 deliveries and commercial Services volume. Additionally, revenue was $4.3 billion driven by lower 787 deliveries, partially offset by higher 737 volume.

['Q2', '2021']:

- Data Not Available

- **Evaluation:**

- Expectations Met: The management's guidance for 2021 anticipated revenue growth driven by higher deliveries of 737 and 787 aircraft, with stable BGS revenue. Actual results showed increased Q3 2021 revenue due to higher commercial deliveries, aligning with management's expectations despite lower 787 deliveries.

6. Cost management strategies

- **Narrative:** During the Q4 2020 earnings call, management highlighted key cost management strategies to stabilize and improve financial performance. They emphasized the company's commitment to achieving cost efficiencies and recovery through strategic initiatives and specific measures aimed at long-term sustainability.

- **Management's Guidance:**

- Management indicated that they intend to achieve cost advantages in the range of $5 billion by 2023, focusing on accruing these benefits to their airplane programs. Additionally, there was a mention of a significant pre-tax charge of $6.5 billion in the quarter, with a portion of costs expected to be expensed largely in 2021, reflecting updated program assumptions and financial adjustments.

- **Actual Results:**

['Q3', '2021']:

- Data Not Available

['Q4', '2020']:

- As per the actual results for Q4 2020, Boeing recorded a $6.5 billion pre-tax charge in the quarter, which aligns with the management guidance provided. They also reported taking out over $1 billion of indirect spending by reducing expenditures in areas such as freight and logistics, purchased services, and others, and reduced R&D and CapEx by $1.3 billion in 2020 from the prior year, as part of cost management strategies.

['Q2', '2021']:

- Through our business transformation efforts over the past year, we've reduced billions of dollars of costs.

['Q1', '2021']:

- During the first quarter, Boeing expensed $568 million of abnormal production costs, which brought the cumulative abnormal cost expense to date to $3.1 billion.

- **Evaluation:**

- Expectations Met: Management's cost management strategies aligned with expectations as they achieved significant cost reductions, including a $6.5 billion pre-tax charge and over $1 billion in indirect spending cuts, as part of their strategic initiatives.

7. Commercial aircraft demand
- **Narrative:** Management highlighted the challenges in the commercial aircraft sector, with a cautious outlook on the recovery timeline. The discussions centered on the prolonged impact of the pandemic on travel and the gradual return to pre-pandemic demand levels.
- **Management's Guidance:**
- Management expects it will take around three years for travel to return to the 2019 levels and anticipates it will take multiple years to reach the previous demand levels.
- **Actual Results:**
['Q1', '2021']:
- February domestic traffic was 51% below 2019 levels. More than one-third of the previously parked fleet is now flying revenue-generating flights. TSA throughput in April has been the highest we've seen since the onset of the pandemic with daily averages of approximately 1.4 million passengers, around 60% of 2019 levels.
['Q2', '2021']:
- May domestic traffic was 24% below 2019 levels compared to 50% the quarter before.
['Q3', '2021']:
- Data Not Available
['Q4', '2020']:
- Data Not Available
- **Evaluation:**
- Expectations Met: Management expected a three-year timeline to return to 2019 demand levels, and the gradual improvement in domestic traffic, with significant recovery by Q2 2021, aligns with the anticipated recovery trajectory.

8. New aircraft models
- **Narrative:** Management provided updates on the anticipated timeline for the 777X aircraft model, indicating a shift in the delivery schedule.
- **Management's Guidance:**
- Management expects the first delivery of the 777X to now occur in late 2023.
- **Actual Results:**
['Q3', '2021']:
- Data Not Available
['Q4', '2020']:
- Data Not Available
['Q2', '2021']:
- Data Not Available
['Q1', '2021']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

9. Regulatory engagement strategies
- **Narrative:** Management highlighted their ongoing efforts in engaging with regulatory bodies to facilitate timely approvals necessary for strategic initiatives. The focus has been on ensuring compliance while aiming to expedite processes that are crucial for meeting strategic objectives.
- **Management's Guidance:**
- Management anticipates receiving the remaining non-US regulatory approvals during the first half of 2021, which is expected to support their strategic goals.
- **Actual Results:**
['Q3', '2021']:
- Data Not Available
['Q4', '2020']:
- Data Not Available
['Q2', '2021']:
- Actual Results: Data Not Available
['Q1', '2021']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

10. Digital transformation initiatives
- **Narrative:** Management emphasized the importance of digital solutions and highlighted a significant agreement with Frontier Airlines, which reflects their commitment to enhancing digital capabilities and expanding their service offerings.
- **Management's Guidance:**
- Management indicated that their digital solutions are expected to provide crucial capabilities to their customers, as evidenced by a new 10-year digital services agreement with Frontier Airlines for their fleet.
- **Actual Results:**
['Q1', '2021']:
- Data Not Available
['Q3', '2021']:
- Data Not Available
['Q4', '2020']:
- Our digital solutions continue to provide important capabilities to our customers, as highlighted by Frontier Airlines recent decision to sign a 10-year digital services agreement with us for their fleet.

['Q2', '2021']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

11. Defense sector contracts
- **Narrative:** Management has set a strategic goal to significantly enhance revenue within the defense sector through targeted initiatives by 2023.
- **Management's Guidance:**
- Management is aiming for a 20% increase in defense sector revenue by 2023.
- **Actual Results:**
['Q2', '2021']:
- Award for 14 H-47 ER Chinook helicopters for the U.K. Royal Air Force; Germany agreement to purchase 5 P-8A Poseidon aircraft; US Air Force Approved the KC-46A tanker for joint Forces operational use of the center line hose and drogue refueling system earlier this month; We received $4 billion in orders during the quarter including an award for 14 Chinook helicopters for the UK Royal Air Force.
['Q1', '2021']:
- The strength of our defense portfolio was underscored by another strong quarter of BDS orders, totaling $7 billion. We received $7 billion in orders in the quarter, including contracts for 27 KC-46A tanker aircraft to the US Air Force, 11 P-8 Poseidon aircraft to the US Navy and Royal Australian Air Force, and 6 Bell Boeing V-22 Osprey rotorcraft to the US Navy and US Air Force, holding the backlog steady at $61 billion.
['Q3', '2021']:
- Awarded Performance Based Logistics contract for global C-17 fleet. Secured Chinook infra-red suppression systems modification award for U.K. Armed Forces. Award for 5 P-8A Poseidon aircraft for Germany. Award for 4 CH-47F Block II Chinook helicopters to the U.S. Army. BGS won key contracts worth approximately $4 billion.
['Q4', '2020']:
- Data Not Available
- **Evaluation:**
- Expectations Met: Management aimed for a 20% increase in defense sector revenue by 2023, and the substantial contracts secured throughout 2021, including orders totaling billions of dollars, indicate alignment with the revenue enhancement goal.

12. Emission reduction technologies
- **Narrative:** During the Q4 2020 earnings call, Boeing's management highlighted their commitment to sustainability and environmental improvements, specifically through the advancement of emission reduction technologies. The discussion emphasized the importance of retiring older, less efficient aircraft and replacing them with more fuel-efficient alternatives, underlining a key strategic priority for the company moving forward.
- **Management's Guidance:**
- Management anticipates that the trend of replacing older airplanes with newer models that offer 25% to 40% greater fuel efficiency will persist, driven by customer demand for more environmentally friendly options.
- **Actual Results:**
['Q2', '2021']:
- David L. Calhoun [The 767, when it moves into like a FedEx or a UPS opportunity, it displaces airplanes that are 40%-plus less efficient and most importantly 40% less environmentally friendly.]
['Q1', '2021']:
- Data Not Available
['Q3', '2021']:
- Data Not Available
['Q4', '2020']:
- Data Not Available
- **Evaluation:**
- Expectations Met: Management anticipated replacing older aircraft with newer models offering 25% to 40% greater fuel efficiency, which was confirmed by the Q2 2021 commentary indicating that the 767 replacements are achieving these efficiency improvements.

13. Sustainable aviation fuels commitment
- **Narrative:** Boeing's management emphasized their commitment to achieving sustainability goals by focusing on sustainable aviation fuels (SAF). They discussed their strategic vision to have their commercial airplanes fully capable and certified to operate on 100% sustainable aviation fuels by the year 2030. This initiative is part of their broader effort to meet environmental guidelines and reduce carbon emissions, contributing to long-term sustainability goals up to 2050.
- **Management's Guidance:**
- Management has set a forward-looking objective to ensure that their commercial aircraft fleet will be certified for 100% sustainable aviation fuel operations by 2030. They also highlighted the importance of developing a sustainable fuel supply chain as a critical component of meeting 2050 environmental guidelines.
- **Actual Results:**
['Q3', '2021']:
- Data Not Available
['Q1', '2021']:
- Data Not Available
['Q4', '2020']:
- Data Not Available
['Q2', '2021']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.