Q3 2022

1. Production rate stabilization
- **Narrative:** Management is focused on stabilizing production rates, particularly for the 737 MAX, with an aim to gradually increase production while addressing supply chain constraints, notably engine availability. The strategic objective is to manage current low production rates with a planned increase as supply issues are resolved.
- **Management's Guidance:**
- Management expects to increase production of the 737 MAX to 31 per month by the end of the year. They continue to produce at a low rate but plan to gradually return to five airplanes per month over time. The monthly delivery trend is expected to remain in the low-30s into next year, with constraints primarily due to engine supply. It is projected to take the entirety of next year for production rates to truly stabilize.
- **Actual Results:**
['Q2', '2023']:
- On the 737, Boeing had 103 deliveries in the second quarter, including 49 in June, indicating a positive proof point that the production system is stabilizing.
['Q3', '2022']:
- Delivered 112 airplanes, including 88 737 aircraft.
['Q4', '2022']:
- Production, we've gone from 0 to 31 a month.
['Q1', '2023']:
- The 737 had 113 deliveries in the first quarter, up 31% year-over-year, including 53 deliveries in the month of March.
- **Evaluation:**
- Expectations Met: Management expected to stabilize production at 31 per month for the 737 MAX by year-end. The actual results show they have reached this production rate, indicating alignment with their guidance.

2. Supply chain management
- **Narrative:** Management has acknowledged ongoing challenges within the supply chain that are expected to persist. These challenges have been highlighted as a significant headwind impacting the company's operational performance and efficiency. The management is focused on navigating these obstacles to maintain stability and ensure that operational goals are met.
- **Management's Guidance:**
- Management anticipates that the supply chain challenges will continue throughout 2023 and expects these issues to remain at a similar level of impact as previously experienced.
- **Actual Results:**
['Q4', '2022']:
- Data Not Available
['Q2', '2023']:
- Data Not Available
['Q1', '2023']:
- Data Not Available
['Q3', '2022']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

3. Cash flow optimization
- **Narrative:** During the third quarter of 2022, Boeing's management outlined their strategic focus on achieving positive free cash flow. The emphasis was placed on maintaining a robust cash balance to ensure the company can meet its financial obligations. This strategy is part of a broader effort to optimize cash flow management, particularly in light of upcoming debt maturities.
- **Management's Guidance:**
- Management set a clear target of achieving positive free cash flow both for the fourth quarter and the entire fiscal year. They expressed confidence in their ability to meet financial obligations, highlighting a strong cash position at the end of the quarter.
- **Actual Results:**
['Q1', '2023']:
- Free Cash Flow for the first quarter of 2023 was reported as a usage of $3,565 million.
['Q4', '2022']:
- Boeing achieved a positive free cash flow of $3.1 billion for Q4 2022, successfully meeting their target for the quarter and the fiscal year.
['Q2', '2023']:
- In Q2 2023, Boeing generated $2.6 billion in free cash flow for the quarter. The company ended the quarter with $13.8 billion of cash and marketable securities.
['Q3', '2022']:
- We ended the third quarter with strong liquidity with $14.3 billion of cash and marketable securities on the balance sheet, an improvement of $2.9 billion since the end of the second quarter driven by free cash flow generation.
- **Evaluation:**
- Expectations Met: Boeing achieved its target of positive free cash flow for Q4 2022 and the entire fiscal year, aligning with management's guidance and demonstrating their ability to meet financial obligations.

4. Debt management strategy
- **Narrative:** Boeing's management articulated a focused debt management strategy aimed at significantly reducing the company's debt load. The strategic plan emphasizes improving the company's financial health and flexibility by targeting a substantial reduction in total debt obligations over a multi-year horizon.
- **Management's Guidance:**
- Management plans to reduce the company's debt by $10 billion over the next three years.
- **Actual Results:**

['Q4', '2022']:
- We finished the year with $57 billion in debt.
['Q2', '2023']:
- In the quarter, we repaid $3.4 billion of maturing debt and provided a $180-million cash advance to Spirit as previously shared. Year-to-date we've repaid $5.1 billion of debt which is essentially all of our maturities for the year.
['Q3', '2022']:
- Our debt balance is consistent with the end of the last quarter at $57.2 billion. Boeing debt 2022 Q3 $55.7 billion, 2022 Q2 $55.7 billion.
['Q1', '2023']:
- We ended the quarter with $14.8 billion of cash and marketable securities and our debt balance decreased to $55.4 billion. We paid down $1.7 billion of debt maturities in the quarter and absorbed the expected cash flow usage driven by seasonality.
- **Evaluation:**
- Expectations Met: Boeing's management aimed to reduce debt by $10 billion over three years, and by mid-2023, they had repaid $5.1 billion, aligning with their strategic debt reduction plan.

5. Revenue growth analysis
- **Narrative:** During the third quarter of 2022, Boeing's management emphasized their commitment to improving financial performance, highlighting that their current trajectory positions the company positively for both the latter half of 2022 and the full year. This suggests a strategic focus on stabilizing and enhancing revenue streams through careful management of production rates and market conditions.
- **Management's Guidance:**
- Management anticipates that substantive rate increases may not be feasible until the end of the following year, indicating a cautious approach to scaling operations in response to market constraints.
- **Actual Results:**
['Q4', '2022']:
- Revenue in the fourth quarter came in at $20 billion, up 35% year-over-year driven by higher Commercial volume. BCA revenue in the fourth quarter was $9.2 billion, up 94% year-over-year. BDS revenues in the fourth quarter were $6.2 billion, up 5% year-over-year. BGS revenue was $4.6 billion, up 6% year-over-year with an operating margin of 13.9%.
['Q1', '2023']:
- In Q1 2023, Boeing reported a revenue of $17.9 billion, which represents a 28% increase year-over-year. The commercial parts and distribution business contributed significantly, with a revenue of $4.7 billion, up 9% year-over-year. Additionally, over 60% of revenues in the quarter delivered double-digit margins.
['Q2', '2023']:
- In Q2 2023, Boeing reported revenue of $19.8 billion, an increase from $16.7 billion in Q2 2022. Additionally, the company secured 460 net orders and had a backlog of $363 billion, delivering 136 airplanes. The operating margin for Q2 2023 was (3.5)%, compared to (4.3)% in Q2 2022.
['Q3', '2022']:
- Third quarter revenue of $16 billion, increased 4%.
- **Evaluation:**
- Expectations Exceeded: Despite management's cautious approach regarding rate increases, Boeing's revenue significantly increased in Q4 2022 and Q1 2023, driven by higher commercial volume and substantial year-over-year growth, surpassing their strategic focus on stabilizing and enhancing revenue streams.

6. Cost management strategies
- **Narrative:** Management provided insights into their ongoing cost management strategies, highlighting their proactive approach to managing production costs and optimizing financial resources. They emphasized the importance of maintaining flexibility in production schedules to allocate resources effectively, particularly in response to fluctuating market demands and production pauses.
- **Management's Guidance:**
- Management expects to record approximately $1.5 billion in costs through 2023, aligning with the pause in 777-9 production. They anticipate a total cost impact of around $2 billion, with the majority expected to be incurred by the end of 2023, indicating a concentrated effort to manage and forecast expenses efficiently.
- **Actual Results:**
['Q2', '2023']:
- Data Not Available
['Q3', '2022']:
- We booked $111 million of 777X abnormal costs in the third quarter, in line with our expectations.
['Q4', '2022']:
- We booked $315 million of abnormal costs in the quarter taking the total to-date to just $1.7 billion.
['Q1', '2023']:
- Data Not Available
- **Evaluation:**
- Expectations Not Met: Management expected to incur $1.5 billion in costs through 2023, with a total impact of around $2 billion; however, by Q4 2022, only $1.7 billion had been recorded, indicating underperformance in achieving the anticipated cost management target.

7. Commercial aircraft demand
- **Narrative:** Management highlighted their strategic focus on recovering from the pandemic's impact on commercial aircraft demand. They are aiming to return to pre-pandemic levels of commercial deliveries by 2025, indicating a clear recovery timeline. Additionally, they are optimistic about the rebound in overall passenger traffic, which is expected to return to 2019 levels between 2023 and 2024.
- **Management's Guidance:**
- Management is targeting a return to pre-pandemic levels of commercial deliveries by 2025. They also foresee overall passenger traffic returning to 2019 levels in the 2023 to 2024 timeframe. Furthermore, the company plans to continue remarketing certain airplanes as part of their forward strategy.
- **Actual Results:**
['Q2', '2023']:
- Global passenger traffic was up 39% in May, and is at 96% of pre-pandemic levels. 105% domestic and 91% international.
['Q3', '2022']:
- In aggregate, commercial passenger traffic was at 74% of 2019 levels.

['Q4', '2022']:
- Global passenger traffic increased almost 70% in 2022, reaching 75% of pre-pandemic levels globally.
['Q1', '2023']:
- Domestic travel now is at the pre-pandemic level.
- **Evaluation:**
- Expectations Exceeded: Global passenger traffic reached 96% of pre-pandemic levels by Q2 2023, surpassing management's expectation of a full recovery between 2023 and 2024, indicating a stronger and faster-than-anticipated rebound.

8. New aircraft models
- **Narrative:** Management reiterated their commitment to advancing the development of the 777-9 airplane, emphasizing the strategic importance of this model for Boeing's future market positioning and growth. The management is actively working with the Federal Aviation Administration (FAA) to ensure that resources are efficiently allocated across their development programs, which is crucial for meeting their delivery timelines.
- **Management's Guidance:**
- Management anticipates the delivery of the first 777-9 airplane in 2025, as they continue to coordinate with the FAA to prioritize resources across their development programs.
- **Actual Results:**
['Q1', '2023']:
- Data Not Available
['Q4', '2022']:
- Data Not Available
['Q2', '2023']:
- Data Not Available
['Q3', '2022']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

9. Portfolio diversification
- **Narrative:** Management emphasized their commitment to de-risking significant programs as part of their strategy to diversify their portfolio. This approach is intended to ensure long-term stability and growth by focusing on reducing potential vulnerabilities in their operations.
- **Management's Guidance:**
- Management stated that they have successfully de-risked two major programs, which are pivotal for the next two years. This indicates a strategic move to enhance the company's resilience and adaptability in the face of market fluctuations.
- **Actual Results:**
['Q4', '2022']:
- Data Not Available
['Q1', '2023']:
- Data Not Available
['Q2', '2023']:
- Data Not Available
['Q3', '2022']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.