

Q1 2022

1. Production rate stabilization

- **Narrative:** Management emphasized the importance of stabilizing production rates as a critical operational focus. The discussion highlighted efforts to manage and overcome supply constraints, ensuring that production remains consistent at the current rate before considering any future increases. This approach reflects a cautious yet strategic effort to build confidence in the production process, particularly for the 737 MAX and 787 models.

- **Management's Guidance:**

- Management has articulated a near-term objective to stabilize production at 31 airplanes per month, citing that any decisions to adjust this rate will be deferred until the company attains a stable production environment. This stabilization effort is seen as essential for building operational confidence and is not subject to change until the company is ready to make any future decisions.

- **Actual Results:**

['Q3', '2022']:

- Year-to-date, we've been in the low-30s.

['Q4', '2022']:

- In Q4 2022, management reported that production had increased from 0 to 31 airplanes per month, indicating that the production rate stabilization target was achieved.

['Q1', '2022']:

- We continue to make progress ramping our 737 production rate and are essentially at 31 airplanes per month.

['Q2', '2022']:

- Commercial Airplanes increased the 737 production rate to 31 per month during the second quarter of 2022.

- **Evaluation:**

- **Expectations Met:** The management's goal to stabilize production at 31 airplanes per month was achieved by Q4 2022, aligning with their stated objective and indicating that their expectations were met.

2. Supply chain management

- **Narrative:** Management emphasized efforts to streamline and de-risk the supply chain processes to enhance operational efficiency. The focus has been on reducing uncertainties in deliveries and managing inventory levels effectively to ensure a smoother production cycle and meet delivery commitments.

- **Management's Guidance:**

- Management indicated that significant de-risking of deliveries has been achieved for the current year, with further improvements anticipated. They projected that the substantial completion of these efforts would be achieved by the end of 2023, aligning with the planned liquidation of inventory.

- **Actual Results:**

['Q4', '2022']:

- We ended the year with 250 MAX airplanes in inventory, 30 of which were -7 and -10s and we had 138 for customers in China. Additionally, there were 100 airplanes in finished goods inventory.

['Q1', '2022']:

- Data Not Available

['Q2', '2022']:

- Data Not Available

['Q3', '2022']:

- Data Not Available

- **Evaluation:**

- **Expectations Not Met: Despite management's guidance on de-risking and inventory liquidation by the end of 2023, the actual results show a significant amount of inventory, including 250 MAX airplanes, indicating challenges in streamlining the supply chain and meeting delivery commitments.**

3. Cash flow optimization

- **Narrative:** During the Q1 2022 earnings call, Boeing's management communicated a robust approach towards optimizing cash flow. They expressed strong confidence in achieving positive free cash flow within the year and anticipated a significant improvement in 2023. Management remains focused on hitting key delivery milestones, which are expected to drive cash flow acceleration in the latter half of the year. Additionally, strategic adjustments to the production rate of the 777-9, including a temporary pause through 2023, are part of their cash flow management strategy.

- **Management's Guidance:**

- Management expects to generate positive free cash flow for 2022 and foresees a meaningful acceleration in cash flow in the latter half of the year as key delivery milestones are achieved. They are confident that 2023 cash flow will be materially higher than in 2022. The company is adjusting its 777-9 production rate, including a temporary pause through 2023, as part of managing cash flow. It was highlighted that Q2 2022 will be better than Q1, with an acceleration expected in the second half of the year.

- **Actual Results:**

['Q2', '2022']:

- Operating cash flow was positive \$0.1 billion in Q2 2022, in line with expectations, marking an improvement from the same period last year. This reflects Boeing's progress in cash flow optimization efforts as outlined in their guidance and narrative.

['Q4', '2022']:

- In Q4 2022, Boeing generated over \$3 billion in free cash flow. Specifically, their free cash flow for the fourth quarter was reported as \$3.1 billion, and the full year 2022 saw a positive free cash flow of \$2.3 billion.

['Q1', '2022']:

- Operating cash flow was a usage of \$3.2 billion in Q1 2022, in line with what was expected. The company ended the first quarter with strong liquidity, comprising \$12.3 billion of cash and marketable securities on the balance sheet and access to \$14.7 billion across undrawn bank credit facilities.

['Q3', '2022']:

- Operating cash flow was \$3.2 billion and free cash flow was \$2.9 billion, both up significantly versus both prior year and prior quarter, driven by higher deliveries and some receipt timing. The company generated \$3.2 billion of operating cash flow, a significant improvement from the same period last year, primarily due to higher commercial airplane deliveries and favorable receipt timing.

- Evaluation:

- Expectations Exceeded: Boeing's management expected positive free cash flow for 2022 and significant acceleration in the latter half, which was exceeded with a \$3.1 billion free cash flow in Q4 2022 and a full-year positive free cash flow of \$2.3 billion, surpassing expected outcomes.

4. Revenue growth analysis

- Narrative: Management highlighted their expectation for revenue growth driven predominantly by increased deliveries in the Commercial Airplane sector, specifically through the 737 and 787 programs. Additionally, there is an anticipation of continued expansion in their services business due to the improving commercial market environment.

- Management's Guidance:

- The company anticipates a rise in overall revenue for the year, fuelled by higher Commercial Airplane deliveries and robust growth in its services segment. Although a slight revenue decline is forecasted for Boeing Defense, Space & Security (BDS) in 2022 as compared to 2021, management expects revenue stabilization in 2023.

- 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.

['Q1', '2022']:

- First quarter revenue of \$14 billion was down 8% and the core operating loss in the quarter was negative \$1.5 billion resulting in a \$2.75 core loss per share. Commercial services revenue now back to nearly 90% of pre-pandemic levels.

['Q2', '2022']:

- Second quarter revenue was \$6.2 billion, up 3%, primarily driven by higher 737 deliveries, partially offset by lower 787 deliveries. Our commercial service business was up 30%.

['Q3', '2022']:

- Third quarter revenue was \$16 billion, increased 4%. Third quarter revenue was \$6.3 billion, up 40%, primarily driven by the resumption of the 787 and higher 737 deliveries. Commercial services revenue recovered to pre-pandemic levels.

- Evaluation:

- Expectations Exceeded: The management anticipated revenue growth driven by increased Commercial Airplane deliveries and service expansion, and the actual results showed a significant 35% year-over-year revenue increase in Q4 2022, with BCA revenue up 94%, exceeding expectations.

5. Cost management strategies

- Narrative: Management has been focused on addressing abnormal costs that have impacted the company's financials. They are taking strategic steps to manage these costs effectively over the next quarters. This includes a focus on managing the financial impacts related to the 777-9 production pause and other abnormal costs anticipated through the end of 2023.

- Management's Guidance:

- Management has provided guidance on expected abnormal costs, projecting a total of approximately \$2 billion, with most costs being incurred by the end of 2023. Additionally, the pause in 777-9 production is expected to result in approximately \$1.5 billion of abnormal costs starting from the second quarter of the current year and continuing until production resumes.

- Actual Results:

['Q3', '2022']:

- We booked \$111 million of 777X abnormal costs in the third quarter, in line with our expectations.

['Q4', '2022']:

- In Q4 2022, management reported that abnormal costs were \$112 million for the quarter, taking the total to-date to just \$1.7 billion.

['Q1', '2022']:

- Recorded \$312M of abnormal cost in the quarter, which aligns with expectations for managing these expenses. Additionally, Commercial Airplanes expensed \$188 million of abnormal production costs during the three months ended March 31, 2022.

['Q2', '2022']:

- We booked \$102 million of 777 abnormal costs in the second quarter.

- Evaluation:

- Expectations Met: Management anticipated approximately \$2 billion in abnormal costs by the end of 2023, with the actual costs reported at \$1.7 billion by the end of 2022, aligning closely with their guidance.

6. Commercial aircraft demand

- Narrative: Management highlighted a positive outlook for the commercial aircraft sector, with expectations for passenger traffic to recover to pre-pandemic levels by 2023/2024. They also indicated strategic adjustments in production to capitalize on the growing demand for freighter aircraft, particularly with the 777 Freighter model.

- Management's Guidance:

- Management anticipates overall passenger traffic to return to 2019 levels in the 2023/2024 timeframe. They are taking advantage of a production pause on the 777-9 to focus on adding 777 Freighter aircraft between 2023 and 2026. There is an expectation to meet robust market demand, which will likely be addressed over the current and following year.

- Actual Results:

['Q3', '2022']:

- In total, over the quarter, 227 orders for airplanes, including orders from WestJet, UPS, Cargolux, and China Airlines, were recorded. Domestic traffic in August was at 85% of 2019 levels, with commercial passenger traffic overall at 74% of 2019 levels. At the end of the third quarter, Boeing had over 4,300 airplanes in backlog valued at \$307 billion, and net orders for 227 airplanes were recorded (167 737s, 27 767s, 18 777s, 15 787s).

['Q4', '2022']:

- Global passenger traffic increased almost 70% in 2022 and we're at 75% of pre-pandemic levels globally.

['Q1', '2022']:

- We launched the 777-8 Freighter with an order from Qatar Airlines in January, and as a result, we increased the accounting quantity on the program to 400 airplanes.

['Q2', '2022']:

- During Q2 2022, Boeing booked 184 commercial airplane orders, including 169 orders for the 737 MAX, and captured orders for 13 freighters.

- **Evaluation:**

- **Expectations Met:** Boeing's management expected passenger traffic to recover to pre-pandemic levels by 2023/2024, and by the end of 2022, global passenger traffic reached 75% of pre-pandemic levels, aligning with their timeline. Additionally, they focused on increasing production of the 777 Freighter, as evidenced by the launch of the 777-8 Freighter with orders and increased accounting quantity, meeting robust market demand for freighters as planned.

7. New aircraft models

- **Narrative:** Management has discussed the strategic decision to delay the introduction of the 777X model until 2025. This decision is part of a broader strategy to incorporate learnings from previous certification programs, ensuring that the new model meets the highest standards and addresses any past challenges effectively.

- **Management's Guidance:**

- Management has indicated that the extension of the 777X introduction to 2025 is a calculated move to integrate insights from prior certification processes, aiming to enhance the model's success upon release.

- **Actual Results:**

['Q2', '2022']:

- Data Not Available

['Q4', '2022']:

- Data Not Available

['Q1', '2022']:

- Data Not Available

['Q3', '2022']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

8. Safety certification processes

- **Narrative:** Management is focused on advancing the safety certification processes for their aircraft, specifically targeting the MAX 7, MAX 10, and 777-9 models. They are making concerted efforts to ensure these models meet regulatory requirements and achieve timely first deliveries.

- **Management's Guidance:**

- Management has outlined their commitment to completing the certification processes for the MAX 7 and MAX 10 models within the current and following year, indicating an aggressive timeline to meet certification requirements. Additionally, they have adjusted their expectations for the 777-9, now aiming for its first delivery in 2025.

- **Actual Results:**

['Q3', '2022']:

- Data Not Available

['Q2', '2022']:

- Data Not Available

['Q4', '2022']:

- Data Not Available

['Q1', '2022']:

- We took a very important step just in the last week by submitting the Cert paperwork and the plan to the FAA.

- **Evaluation:**

- Insufficient Info: Data not available.

9. Defense sector contracts

- **Narrative:** Management highlighted the significant role of Boeing's products and services in ensuring national security. They emphasized the increased funding for the F-15EX, which underscores the importance of their offerings in defense-related initiatives.

- **Management's Guidance:**

- The FY 2023 budget request includes significantly increased funding for the F-15EX, demonstrating a strategic focus on enhancing support for critical products and services that contribute to national security.

- **Actual Results:**

['Q2', '2022']:

- Data Not Available

['Q4', '2022']:

- Data Not Available

['Q1', '2022']:

- Data Not Available

['Q3', '2022']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

10. Investor relations communication

- **Narrative:** Management discussed plans to enhance investor relations by organizing an Investor Day. This event aims to provide stakeholders with a comprehensive outlook on the company's expectations for the remainder of the year and future periods.

- **Management's Guidance:**

- Management announced the intention to host an Investor Day this fall, where they will present detailed expectations for the upcoming quarters and beyond.

- **Actual Results:**

['Q3', '2022']:

- Data Not Available

['Q2', '2022']:

- Data Not Available

['Q4', '2022']:

- Data Not Available

['Q1', '2022']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.