

## Q1 2023

### 1. Production rate stabilization

- **Narrative:** Management has laid out a comprehensive plan to stabilize and gradually increase production rates across several aircraft models. The focus is on achieving specific monthly production targets by leveraging strategic planning and resource allocation. This initiative is crucial for meeting delivery commitments and improving operational efficiency.

- **Management's Guidance:**

- Management expects to deliver between 70 and 80 737 MAX airplanes per month by the end of the year. The production of 787 is planned to ramp up to five per month by the end of next year. Boeing still expects to deliver 450 737 airplanes this year. The production and delivery rates are anticipated to be lower in the near term but are expected to recover, with plans to increase production to 38 per month later in the year. The company plans to increase the production rate to 38 per month in the mid-next year and further to 50 per month in the 2025/2026 timeframe. The goal is to enhance the production rates of the 737 to reach 38 per month by mid-next year.

- **Actual Results:**

**['Q2', '2023']:**

- On the 737, there were 103 deliveries in Q2, including 49 in June, indicating that the production system is stabilizing. Additionally, there were 136 commercial airplane deliveries in the quarter, including 103 737s and 20 787s.

**['Q4', '2023']:**

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

**['Q3', '2023']:**

- Brian J. West reported that Boeing Commercial Airplanes (BCA) delivered 105 airplanes in the quarter, with revenue amounting to \$7.9 billion. Additionally, 70 airplanes were delivered in the quarter. The master schedule to reach a production rate of 38 airplanes per month has been maintained.

**['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:** Boeing successfully stabilized the production rate of the 737 to 38 per month by the end of 2023, aligning with their management guidance, indicating that their strategic planning and resource allocation efforts were effective.

### 2. Supply chain management

- **Narrative:** Management has acknowledged ongoing supply chain instability but emphasized that it has been accounted for within their financial and delivery guidance. The company is proactively making strategic investments, such as increasing inventory buffers and deploying resources forward, to mitigate impacts and enhance predictability in their operations.

- **Management's Guidance:**

- Management has indicated that they expect to deliver most of the 95 airplanes currently in inventory by the end of 2024. Additionally, despite supply chain challenges, they remain on track to significantly reduce 737 inventory to 225 units by the end of 2025.

- **Actual Results:**

**['Q3', '2023']:**

- Data Not Available

**['Q4', '2023']:**

- Data Not Available

**['Q1', '2023']:**

- Data Not Available

**['Q2', '2023']:**

- We ended the quarter with approximately 220 MAX airplanes in inventory. This includes 85 for customers in China, and 55 that have now been remarketed as part of the plan we previously discussed.

- **Evaluation:**

- Insufficient Info: Data not available.

### 3. Quality control improvements

- **Narrative:** Management emphasized their commitment to improving quality control as a critical component of their operational performance and efficiency strategy. They are focused on addressing defects and enhancing the overall production process to ensure timely delivery and maintain operational excellence.

- **Management's Guidance:**

- Management indicated that they expect the majority of abnormal conditions in the production process to be resolved by the end of the current year. Additionally, they anticipate that approximately 75% of the 225 inventoried airplanes requiring fuselage rework will have been addressed, with the majority of these airplanes expected to be delivered by the end of 2024. Despite recent defects, management remains confident that these issues will be resolved in the coming weeks and months without hindering their ability to achieve planned rate increases.

- **Actual Results:**

**['Q4', '2023']:**

- We ended the quarter with approximately 60 airplanes in inventory, about 50 of which require rework.

**['Q1', '2023']:**

- Data Not Available

**['Q3', '2023']:**

- Data Not Available

**['Q2', '2023']:**

- Data Not Available

- **Evaluation:**

- **Expectations Not Met:** Management expected to address 75% of the 225 airplanes requiring rework by year-end, but by Q4 2023, 50 airplanes still required rework, indicating the objective was not fully achieved.

#### 4. Cash flow optimization

- **Narrative:** Boeing's management has reiterated their cash flow objectives for the current fiscal year, maintaining a target range that reflects both optimism and caution in their financial strategy. Despite ongoing challenges in their recovery process, there is confidence in meeting the previously set financial and operational goals. The company is focused on sustaining its cash flow generation efforts, which are critical for stabilizing their financial position and supporting future growth initiatives.

- **Management's Guidance:**

- 1. Management maintains a target for free cash flow this year at \$3 billion to \$5 billion.
- 2. They are confident about the operational and financial outlook shared last November, including cash flow and delivery ranges set for 2023 as well as projecting \$10 billion in annual free cash flow for the 2025/2026 timeframe.
- 3. It is expected that free cash flow will be breakeven to slightly negative as they work through the 737 recovery.
- 4. The 2023 financial outlook remains unchanged, including the generation of \$3 billion to \$5 billion of free cash flow.
- 5. They aim to achieve a free cash flow of \$3 billion by the end of the fiscal year.
- 6. Forecast for cash flow this year is reaffirmed at \$3 billion to \$5 billion.

- **Actual Results:**

**['Q4', '2023']:**

- In Q4 2023, the free cash flow was reported to be \$3.0 billion, aligning with the management's guidance of \$3 billion to \$5 billion for the fiscal year. The full-year 2023 free cash flow was \$4.4 billion, exceeding the minimum target and showing improvement over the previous year.

**['Q1', '2023']:**

- In Q1 2023, Boeing reported a free cash flow usage of \$3.565 billion, which is significantly negative compared to their target range for the fiscal year and indicates a challenging quarter for cash flow optimization.

**['Q3', '2023']:**

- In Q3 2023, Boeing reported a free cash flow usage of \$310 million for the quarter, indicating a deviation from the positive free cash flow guidance of \$3 billion to \$5 billion for the year. This reflects challenges in cash flow optimization amid ongoing operational recovery efforts.

**['Q2', '2023']:**

- Generated \$2.6 billion in free cash flow in the quarter

- **Evaluation:**

- **Expectations Met:** The full-year 2023 free cash flow was \$4.4 billion, which falls within the management's guidance range of \$3 billion to \$5 billion, indicating that Boeing met its financial objectives for cash flow optimization despite earlier challenges in the year.

#### 5. Revenue growth analysis

- **Narrative:** During the management discussion, Boeing emphasized its strategic focus on achieving stable revenue growth and profitability in the coming years. The company is aligning its efforts to enhance operational efficiencies and leverage its wide-body aircraft deliveries, which are expected to contribute significantly to revenue growth. Management maintains a positive outlook towards achieving mid-single-digit revenue growth, coupled with improved margins and strong cash flow conversion over the next several years.

- **Management's Guidance:**

- Management anticipates that core EPS will align closely with the performance of Q1 2023, barring any significant charges, suggesting stability in revenue with potential offsets from increased wide-body deliveries. The CFO projects a path to restore Boeing Commercial Airplanes (BCA) to double-digit margins by 2025/2026, indicating long-term revenue growth and profitability improvements. Management expects mid-single-digit revenue growth with mid-teens margins and high cash flow conversion over the next several years, reflecting a strategic focus on sustainable revenue expansion.

- **Actual Results:**

**['Q3', '2023']:**

- In Q3 2023, Boeing reported a revenue of \$18.1 billion, which represents a 13% increase year-over-year. This aligns with the management's guidance of mid-single-digit revenue growth.

**['Q4', '2023']:**

- Data Not Available

**['Q1', '2023']:**

- Q1 2023 revenue was reported as \$17.9 billion, an increase from Q1 2022 revenue of \$14.0 billion.

**['Q2', '2023']:**

- Q2 2023 Revenue \$19.8B

- **Evaluation:**

- **Expectations Exceeded:** Boeing reported a 13% year-over-year revenue increase in Q3 2023, which surpasses the management's guidance of mid-single-digit revenue growth, indicating that the expectations for revenue growth were exceeded.

#### 6. Cost management strategies

- **Narrative:** The management emphasized their strategic focus on cost management, highlighting efforts to streamline operations and enhance efficiency. This approach is aimed at achieving better financial outcomes through disciplined cost reduction and improved margins.

- **Management's Guidance:**

- Management indicated a target of a 10% reduction in operational costs over the next two years.

- **Actual Results:**

**['Q3', '2023']:**

- Data Not Available

**['Q4', '2023']:**

- Data Not Available

**['Q1', '2023']:**

- Data Not Available

**['Q2', '2023']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

## 7. Sustainability goals

- **Narrative:** Management has outlined a clear strategic focus on achieving long-term financial stability and sustainability. The company is committed to enhancing its cash flow position significantly by the mid-2020s, which is part of its broader goal to return to profitability and ensure sustainable growth.

- **Management's Guidance:**

- Management has set a target to achieve profitability by 2025 and has provided guidance that they are on track to realize \$10 billion of free cash flow in the 2025/2026 timeframe.

- **Actual Results:**

**['Q3', '2023']:**

- Data Not Available

**['Q2', '2023']:**

- Data Not Available

**['Q4', '2023']:**

- Data Not Available

**['Q1', '2023']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

## 8. 2030s product timeline

- **Narrative:** Management emphasized their confidence in achieving significant milestones by 2025/2026, which aligns with their strategic initiatives aimed at long-term growth and market leadership in the aerospace sector.

- **Management's Guidance:**

- Management reiterated their belief that reaching their target of 50 units is feasible by 2025/2026, indicating a strong commitment to their long-term production goals.

- **Actual Results:**

**['Q4', '2023']:**

- Data Not Available

**['Q1', '2023']:**

- Data Not Available

**['Q3', '2023']:**

- Data Not Available

**['Q2', '2023']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.