

Q1 2021

1. Production rate stabilization

- **Narrative:** Management discussed the ongoing efforts to stabilize production rates across various aircraft models, with a focus on aligning production with market demand. The company is making strategic adjustments to manage inventory levels and ensure a steady flow of deliveries, while gradually increasing production rates in response to anticipated market recovery.

- **Management's Guidance:**

- Management expects to gradually increase the production rate to 31 aircraft per month in early 2022, with further increases aligned with market demand. The company plans to transition the combined 777/777X production rate to two per month as part of the production stabilization efforts. Boeing estimates that around half of the approximately 450 aircraft in storage will be delivered by the end of 2021, with the majority of the remainder by the end of the following year.

- **Actual Results:**

['Q4', '2021']:

- We are now producing 27 airplanes per month.

['Q1', '2021']:

- Delivered 77 airplanes, including 58 737 MAX

['Q3', '2021']:

- We are currently producing at a rate of approximately two airplanes per month. The combined production rate is two per month.

['Q2', '2021']:

- We're currently producing 16 airplanes per month (c122d7489c3223cd7e66603925243074). The combined 777/777X production rate is two per month (65ea3dea19113ef1b3e9a712c7ad093b).

- **Evaluation:**

- **Expectations Not Met:** Management expected to increase production to 31 aircraft per month by early 2022 and deliver a significant portion of the stored aircraft by the end of 2021; however, by Q4 2021, the production rate was only 27 per month, falling short of the target.

2. Cash flow optimization

- **Narrative:** Management has detailed a strategic focus on improving cash flow through various operational efficiencies and program-specific initiatives. This includes a notable emphasis on the inventory burn-down for the 737 and 787 programs, with an objective to enhance cash flow as production and deliveries ramp up. The company also foresees the 777X program transitioning to a cash-flow-positive status post-delivery commencement, highlighting a disciplined approach to managing cash resources and operational execution.

- **Management's Guidance:**

- Management anticipates that the 777X program will become cash-flow-positive approximately one to two years after the first delivery. The company continues to expect a significant improvement in 2021 operating cash flow compared to 2020, driven by inventory reductions in the 737 and 787 programs. Boeing expects the first quarter of 2021 to be the most challenging from a cash perspective, with improvements anticipated as 787 and 737 deliveries increase throughout the year. The company forecasts turning positive cash flow in 2022, aided by the recovery in Commercial Services and improvements in the 737 MAX program.

- **Actual Results:**

['Q3', '2021']:

- Operating cash flow for Q3 2021 was negative \$0.3 billion, although it was favorably impacted by a \$1.3 billion income tax refund. Additionally, Boeing ended the third quarter with \$20 billion of cash and marketable securities on the balance sheet, and had access to \$14.7 billion across undrawn bank credit facilities.

['Q2', '2021']:

- Operating cash flow for Q2 2021 improved significantly to negative \$0.5 billion. Boeing ended the second quarter with strong liquidity, including \$21.3 billion of cash and marketable securities on their balance sheet and access to \$14.8 billion from their bank credit facilities.

['Q4', '2021']:

- We generated positive operating cash flow of over \$700 million in the fourth quarter.

['Q1', '2021']:

- Operating cash flow for the quarter improved to negative \$3.4 billion. We ended the first quarter with strong liquidity, including \$21.9 billion of cash and marketable securities on our balance sheet.

- **Evaluation:**

- **Expectations Met:** Boeing's management expected improvements in operating cash flow throughout 2021, with a transition to positive cash flow in 2022. By Q4 2021, the company achieved positive operating cash flow, aligning with their guidance for improved cash flow through inventory reductions and increased deliveries.

3. Debt management strategy

- **Narrative:** During the Q1 2021 earnings call, Boeing's management emphasized their focus on prudent liquidity actions as part of the company's financial strategy and debt management approach. The narrative centered around refinancing efforts and the expansion of credit facilities to manage upcoming debt maturities effectively.

- **Management's Guidance:**

- Management highlighted the successful refinancing of \$9.8 billion of delayed draw term loans initially due in early 2022. Additionally, they expanded their revolving credit facility by \$5.3 billion, which is expected to bolster liquidity and provide greater financial flexibility in the upcoming quarters.

- **Actual Results:**

['Q3', '2021']:

- Our debt balance decreased by \$1.2 billion from last quarter to \$62.4 billion, driven by the pay-down of bond maturities.

['Q2', '2021']:

- Our debt balance remains stable at \$63.6 billion at the end of the quarter.

['Q4', '2021']:

- Our debt balance decreased by \$4.3 billion from the end of the third quarter to \$58.1 billion.

['Q1', '2021']:

- We refinanced \$9.8 billion of our delayed draw term loan and have access to \$14.8 billion from our newly increased bank credit facilities, which remain undrawn.

- **Evaluation:**

- **Expectations Exceeded:** Boeing's management successfully refinanced \$9.8 billion in loans and expanded their revolving credit facility by \$5.3 billion as

planned. Additionally, the company reduced its debt balance significantly by \$4.3 billion by the end of Q4 2021, surpassing the expected improvements in liquidity and financial flexibility.

4. Cost management strategies

- **Narrative:** Management outlined their approach towards managing costs, emphasizing that a significant portion of the expenses associated with their current initiatives is expected to be recognized within the calendar year 2021. This strategic focus on cost recognition within the year indicates an effort to streamline financial operations and potentially improve cash flow management by addressing expenses promptly.

- **Management's Guidance:**

- Management expects the remainder of these costs to be expenses incurred largely in 2021.

- **Actual Results:**

['Q3', '2021']:

- We recorded \$183 million of abnormal cost in the third quarter due to the low rate of 787 production as well as inspection and rework costs.

['Q4', '2021']:

- We recorded \$285 million of these abnormal costs in the fourth quarter.

['Q2', '2021']:

- Commercial Airplanes expensed \$1,083 million during the six months ended June 30, 2021.

['Q1', '2021']:

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

- **Evaluation:**

- **Expectations Met:** Management expected costs to be largely recognized in 2021, and the actual financial results indicate that a substantial portion of abnormal production costs was indeed expensed throughout the year, aligning with the guidance provided.

5. International market penetration

- **Narrative:** Management highlighted the significant growth potential in the Chinese market, recognizing it as a key driver of global industry expansion for the company over the coming years.

- **Management's Guidance:**

- Management indicated that China is expected to account for 25% of the global growth in the aerospace sector over the next decade.

- **Actual Results:**

['Q4', '2021']:

- Data Not Available

['Q1', '2021']:

- We have firm orders on the books with China.

['Q2', '2021']:

- Data Not Available

['Q3', '2021']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

6. Commercial aircraft demand

- **Narrative:** Management acknowledged the challenges faced by the commercial aircraft market due to the ongoing global situation. They emphasized a cautious yet optimistic outlook, focusing on a gradual recovery in demand over the coming years. The company is strategically positioning itself to navigate the uneven recovery trajectory expected in the market.

- **Management's Guidance:**

- Management anticipates that it will take multiple years to reach previous demand levels, with a recovery trajectory that may be uneven. Additionally, they expect passenger traffic to return to 2019 levels between 2023 and 2024.

- **Actual Results:**

['Q4', '2021']:

- Domestic traffic rebounded to around 90% of pre-pandemic levels in countries such as the US and Brazil. In the US, domestic traffic nearly fully recovered at 94% of pre-COVID levels in November. Traffic has improved throughout the year from more than 85% below 2019 levels to 60% as the year ended.

['Q1', '2021']:

- In Q1 2021, February domestic traffic was 51% below 2019 levels and February traffic overall was still 89% below 2019. TSA throughput in April reached approximately 60% of 2019 levels, with daily averages around 1.4 million passengers.

['Q2', '2021']:

- May domestic traffic was 24% below 2019 levels compared to 50% the quarter before. TSA average daily throughput has already reached over 2 million passengers, around 80% of 2019 levels.

['Q3', '2021']:

- Data Not Available

- **Evaluation:**

- **Expectations Exceeded:** Domestic traffic recovery in the US and Brazil in Q4 2021 nearly reached pre-pandemic levels, surpassing management's cautious recovery expectations and their anticipation of a multi-year recovery trajectory.

7. New aircraft models

- **Narrative:** Management reaffirmed the timeline for the introduction of the new 777X aircraft model, emphasizing their commitment to maintaining the projected schedule despite industry challenges. This underlines Boeing's strategic focus on expanding its product offerings with advanced aircraft models to strengthen its competitive positioning in the aerospace market.

- **Management's Guidance:**

- Management reiterated their expectation that the first delivery of the 777X will occur in late 2023, highlighting confidence in their development and production processes to meet this target.

- **Actual Results:**

['Q3', '2021']:

- Data Not Available

['Q2', '2021']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

['Q1', '2021']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

8. Regulatory engagement strategies

- Narrative: Management has been actively engaging with regulators to secure necessary approvals for their operations. A significant focus has been placed on obtaining remaining non-US regulatory approvals, which are critical for the company's strategic expansion and operational timelines.

- Management's Guidance:

- Management anticipates that the remaining non-US regulatory approvals will be secured within the year, with a particular emphasis on obtaining approval in China, which is expected to occur in the second half of the year.

- Actual Results:

['Q3', '2021']:

- Data Not Available

['Q2', '2021']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

['Q1', '2021']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

9. FAA collaboration

- Narrative: Management highlighted ongoing collaboration with the FAA to ensure regulatory compliance and streamline processes associated with aircraft approvals. This collaboration aims to minimize delays and enhance the efficiency of operations.

- Management's Guidance:

- Upon approval by the FAA, we expect the work to take a few days per airplane.

- Actual Results:

['Q2', '2021']:

- David L. Calhoun [The FAA has granted us our authorities.]

['Q4', '2021']:

- Data Not Available

['Q1', '2021']:

- Data Not Available

['Q3', '2021']:

- Data Not Available

- Evaluation:

- Expectations Met: The FAA granted Boeing the necessary authorities as expected, indicating that the ongoing collaboration was successful in meeting management's guidance to streamline processes and minimize delays.

10. Leadership transitions

- Narrative: Management discussed the upcoming changes in leadership, emphasizing the importance of ensuring a seamless transition to maintain operational stability and continuity.

- Management's Guidance:

- Over the next few months, the focus will be on a smooth transition of responsibilities as the current leader prepares to move on to the next chapter in their career.

- Actual Results:

['Q2', '2021']:

- Data Not Available

['Q4', '2021']:

- To complete the task, please provide the actual results data in the specified format so that I can analyze and extract the required information.

['Q1', '2021']:

- To provide a comprehensive response, I need the actual results data input from you as specified in the task. Please provide the input data so I can proceed with the analysis.

['Q3', '2021']:

- Please provide the actual results data from the knowledge graph for analysis.

- Evaluation:

- Insufficient Info: Data not available.

11. Emission reduction technologies

- Narrative: Management has underscored its commitment to advancing emission reduction technologies by focusing on replacing older aircraft with new, more fuel-efficient models. This strategy aligns with the industry's broader sustainability objectives and positions the company to meet increasing regulatory pressures and customer demands for lower emissions.

- **Management's Guidance:**

- Management anticipates a continued trend towards retiring less efficient airplanes and replacing them with new models that are expected to achieve 25% to 40% improvements in fuel efficiency and corresponding emission reductions.

- **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.]

['Q4', '2021']:

- Data Not Available

['Q1', '2021']:

- Data Not Available

['Q3', '2021']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

12. Sustainable aviation fuels commitment

- **Narrative:** Management presented their commitment to sustainability by highlighting the upcoming release of the company's first integrated sustainability report, which underscores their ongoing efforts in equity, diversity, and inclusion. This initiative reflects on their broader strategic goals related to sustainable aviation fuels and their environmental responsibilities.

- **Management's Guidance:**

- Planning to release their first integrated sustainability report later this year, signaling a structured approach to sustainability initiatives and commitment to sustainable aviation practices.

- **Actual Results:**

['Q3', '2021']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

['Q1', '2021']:

- Data Not Available

['Q2', '2021']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.