

Q2 2024

1. Production rate stabilization

- **Narrative:** Management has articulated a clear path towards stabilizing production rates with a strategic focus on achieving specific monthly output targets by the end of the year. The company is actively working on increasing its production rates and is confident in its ability to meet these targets, which includes addressing current production limitations and ramping up capacity towards the latter half of the year.

- **Management's Guidance:**

- The company expects to gradually increase production rates during the year, aiming for a target of 38 units per month by year-end. They anticipate that the working capital impacts will begin to unwind as production and deliveries stabilize later in the year. The program is expected to return to a production rate of five units per month by the end of the year. Management expects stronger deliveries and significant improvement in working capital in the fourth quarter.

- **Actual Results:**

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- In Q3 2024, the 737 program delivered 92 airplanes, and the 787 program is currently producing at 4 per month.

- **Evaluation:**

- Insufficient Info: Data not available.

2. Quality control improvements

- **Narrative:** Management has expressed a strong focus on enhancing quality control measures, with an emphasis on completing essential engineering work. This is seen as a critical step towards ensuring operational efficiency and sustaining future growth. The commitment to quality control improvements is aligned with the company's broader strategic goals.

- **Management's Guidance:**

- Management communicated a high level of confidence in completing engineering work well before the end of the year. This completion is vital to progressing through subsequent phases, notably the test certification work, which is crucial for maintaining high-quality standards and operational efficiency.

- **Actual Results:**

['Q2', '2024']:

- On-site Boeing inspectors at Spirit increased by almost 3 times the number that we had before January, and defects we initially caught and reworked in Renton are now caught and reworked in Wichita.

['Q3', '2024']:

- Data Not Available

- **Evaluation:**

- **Expectations Exceeded:** Management's goal of enhancing quality control was surpassed as Boeing significantly increased on-site inspectors and improved defect management earlier in the production process, indicating progress beyond initial expectations.

3. Cash flow optimization

- **Narrative:** Management has indicated a cautious approach towards cash flow optimization, acknowledging a change in their free cash flow outlook. This adjustment suggests a strategic reevaluation of cash deployment to ensure financial stability amidst potential challenges in the upcoming quarters.

- **Management's Guidance:**

- Management has projected that the third quarter will continue to be a period of cash utilization. Additionally, they have revised their annual free cash flow outlook, anticipating a larger use of cash than previously expected.

- **Actual Results:**

['Q3', '2024']:

- Free cash flow (non-GAAP) for third quarter 2024 was (\$1,956) million, indicating a usage of free cash flow, in line with management's guidance of larger cash utilization.

['Q2', '2024']:

- Free cash flow was a usage of \$4.3 billion in the quarter.

- **Evaluation:**

- **Expectations Met:** Management's guidance anticipated a larger use of cash in the third quarter, and the actual result of a free cash flow usage of \$1,956 million aligned with this expectation.

4. Revenue growth analysis

- **Narrative:** Management emphasized the company's strategic focus on maintaining a strong and competitive market position. The team's efforts are directed towards offering high-value, capital-efficient products with significant intellectual property, which is expected to drive consistent revenue growth.

- **Management's Guidance:**

- Management anticipates achieving solid mid-single-digit revenue growth, alongside mid-teen margins and a high conversion rate of free cash flow in future quarters.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Revenue for Second Quarter 2024 was \$19.8 billion, with a revenue change of 8.3% compared to the previous year. Free Cash Flow was reported at \$2.6 billion.

- **Evaluation:**

- **Expectations Exceeded:** Revenue growth of 8.3% in Q2 2024 surpassed the mid-single-digit growth expectation set by management, indicating a stronger-than-anticipated performance.

5. Commercial aircraft demand

- **Narrative:** Management highlighted a strong long-term outlook for commercial aircraft demand, reflecting confidence in sustained growth over the next two

decades. The company anticipates significant expansion opportunities driven by both replacement demand and fleet growth.

- Management's Guidance:

- Management projects the global fleet to nearly double over the next 20 years, with approximately 44,000 new airplanes expected to be delivered, half of which will address replacement demand.

- Actual Results:

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

6. New aircraft models

- **Narrative:** Management highlighted the anticipated timeline for new aircraft models reaching their entry into service (EIS) phase and the subsequent operational dynamics. They emphasized the typical positive shift in financial outcomes approximately one year post-EIS, as delivery schedules intensify.

- Management's Guidance:

- Management anticipates that financial results will begin to turn positive about a year after the EIS, as the delivery process gains momentum, which aligns with the usual trajectory observed in most aircraft development programs.

- Actual Results:

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

7. Technological advancements

- **Narrative:** Management highlighted their focus on implementing engineering solutions to advance the technological capabilities of their aircraft. This includes specific improvements aimed at enhancing operational efficiency and safety, which are crucial for maintaining competitiveness in the aerospace sector.

- Management's Guidance:

- Management has identified an engineering solution for the engine inlet, anti-ice system for in-production aircraft. This solution is expected to be implemented and certified by 2025, aligning with the first delivery timelines for the 737-7 and 737-10 in the MAX family.

- Actual Results:

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

8. Safety certification processes

- **Narrative:** Management is focusing on adhering to the regulatory requirements set by the Federal Aviation Administration (FAA) to ensure the timely progress of their aircraft certification processes. This involves a strategic approach to align with compliance standards, which is crucial for maintaining the timeline for aircraft deliveries.

- Management's Guidance:

- Management indicated that they will continue to follow the FAA's lead throughout the certification process and anticipate the first delivery of the aircraft in 2025.

- Actual Results:

['Q2', '2024']:

- Obtained 777X type inspection authorization and began FAA certification flight testing in July

['Q3', '2024']:

- Finally, on the 777X program, as previously announced, the \$2.6 billion pre-tax charge primarily reflects our latest assessment of the certification timelines.

- Evaluation:

- **Expectations Not Met: Boeing's management anticipated adhering to FAA requirements to meet their timeline for aircraft deliveries with the first delivery in 2025. However, the \$2.6 billion pre-tax charge reflects delays in the 777X certification timelines, indicating that expectations were not met.**

9. Portfolio diversification

- **Narrative:** Management discussed plans for strategic growth through acquisitions and partnerships to expand Boeing's portfolio and strengthen its position in key markets.

- Management's Guidance:

- Management expects the transaction to close mid-2025.

- Actual Results:

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

10. 2030s product timeline

- **Narrative:** Management reiterated their commitment to achieving high single-digit margins for Boeing Defense, Space & Security (BDS) in the medium to long

term, indicating a consistent strategic focus towards improving profitability and operational efficiency within this division.

- **Management's Guidance:**

- Management inferred a strategic plan to maintain BDS margins in the high single digits, reaffirming no change in their medium to long-term objectives.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.