

Q1 2024

1. Production rate stabilization

- **Narrative:** Management has outlined a strategic focus on stabilizing production rates across their aircraft lines. This includes efforts to gradually increase production to meet demand while ensuring operational stability and efficiency. The management team emphasizes the importance of aligning production schedules with regulatory requirements and internal capabilities, aiming to mitigate risks associated with rapid rate increases.

- **Management's Guidance:**

- Production will remain below 38 per month for the first half of the year and will be higher in the second half, as the company moves back to 38 per month, with timing predicated on work with the FAA. Targeting a 20% increase in production rates for the 737 line by the second half of 2024. Expect to achieve rate increases including reaching 10 per month by 2026. Improvement plan expected to achieve necessary targets by the fourth quarter. Rate increase plan aims to achieve a production rate of 50 by 2025/2026.

- **Actual Results:**

['Q1', '2024']:

- On the 737, we delivered 67 airplanes in the first quarter.

['Q3', '2024']:

- 5eb75666197a2bc7ca495a94e2314c7b --> Brian J. West [BCA delivered 116 airplanes in the quarter.] 5eb75666197a2bc7ca495a94e2314c7b --> Brian J. West [The 737 program delivered 92 airplanes in the quarter.] 55f000a509fc41a563d4ad78a931cb4d --> The quarter ended with approximately 60 737-8s built prior to 2023, the vast majority for customers in China and India, down 30 from last quarter. 55f000a509fc41a563d4ad78a931cb4d --> On the 787 program, we delivered 14 airplanes in the quarter.

['Q2', '2024']:

- The 737 program delivered 70 airplanes in the second quarter, including a meaningful step-up to 35 in June. Monthly production improved from high single digits at the end of the first quarter to roughly 25 in June and July.

- **Evaluation:**

- **Expectations Met:** The management aimed to stabilize production rates and gradually increase them, targeting a 20% increase by the second half of 2024. The actual deliveries in Q1, Q2, and Q3 2024 show a steady increase, aligning with the management's guidance of ramping up production.

2. Supply chain management

- **Narrative:** Management has outlined a strategic focus on optimizing supply chain operations by integrating two distribution companies. This move is aimed at strengthening the company's logistical capabilities and ensuring efficient inventory management. The main goal is to align production rates with supply chain capabilities, thereby stabilizing output and meeting market demand.

- **Management's Guidance:**

- Management indicated that production rates would be slightly reduced in the near term, with the expectation that the supply chain will catch up later in the year. There is a concerted effort to ensure adequate inventory levels to meet target production numbers and to build necessary buffers to ensure the supply chain can support these targets. Full integration of the two distribution companies is expected within the current calendar year to enhance supply chain efficiency.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

3. Quality control improvements

- **Narrative:** Management is focused on improving quality control by implementing rigorous inspection protocols and non-conformance fixes within their Wichita facility. This initiative is part of a six-month plan following the operations in Alaska, aimed at ensuring that future fuselages are free from defects.

- **Management's Guidance:**

- Management expects to complete the quality improvement process within the next 60 days, after which the company anticipates producing defect-free fuselages from Wichita.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q1', '2024']:

- Effective March 1, we moved inspection and rework teams to Wichita. Since then, we have only allowed fully-inspected fuselages to be shipped to Renton, which has dramatically reduced our non-conformances entering the Renton factory. We ended the quarter with about 60 airplanes in inventory, about 40 of which require rework. Full inspections being performed in Wichita.

['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.

- **Evaluation:**

- **Expectations Met:** The quality control improvements in the Wichita facility met management's expectations, as the inspection and rework process successfully reduced non-conformances entering the Renton factory, aligning with the goal of producing defect-free fuselages.

4. Cash flow optimization

- **Narrative:** Management has articulated a clear goal of achieving a free cash flow of \$10 billion by the end of 2025. However, they have acknowledged potential delays in reaching this target due to their ongoing commitment to safety, quality, and stability. These delays are primarily associated with the ramp-up in production and delivery schedules for the 737 and 787 models. Additionally, management is focused on maintaining liquidity by staying ahead of near-term debt maturities and considering supplemental funding to restore cash balances to historical levels.

- Management's Guidance:

- Management aims to achieve a free cash flow of \$10 billion by the end of 2025, although it may take longer than initially planned, potentially extending into the 2025/2026 window due to production and delivery challenges. Plans to maintain a strong cash position by addressing near-term maturities and potentially securing additional funding to restore historical cash balance levels.

- Actual Results:

['Q3', '2024']:

- Free cash flow (non-GAAP) for third quarter 2024 was (\$1,956) million, indicating a usage of \$2 billion in free cash flow during the quarter.

['Q2', '2024']:

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

['Q1', '2024']:

- Operating cash flow (\$318) (\$3,362); Free cash flow (\$786); Cash flow was a usage of \$3.9 billion in the quarter, a higher usage than last year; On cash, and marketable securities, we ended the quarter at \$7.5 billion, reflecting the debt repayment activity and use of free cash in the quarter; We continue to maintain access to \$10 billion of revolving credit facilities, all of which remain undrawn; David L. Calhoun [Affirmation of \$10 billion free cash flow]; Brian J. West [we do have \$17 billion of liquidity today]

- Evaluation:

- Expectations Not Met: The management aimed for a \$10 billion free cash flow by the end of 2025, but actual results in 2024 show significant cash usage, indicating that the cash flow optimization goals are currently off track.

5. Debt management strategy

- **Narrative:** Management is focused on reducing the company's debt burden, indicating a proactive debt management strategy aimed at improving financial stability and flexibility over the coming years.

- Management's Guidance:

- Management has articulated a commitment to reduce the company's debt by \$5 billion over the next two years. Additionally, they have agreed to advance \$425 million to Spirit, with an expectation of repayment in the third quarter.

- Actual Results:

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Retired \$4.4B of maturing debt during the quarter. The debt balance decreased to \$47.9 billion, as we paid down \$4.4 billion of the \$5 billion of maturities due this year.

['Q3', '2024']:

- Consolidated Debt \$57.9B \$57.7B 2Q24 3Q24

- Evaluation:

- Expectations Not Met: Management aimed to reduce debt by \$5 billion over two years. However, despite retiring \$4.4 billion in Q1 2024, the debt increased to \$57.9 billion in Q3 2024, suggesting the strategy did not achieve the intended reduction.

6. Revenue growth analysis

- **Narrative:** Management remains focused on enhancing the margins within Boeing Defense, Space & Security (BDS) division, with a strategic plan aimed at achieving high-single digit margins.

- Management's Guidance:

- Management expresses confidence in reaching high-single digit margins for the BDS division by the 2025/2026 timeframe.

- Actual Results:

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

7. Commercial aircraft demand

- **Narrative:** The management at Boeing has articulated a strategic outlook focused on increasing aircraft deliveries in the upcoming year, reflecting confidence in the recovery and growth of the commercial aviation sector.

- Management's Guidance:

- Management anticipates delivering between 400 and 450 commercial airplanes in 2024.

- Actual Results:

['Q1', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

8. New aircraft models

- **Narrative:** Management is focused on advancing their aircraft programs, with significant progress expected in both the T-7 and MQ-25 models. The emphasis is on meeting key milestones, specifically aiming for successful flight tests and software integration, which are crucial steps towards achieving final delivery targets.

- Management's Guidance:

- Management continues to anticipate the first delivery of new aircraft models in 2025. They expect to complete the flight test program for the T-7 model and achieve an important milestone with the customer by the end of the year. Similarly, for the MQ-25, they plan to progress through the build and software integration phases, reaching another critical milestone by year-end.

- **Actual Results:**

['Q1', '2024']:

- The program also delivered the first static test article to the Navy. T-7A testing aircraft completed climate lab testing in February.

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

9. Technological advancements

- **Narrative:** Management highlighted ongoing efforts in advancing their aerospace technologies, underscoring the importance of upcoming key milestones in their product development programs.

- **Management's Guidance:**

- The program continues to progress towards a May 6 Crew Flight Test.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

10. FAA collaboration

- **Narrative:** Management highlighted their proactive engagement with the FAA, emphasizing a commitment to transparency and collaboration. They detailed the implementation of a 90-day quality action plan aimed at improving the company's production system. This plan is designed to meet the FAA's requirements for a control plan that ensures the system's stability and compliance moving forward.

- **Management's Guidance:**

- Management has initiated a 90-day plan of quality action to address production system improvements, indicating an expectation of meeting regulatory standards set by the FAA through a diligent and business-like approach.

- **Actual Results:**

['Q1', '2024']:

- We completed our 30-day review and we're regularly checking in with the FAA as we complete our 90-day plan.

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- We have this 38 a month cap with the FAA.

- **Evaluation:**

- Insufficient Info: Data not available.

11. Portfolio diversification

- **Narrative:** Management highlighted their ongoing efforts in expanding and diversifying the company's portfolio to capitalize on emerging market opportunities. They emphasized the strategic importance of entering new geographical markets and broadening product lines to sustain long-term growth.

- **Management's Guidance:**

- Management indicated plans to implement these diversification strategies in the fourth quarter of this year or the first quarter of next year, depending on optimal timing as assessed by the dedicated team.

- **Actual Results:**

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.