

## Q2 2022

### 1. Production rate stabilization

- **Narrative:** Management emphasized the importance of achieving a stable production rate of 31 MAX aircraft per month. This stability is crucial for meeting their revised delivery expectations and maintaining predictability in operations. The focus is on ensuring that production rates are consistent, while preparing the supply chain and internal processes for potential future increases.

- **Management's Guidance:**

- Management confirmed their commitment to maintain an average production rate of 31 MAX aircraft per month, with an emphasis on stability. They are targeting deliveries in the low-400s for the year 2022, acknowledging that some months may experience slight variations around this target. Additionally, they plan to exercise extra discipline in stabilizing production as they progress over the next 18 months.

- **Actual Results:**

**['Q3', '2022']:**

- Data Not Available

**['Q4', '2022']:**

- In Q4 2022, it was reported that Boeing delivered a total of 387 737 aircraft for the full year, which exceeded their target of 375. Additionally, they have achieved a production rate of 31 MAX aircraft per month, going from 0 to 31 within the period.

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

- Brian J. West mentioned that the final assembly number is 31, aligning with the production rate target of 31 MAX aircraft per month.

**['Q2', '2022']:**

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

- **Evaluation:**

- **Expectations Exceeded:** Boeing exceeded their delivery target by achieving 387 deliveries against a target in the low-400s, and successfully stabilized their production rate at 31 MAX aircraft per month, surpassing their initial goal of 375 deliveries.

### 2. Supply chain management

- **Narrative:** Management emphasized the importance of achieving stability in the supply chain by ensuring a consistent and reliable delivery flow from engine suppliers. This will be crucial for maintaining operational efficiency and meeting production targets.

- **Management's Guidance:**

- Management expressed confidence in reaching a stable production rate of 31 units, with expectations for engine suppliers to resolve casting issues, leading to a steady increase in delivery rates to 38 units. This adjustment is anticipated to improve supply chain efficiency and operational predictability in future quarters.

- **Actual Results:**

**['Q4', '2022']:**

- Data Not Available

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

- Data Not Available

**['Q2', '2022']:**

- Data Not Available

**['Q3', '2022']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

### 3. Cash flow optimization

- **Narrative:** Management has reiterated their commitment to maintaining a positive cash flow for the calendar year 2022. The strategic focus remains on managing cash flow through various operational improvements and favorable timing of activities and receipts. They have outlined a clear path for generating positive free cash flow in the current year and anticipate even higher cash flows in 2023, driven by increased delivery volumes and strategic order management.

- **Management's Guidance:**

- Management expects to remain cash flow positive for 2022 and foresees higher cash flows in 2023. Anticipated drivers for the second half of the year include increased 737 and 787 deliveries, advance payment orders, BDS receipts, and favorable expenditure timing. Cash flow benefits are expected from order activity and favorable receipt timing over the next two quarters.

- **Actual Results:**

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

- Free Cash Flow for the first quarter of 2023 was a usage of \$3.565 billion, indicating a significant deviation from the management's guidance for positive cash flow optimization.

**['Q2', '2022']:**

- We did get to cash flow operating cash flow positive. Operating cash flow was positive \$0.1 billion, in line with our expectations and an improvement from the same period last year.

**['Q4', '2022']:**

- In Q4 2022, Boeing reported generating more than \$3 billion in free cash flow, with specific figures indicating \$3.1 billion in free cash flow for the quarter.

**['Q3', '2022']:**

- In Q3 2022, Boeing reported an operating cash flow of \$3.2 billion and free cash flow of \$2.9 billion, both significantly higher compared to the previous year and the prior quarter. This improvement was primarily driven by higher commercial airplane deliveries and favorable timing of receipts. Additionally, Boeing ended the third quarter with a cash and marketable securities balance of \$14.3 billion, an improvement of \$2.9 billion since the end of the second quarter.

- **Evaluation:**

- **Expectations Not Met:** Management expected to maintain and improve cash flow throughout 2022 and into 2023; however, the significant cash flow usage of \$3.565 billion in Q1 2023 indicates a departure from their guidance for positive cash flow optimization.

### 4. Revenue growth analysis

- **Narrative:** Management conveyed a positive outlook for revenue growth, emphasizing the increased deliveries in their commercial airplane segment, specifically

through the 737 and 787 programs. This growth is complemented by an expansion in their services business, although it is slightly offset by anticipated reductions in defense revenue.

**- Management's Guidance:**

- Management expects total company revenue for 2022 to be higher compared to the previous year, driven by increased commercial airplane deliveries and growth in the services business. BGS (Boeing Global Services) revenue is projected to continue growing into the next year, but the growth rate will likely moderate as they approach pre-pandemic levels.

**- Actual Results:**

**['Q4', '2022']:**

- Revenue for the fourth quarter of 2022 was reported at \$20.0 billion, reflecting a 35% year-over-year increase driven by higher commercial volume. BCA (Boeing Commercial Airplanes) revenue for the fourth quarter was \$9.2 billion, up 94% year-over-year. BGS (Boeing Global Services) revenue was \$4.6 billion, up 6% year-over-year, with an operating margin of 13.9%. The total company revenue for the full year 2022 was \$66.6 billion, a 5% increase from the previous year.

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

- In Q1 2023, Boeing reported a total revenue of \$17.9 billion, which reflects a 28% increase year-over-year. Commercial airplane revenue was \$6.7 billion, up 60% year-over-year, primarily driven by the commercial parts and distribution business which saw a 9% increase. Boeing Global Services (BGS) revenue was \$4.7 billion, up 9% year-over-year.

**['Q2', '2022']:**

- Second quarter revenue of \$16.7 billion declined 2% and we generated \$0.5 billion of core operating earnings. 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:** Boeing's revenue growth surpassed expectations, with a 35% year-over-year increase in Q4 2022, primarily driven by significant gains in the commercial airplane segment, which exceeded the anticipated revenue growth outlined by management.

## 5. Cost management strategies

**- Narrative:** During the earnings call for Q2 2022, Boeing's management outlined their cost management strategies, particularly focusing on addressing abnormal costs associated with their 787 program. They provided clarity on the financial implications of these costs and their timelines, highlighting a proactive approach to mitigating financial impacts through strategic planning.

**- Management's Guidance:**

- Management anticipates total abnormal costs of approximately \$2 billion for the 787 program, with the majority expected to be incurred by the end of 2023. They also project recording \$1.5 billion of these costs through 2023 while the 777-9 production remains paused.

**- Actual Results:**

**['Q3', '2022']:**

- We recorded \$330 million of 787 abnormal costs in the quarter, in line with expectations.

**['Q4', '2022']:**

- We booked \$315 million of abnormal costs in the quarter taking the total to-date to just \$1.7 billion.

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

- Data Not Available

**['Q2', '2022']:**

- We recorded \$283 million of 787 abnormal costs.

**- Evaluation:**

**- Expectations Met:** The actual results for the 787 abnormal costs were in line with the management's guidance, with \$1.7 billion recorded by the end of Q4 2022, consistent with the anticipated timeline and cost estimates.

## 6. Commercial aircraft demand

**- Narrative:** Management provided an optimistic outlook for the commercial aircraft segment, emphasizing a robust recovery in passenger traffic to pre-pandemic levels by 2023-2024. They highlighted the release of their 2022 commercial market outlook, which projects a significant total addressable market over the next decade, with substantial demand for both narrowbody and widebody aircraft. However, they also acknowledged potential delays in aircraft deliveries, particularly concerning uncertainties in the Chinese market.

**- Management's Guidance:**

- Management anticipates passenger traffic to return to 2019 levels within the 2023 to 2024 timeframe. They forecast a total addressable market valued at more than \$3.3 trillion over the next decade, with demand for nearly 20,000 airplanes. There is an expectation of demand for over 14,000 narrowbody aircraft, averaging more than 120 per month over the next 10 years. From a 20-year perspective, the projection includes demand for more than 41,000 new airplanes, including 940 dedicated freighters. They have identified a \$3.3 trillion service market over the next decade, aligning with their customer-focused portfolio. Due to uncertainties with Chinese customers, they expect more airplane deliveries from inventory to shift into 2024.

**- Actual Results:**

**['Q3', '2022']:**

- During Q3 2022, Boeing recorded net orders for 227 airplanes, including 167 737s, 27 767s, 18 777s, and 15 787s. The commercial airplane backlog was over 4,300 airplanes valued at \$307 billion. Additionally, orders for the quarter were valued at \$5 billion.

**['Q4', '2022']:**

- In Q4 2022, Boeing reported more than 800 net orders for the year, primarily driven by the 737 MAX and the 787. They sold over 200 net wide-bodies, marking the highest since 2018. Boeing's orders totaled more than 1,500 gross orders to date, and they booked 376 net orders in the quarter. The backlog consists of over 4,500 airplanes valued at \$330 billion. Global passenger traffic increased by almost 70% in 2022, reaching 75% of pre-pandemic levels globally.

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

- In Q1 2023, Boeing booked 107 net airplane orders. Additionally, domestic travel was reported to be at pre-pandemic levels, indicating a recovery in passenger traffic as anticipated.

**['Q2', '2022']:**

- During Q2 2022, Boeing reported capturing orders for 169 737 MAX airplanes and 13 freighters. Additionally, they booked 184 commercial airplane orders,

including 169 orders for the 737 MAX, and had over 4,200 airplanes in backlog valued at \$297 billion.

- **Evaluation:**

- **Expectations Met:** Boeing's management anticipated a recovery in passenger traffic to pre-pandemic levels by 2023-2024, which aligned with the actual results as domestic travel reached pre-pandemic levels by Q1 2023. Additionally, the company's backlog and net orders indicate a robust demand, consistent with management's forecast.

## 7. New aircraft models

- **Narrative:** Management's discussion emphasized the ongoing development efforts for the 777-9 airplane, with a continued focus on meeting regulatory requirements and coordinating with the FAA to ensure the timely delivery of new aircraft models.

- **Management's Guidance:**

- Management anticipates the delivery of the first 777-9 airplane in 2025, highlighting their commitment to advancing the development program and addressing regulatory priorities.

- **Actual Results:**

['Q1', '2023']:

- Data Not Available

['Q2', '2022']:

- Data Not Available

['Q4', '2022']:

- Data Not Available

['Q3', '2022']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

## 8. Safety certification processes

- **Narrative:** Management emphasized their collaborative efforts with the Federal Aviation Administration (FAA) to achieve safety certifications. The company is focused on completing the certification process for specific aircraft models.

- **Management's Guidance:**

- Management is working towards obtaining certification for the dash-7 and dash-10 models by the end of the year.

- **Actual Results:**

['Q3', '2022']:

- Data Not Available

['Q1', '2023']:

- Data Not Available

['Q2', '2022']:

- Data Not Available

['Q4', '2022']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

## 9. Defense sector contracts

- **Narrative:** Management expressed confidence in the defense sector, highlighting a stable demand outlook. They anticipate improvements in revenue for the upcoming year as the business stabilizes.

- **Management's Guidance:**

- Management expects 2023 revenue in the defense business to surpass that of 2022, indicating a positive trend in business stability.

- **Actual Results:**

['Q1', '2023']:

- In the quarter we booked key orders on the Tanker, the Apache and the E-7.

['Q2', '2022']:

- We received \$4 billion in orders during the quarter, including a contract for airlift flight dispatch services for the US Air Force, and a contract for avionics upgrades and cybersecurity support for the US Navy.

['Q4', '2022']:

- We received \$7 billion in orders during the quarter, including a contract for two KC-46A tankers from Japan and an award for 12 Chinook helicopters from the Egyptian Air Force. We received \$5 billion in orders during the quarter including an F-15 depo support order for the U.S. Air Force and we opened up the Germany distribution center.

['Q3', '2022']:

- We received \$5 billion in orders during the quarter, including Tanker awards from both the US and Israel, resulting in BDS backlog of \$55 billion.

- **Evaluation:**

- **Expectations Exceeded:** Management anticipated revenue growth in the defense sector for 2023, and the actual results show significant order bookings, including key contracts and a substantial backlog, indicating a stronger-than-expected performance.