

Q4 2021

1. Production rate stabilization

- **Narrative:** Management has outlined a strategic plan to stabilize and increase production rates, particularly focusing on the 737 MAX and the combined 777/777X models. The discussions emphasize aligning production with demand, especially in the context of increasing freighter demand, and managing existing inventory levels efficiently to meet future deliveries.

- **Management's Guidance:**

- Management plans to increase the production rate for the 737 MAX to 31 per month by the end of 2022. There is a plan to increase the combined 777/777X production rate from two to three per month within the year, in response to rising freighter demand, with 2022 deliveries expected to align with last year's figures. The production ramp for the 737 MAX is set to progress from 26 to 31 units fairly soon, with expectations of a sharper acceleration in production and inventory liquidation in the latter half of the year.

- **Actual Results:**

['Q3', '2022']:

- Data Not Available

['Q4', '2021']:

- We are now producing 27 airplanes per month.

['Q2', '2022']:

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

['Q1', '2022']:

- We continue to make progress ramping our 737 production rate and are essentially at 31 airplanes per month.

- **Evaluation:**

- **Expectations Met:** Management's guidance to increase the 737 MAX production rate to 31 per month by mid-2022 was achieved in Q2 2022, aligning with their strategic plan for production rate stabilization.

2. Supply chain management

- **Narrative:** Management emphasized the importance of maintaining transparent communication with the supply chain to safeguard potential production increases in the latter half of the year. This strategy highlights their proactive approach to managing supply chain dynamics and addressing potential bottlenecks that could impact operational performance.

- **Management's Guidance:**

- Management plans to work transparently with the supply chain to ensure that any potential increase in production rates is protected as they progress into the second half of the year.

- **Actual Results:**

['Q2', '2022']:

- Data Not Available

['Q3', '2022']:

- Data Not Available

['Q1', '2022']:

- Data Not Available

['Q4', '2021']:

- On the supply side, with our production at relatively low rates and higher than normal inventory levels, the supply chain is currently not a constraint.

- **Evaluation:**

- Insufficient Info: Data not available.

3. Cash flow optimization

- **Narrative:** Management at Boeing has outlined a strategic focus on optimizing cash flow, highlighting efforts to transition from a period of abnormal cash flow dynamics to a more normalized state. They emphasize a goal of achieving positive cash flow in 2022, with expectations of material improvement continuing into 2023. The discussion underscores a significant drive to manage cash flow effectively, even as the company navigates challenges such as managing advances and customer-related discussions.

- **Management's Guidance:**

- Management expects to achieve positive cash flow in 2022. Free cash flow is anticipated to materially improve through this year and into 2023. 2023 cash flow is projected to be materially higher than 2022. A significant burn-down of advances balance is expected this year, front-end loaded. As the year progresses, the company aims to move towards a more normalized cash flow state with meaningful acceleration in 2023.

- **Actual Results:**

['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.

['Q1', '2022']:

- Operating cash flow was a usage of \$3.2 billion in line with what we expected. Our first quarter cash utilization was in line with what we shared in January.

['Q3', '2022']:

- Operating cash flow was \$3.2 billion and free cash flow was \$2.9 billion, both showing significant improvement versus both prior year and prior quarter, driven by higher deliveries and favorable receipt timing. Year-to-date operating cash flow was a generation of \$55 million and free cash flow usage year-to-date was \$841 million. The company benefited from a tax refund of \$1.5 billion in the quarter.

['Q4', '2021']:

- We generated positive free cash flow in the fourth quarter.

- **Evaluation:**

- **Expectations Met:** Boeing's management aimed for positive cash flow in 2022, which was achieved as evidenced by the positive operating cash flow in Q2 2022 and a significant improvement by Q3. The results indicate alignment with their guidance for cash flow optimization.

4. Debt management strategy

- **Narrative:** During the fourth quarter of 2021, Boeing's management discussed their debt management strategy, focusing on reducing the company's financial liabilities. The discussion highlighted a strategic approach towards liquidating a significant portion of their existing liabilities within the given fiscal year.

- **Management's Guidance:**

- Management expects the majority of the remaining \$2.9 billion liability to be liquidated this year, with less than 10% of the total estimate remaining to be negotiated.

- **Actual Results:**

['Q2', '2022']:

- Boeing's debt balance decreased slightly from the end of last quarter to \$57.2 billion, driven by repayment of maturing debt.

['Q1', '2022']:

- Our debt balance decreased slightly from the end of the last year to \$57.7 billion driven by repayment of maturing debt. Boeing debt \$56.6 \$56.2 2021 Q4 2022 Q1

['Q3', '2022']:

- Our debt balance is consistent with the end of the last quarter at \$57.2 billion. Boeing debt 2022 Q3 \$55.7 billion, 2022 Q2 \$55.7 billion.

['Q4', '2021']:

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

- **Evaluation:**

- **Expectations Not Met: Management expected a significant reduction in liabilities, but the actual results show only a slight decrease in debt from \$58.1 billion in Q4 2021 to \$57.2 billion by Q3 2022, indicating the debt management strategy fell short of the intended reduction.**

5. Revenue growth analysis

- **Narrative:** Management discussed the company's strategic outlook for the upcoming year, emphasizing the expected fluctuations in performance across quarters. They highlighted that the initial quarter is anticipated to be the most challenging in terms of key financial metrics.

- **Management's Guidance:**

- Management anticipates that the first quarter will be the lowest of the year concerning deliveries, revenue, earnings, and cash flow.

- **Actual Results:**

['Q1', '2022']:

- First quarter revenue of \$14 billion was down 8% and the core operating loss in the quarter was negative \$1.5 billion resulting in a \$2.75 core loss per share.

['Q2', '2022']:

- Second quarter revenue of \$16.7 billion declined 2% and we generated \$0.5 billion of core operating earnings.

['Q3', '2022']:

- Third quarter revenue of \$16 billion, increased 4%.

['Q4', '2021']:

- Fourth quarter revenue was \$4.8 billion, essentially flat. Full year revenue of \$62.3 billion improved 7% versus prior year.

- **Evaluation:**

- **Expectations Met:** Management anticipated the first quarter to be the weakest in terms of financial performance, and the actual results showed a decline in revenue and operating loss, aligning with their guidance.

6. Cost management strategies

- **Narrative:** Management has addressed the financial implications related to the 787 program, focusing on the anticipated abnormal costs. These discussions highlight the company's efforts to strategically manage and mitigate costs associated with production challenges.

- **Management's Guidance:**

- Management anticipates 787 abnormal costs to be approximately \$2 billion, with the majority of these costs being incurred by the end of 2023.

- **Actual Results:**

['Q3', '2022']:

- In Q3 2022, Boeing recorded \$330 million of 787 abnormal costs in the quarter, which was in line with expectations.

['Q4', '2021']:

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

['Q2', '2022']:

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

['Q1', '2022']:

- Recorded \$312M of abnormal cost in the quarter

- **Evaluation:**

- **Expectations Met:** Management anticipated 787 abnormal costs of approximately \$2 billion, with the majority incurred by the end of 2023. The actual quarterly recordings in 2021 and 2022 align with this guidance, meeting expectations.

7. International market penetration

- **Narrative:** Management expressed their intent to enhance Boeing's presence in international markets by preparing the 737 MAX airplanes for delivery in China. This move indicates a strategic effort to penetrate the Chinese market by aligning with customer demands and regulatory approvals.

- **Management's Guidance:**

- Management is preparing for the delivery of 737 MAX airplanes to China as early as the first quarter, contingent upon customer and regulatory direction.

- **Actual Results:**

['Q1', '2022']:

- Data Not Available

['Q2', '2022']:

- Data Not Available

['Q3', '2022']:

- Of the inventoried airplanes, 138 are for customers in China.

['Q4', '2021']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

8. Commercial aircraft demand

- **Narrative:** Management reiterated their confidence in the ongoing recovery of the commercial aircraft market, maintaining their forecast for a phased recovery. They emphasized that passenger traffic is expected to rebound to pre-pandemic levels by 2023 to 2024.

- **Management's Guidance:**

- Management continues to project an average traffic growth rate in the mid-single digits over the long term.

- **Actual Results:**

['Q3', '2022']:

- In aggregate, commercial passenger traffic was at 74% of 2019 levels during Q3 2022. Additionally, in August, domestic traffic was at 85% of 2019 levels, led by the US, Europe, and Latin America.

['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', '2022']:

- Data Not Available

['Q2', '2022']:

- During Q2 2022, Boeing reported booking 184 commercial airplane orders, including 169 orders for the 737 MAX. At the end of the second quarter, they had a backlog of over 4,200 airplanes valued at \$297 billion.

- **Evaluation:**

- **Expectations Met:** Management's expectation for a phased recovery in commercial aircraft market demand, with traffic rebounding to pre-pandemic levels by 2023-2024, aligns with the actual results showing significant recovery in passenger traffic to 74% of 2019 levels by Q3 2022, indicating progress toward their forecasted recovery trajectory.

9. New aircraft models

- **Narrative:** Management emphasized their ongoing commitment to expanding their aircraft portfolio with the introduction of new models. This is part of their strategic vision to maintain competitive advantage and address evolving market demands. The focus remains on timely development and delivery of these models to meet customer expectations and regulatory standards.

- **Management's Guidance:**

- Management has indicated that they are still anticipating the delivery of the first new aircraft model by late 2023.

- **Actual Results:**

['Q2', '2022']:

- Data Not Available

['Q3', '2022']:

- Data Not Available

['Q1', '2022']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

10. 2030s product timeline

- **Narrative:** During the Q4 2021 earnings call, Boeing's management expressed confidence in their strategic initiatives aimed at shaping the company's long-term vision for the 2030s. This includes a focus on enhancing product offerings and market presence, highlighting efforts that are expected to position Boeing as a leader in the aerospace industry over the coming decade.

- **Management's Guidance:**

- Management indicated that they are optimistic about achieving significant milestones in the first quarter, which are pivotal for their 2030s product timeline.

- **Actual Results:**

['Q2', '2022']:

- Data Not Available

['Q1', '2022']:

- Data Not Available

['Q3', '2022']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

11. Emission reduction technologies

- **Narrative:** Management emphasized their commitment to sustainability by focusing on reducing carbon emissions. This is aligned with their broader strategy of integrating advanced technologies to improve environmental performance and meet regulatory expectations.

- **Management's Guidance:**

- Management has committed to reducing carbon emissions by 50% by 2030, indicating a strong focus on sustainability and long-term environmental responsibility.

- **Actual Results:**

['Q1', '2022']:

- Data Not Available

['Q3', '2022']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

['Q2', '2022']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

12. Space segment growth

- **Narrative:** Management highlighted the ongoing collaboration with NASA, focusing on the Commercial Crew Program. This partnership is part of Boeing's strategy to strengthen its presence in the space segment by leveraging its technical expertise to support NASA's missions.

- **Management's Guidance:**

- Management anticipates the second uncrewed orbital flight test for the Commercial Crew Program to occur in May.

- **Actual Results:**

['Q3', '2022']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

['Q2', '2022']:

- Data Not Available

['Q1', '2022']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.