

Q3 2024

1. Production rate stabilization

- **Narrative:** Management has been actively working towards stabilizing production rates, with an initial target of achieving 38 units per month by the end of the year. However, due to unforeseen disruptions caused by the IAM work stoppage, this goal will take longer to achieve. Despite these setbacks, there is a strong expectation to regain momentum and normalize production rates by the end of the next year. There are also plans to engage in discussions with regulators to further increase production rates beyond 38 units per month once stability is achieved.

- **Management's Guidance:**

- Management indicated that the production is currently at four units per month, with plans to increase to five units per month by year-end. There is an expectation to regain momentum and return to normal production rates by exiting next year. The company plans to ramp up production and engage with regulators to discuss increasing production rates beyond 38 units per month once stability is restored.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

2. Supply chain management

- **Narrative:** Management discussed the ongoing challenges and strategic initiatives related to supply chain management, emphasizing efforts to stabilize operations and maintain production schedules despite recent disruptions. The focus remains on aligning the supply chain to efficiently support increased production demands following recent labor strikes.

- **Management's Guidance:**

- Management maintains its objective to position the supply chain to effectively support the production ramp-up following the strike disruptions. Additionally, there is an acknowledgment that the completion of rework and the closure of the shadow factory will extend into the next year due to the impacts of the work stoppage.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

3. Workforce management

- **Narrative:** Management addressed the ongoing workforce management strategy, emphasizing efforts to ensure operational efficiency through timely recertification and retraining of the workforce. This approach is crucial for maintaining high standards and operational readiness as the company navigates through the recovery phase.

- **Management's Guidance:**

- Management anticipates that it will take a couple of weeks to reintegrate members back into their roles, focusing on a structured recertification and retraining program to uphold operational standards.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

4. Cash flow optimization

- **Narrative:** Management has articulated a strategy to optimize cash flow by focusing on maintaining liquidity and aligning production schedules. The approach includes managing cash reserves while anticipating the financial impacts of production adjustments and inventory management. The outlook for the year suggests a cautious yet optimistic stance with an expectation for improved cash flow performance as the company stabilizes production rates.

- **Management's Guidance:**

- The company expects the fourth quarter's free cash flow to be a usage, influenced by factors such as the timing of returning to work, the pace of production ramp-up, and inventory unwinding. Management aims to maintain \$10 billion in cash reserves alongside revolver capacity, consistent with historical practices. There is an expectation that fourth-quarter free cash flow could resemble that of the second quarter, contingent upon various factors aligning by year-end. Looking ahead to 2025, management anticipates significantly better free cash flow compared to 2024, with a shift from cash usage in the first half to positive cash flow and momentum building in the second half.

- **Actual Results:**

['Q3', '2024']:

- Free cash flow for the third quarter of 2024 was a usage of \$1.956 billion. The company ended the quarter with cash and marketable securities totaling \$10.5 billion.

- **Evaluation:**

- **Expectations Met:** The actual results showed a free cash flow usage in Q3 2024, aligning with management's guidance that anticipated a similar cash flow pattern to earlier quarters and maintaining cash reserves at \$10.5 billion, consistent with expectations.

5. Debt management strategy

- **Narrative:** Management expressed a proactive approach to optimizing the company's balance sheet, indicating a strategic shift towards addressing debt through potential equity or equity-linked offerings. This action aims to strengthen the company's financial position and provide flexibility for future investments.

- **Management's Guidance:**

- Management outlined a comprehensive plan to address the balance sheet in the near term, considering an offering of equity and equity-linked securities as part of the strategy to manage debt.

- **Actual Results:**

['Q3', '2024']:

- The actions we've recently taken, including establishing the universal shelf registration, which is now effective, directly support these priorities. Consolidated Debt \$57.9B \$57.7B 2Q24 3Q24

- **Evaluation:**

- **Expectations Met:** Management's strategy to address debt through equity or equity-linked offerings was effectively supported by actions such as establishing the universal shelf registration, aligning with their stated goals of optimizing the balance sheet.

6. Cost management strategies

- **Narrative:** Management's discussion focused on the challenges faced in managing production costs, particularly concerning key aerospace programs like the T-7A and KC-46A. These challenges are expected to have implications on future contracts, especially those scheduled for 2026 and beyond.

- **Management's Guidance:**

- Management indicated that the company anticipates increased production costs on the T-7A program for contracts in 2026 and beyond. There is also an updated assessment of the impacts on the KC-46A program due to a recent IAM work stoppage and the decision to conclude production on the 767 Freighter.

- **Actual Results:**

['Q3', '2024']:

- BDS recognized \$2 billion of pre-tax charges on the T-7A, KC-46A, Commercial Crew, and MQ-25 programs in the third quarter.

- **Evaluation:**

- **Expectations Not Met:** The management anticipated increased production costs for the T-7A and KC-46A programs, but the recognition of \$2 billion in pre-tax charges across these programs indicates that the cost management challenges were more significant than anticipated.

7. Safety certification processes

- **Narrative:** Management emphasized the importance of adhering to regulatory standards and outlined their commitment to working closely with the Federal Aviation Administration (FAA) to advance through the certification process. This initiative is critical to ensure that the aircraft meet all necessary safety requirements before entering the market.

- **Management's Guidance:**

- Management indicated that they will continue to align their efforts with the FAA's guidelines during the certification journey and have adjusted their timeline to anticipate the first delivery of the aircraft in 2026.

- **Actual Results:**

['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:** The management's guidance to align efforts with the FAA's guidelines and adjust timelines for aircraft certification was not met, as indicated by the \$2.6 billion pre-tax charge reflecting delays in certification timelines for the 777X program.

8. 2030s product timeline

- **Narrative:** The management highlighted the ongoing strategic initiatives aimed at preparing the company for product developments and market expansions anticipated in the 2030s. They emphasized a commitment to future product innovation and strategic partnerships that align with long-term growth objectives.

- **Management's Guidance:**

- The deal, which is part of the company's strategic initiatives, is expected to close sometime next year, positioning the company for enhanced capabilities to meet future demands in the 2030s.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.