

## Q3 2021

### 1. Production rate stabilization

- **Narrative:** Management has focused on stabilizing production rates by implementing measures to increase output and ensure consistent delivery schedules. This strategic approach is designed to align production capabilities with market demand and enhance operational efficiency.

- **Management's Guidance:**

- Management expects to increase the production rate to 31 airplanes per month by early 2022, marking an improvement from the current rate of 19 airplanes per month. A gradual return to a delivery rate of five airplanes per month is anticipated once deliveries resume. The company expects 2022 deliveries for the 777 model to be relatively consistent with those of 2021. Most airplane deliveries are anticipated to be completed by the end of 2023. Stability in production is expected as the company moves into the next year.

- **Actual Results:**

['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.

['Q3', '2021']:

- We increased our production rate to 19 airplanes per month.

['Q1', '2022']:

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

- **Evaluation:**

- **Expectations Met:** Management expected to ramp up production to 31 airplanes per month by early 2022, and this target was achieved by Q2 2022, aligning with the company's stated goals.

### 2. Supply chain management

- **Narrative:** Management has acknowledged the challenges posed by supply chain constraints, particularly in raw materials and labor. They have strategically planned to address these issues to maintain and possibly improve production rates. The focus remains on optimizing operational performance and ensuring efficiency across the supply chain.

- **Management's Guidance:**

- The management expressed confidence in achieving and sustaining a production rate of 31 units per month despite the supply chain challenges. They believe their strategic measures will effectively mitigate the impact of these constraints over the next year.

- **Actual Results:**

['Q1', '2022']:

- Data Not Available

['Q2', '2022']:

- Data Not Available

['Q3', '2021']:

- Data Not Available

['Q4', '2021']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

### 3. Cash flow optimization

- **Narrative:** Boeing's management highlighted their strategic focus on turning cash flow positive by the year 2022, emphasizing the importance of cash flow optimization as a critical component of their financial strategy. This aims to ensure stronger financial resilience and support the company's long-term growth objectives.

- **Management's Guidance:**

- Management stated their expectation that the full year 2021 would result in a net use of cash, but they projected a shift to positive cash flow in 2022.

- **Actual Results:**

['Q2', '2022']:

- In Q2 2022, Boeing achieved positive operating cash flow, which was in line with their expectations and marked an improvement from the same period the previous year.

['Q3', '2021']:

- Operating cash flow for the quarter was negative \$0.3 billion.

['Q1', '2022']:

- Operating cash flow was a usage of \$3.2 billion in line with what we expected.

['Q4', '2021']:

- We generated positive free cash flow in the fourth quarter. Additionally, we generated positive operating cash flow of over \$700 million in the fourth quarter.

- **Evaluation:**

- **Expectations Met:** Boeing achieved positive operating cash flow by Q2 2022, in line with their projections for a shift to positive cash flow in 2022, thus meeting management's stated expectations.

### 4. Debt management strategy

- **Narrative:** Management highlighted their commitment to reducing the company's debt levels, focusing on paying down maturing bonds and the early repayment of a significant term loan. This approach indicates a strategic effort to strengthen the balance sheet and enhance financial flexibility.

- **Management's Guidance:**

- Management expects to have lower total debt by the end of the year due to the pay-down of maturing bonds and the early pay-down of the remaining \$4 billion delayed draw term loan.

- **Actual Results:**

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

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

**['Q3', '2021']:**

- Our debt balance decreased by \$1.2 billion from last quarter to \$62.4 billion, driven by the pay-down of bond maturities.

**['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

**['Q4', '2021']:**

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

**- Evaluation:**

- **Expectations Met:** Management's guidance to reduce total debt by the end of the year was met, as indicated by consistent debt repayments, including a decrease from \$62.4 billion in Q3 2021 to \$57.2 billion in Q2 2022, aligning with their strategic goals.

**5. Revenue growth analysis**

- **Narrative:** Management outlined their financial strategy, emphasizing a focus on normalizing their balance sheet by the end of 2022. This indicates a strategic move towards stabilizing financial operations, which is expected to support revenue growth in the long term.

**- Management's Guidance:**

- Management expects the balance to normalize by the end of 2022, indicating a strategic target for financial stability.

**- Actual Results:**

**['Q1', '2022']:**

- Data Not Available

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

- Data Not Available

**['Q3', '2021']:**

- Brian J. West reported that third quarter revenue increased to \$15.3 billion, primarily due to higher commercial deliveries and commercial services volume.

**['Q4', '2021']:**

- Data Not Available

**- Evaluation:**

- Insufficient Info: Data not available.

**6. Cost management strategies**

- **Narrative:** During the Q3 2021 earnings call, Boeing's management addressed their approach to managing costs associated with their 787 program. The discussion highlighted the strategic focus on mitigating abnormal costs arising from production challenges.

**- Management's Guidance:**

- Management anticipates that the total abnormal costs for the 787 program will amount to approximately \$1 billion.

**- Actual Results:**

**['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

**['Q3', '2021']:**

- We recorded \$183 million of abnormal cost in the third quarter due to the low rate of 787 production as well as inspection and rework costs.

**- Evaluation:**

- **Expectations Not Met: Boeing's management anticipated \$1 billion in abnormal costs for the 787 program, but by Q2 2022, the cumulative recorded costs reached \$1.063 billion, exceeding the projected amount.**

**7. International market penetration**

- **Narrative:** Management highlighted their strategic focus on resuming deliveries to Chinese customers as a critical component of expanding Boeing's international market presence. This move is expected to strengthen Boeing's foothold in the Asia-Pacific region and enhance overall market penetration.

**- Management's Guidance:**

- Management anticipates resuming deliveries to customers in China during the first quarter of 2022, which is poised to significantly impact international market penetration.

**- Actual Results:**

**['Q1', '2022']:**

- Data Not Available

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

- Data Not Available

**['Q3', '2021']:**

- Data Not Available

**['Q4', '2021']:**

- China, Indonesia, and Ethiopia, all delivered prior to the end of the year.

**- Evaluation:**

- Insufficient Info: Data not available.

**8. Competitive positioning**

- **Narrative:** Management highlighted the potential impact of recent government policy changes, which could significantly enhance the company's competitive positioning by accelerating market penetration.

**- Management's Guidance:**

- Management indicated that these policy changes could result in a 70% increase in market penetration by the end of the year.

- **Actual Results:**

**['Q4', '2021']:**

- Data Not Available

**['Q1', '2022']:**

- Data Not Available

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

- Data Not Available

**['Q3', '2021']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

## 9. Commercial aircraft demand

- **Narrative:** Management emphasized the robust demand for commercial aircraft, driven by a strong market outlook and increased sales of the 737 models. The strategic focus is on leveraging this demand to enhance production capabilities and meet the growing needs of the global market.

- **Management's Guidance:**

- Management forecasts a total market value of \$9 trillion over the next decade and projects the demand for about 43,500 new airplanes through 2040, including a significant increase in the global freighter fleet. They also anticipate robust demand starting to manifest in the latter half of next year.

- **Actual Results:**

**['Q4', '2021']:**

- In total, for the year, Boeing booked 909 gross commercial airplane orders, including 749 orders for the 737 MAX. The company had over 4,200 airplanes in backlog at the end of 2021 valued at \$297 billion.

**['Q1', '2022']:**

- During Q1 2022, Boeing reported booking 167 gross Commercial Airplane orders, including 134 orders for the 737 MAX. This indicates strong demand for commercial aircraft, aligning with the management's narrative and guidance on robust commercial aircraft demand.

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

- During Q2 2022, Boeing booked 184 commercial airplane orders, including 169 orders for the 737 MAX. At the end of the second quarter, there were over 4,200 airplanes in backlog valued at \$297 billion.

**['Q3', '2021']:**

- Captured orders for 70 737 MAX, 24 freighter & 12 787 airplanes; Orders valued at \$6B; Backlog of \$58B. Our airline customers have returned more than 200 previously grounded airplanes to revenue service. In September, we saw the eighth straight month of positive net commercial airplane orders, primarily due to the 737 MAX. So far this year, we have sold more than 550 737s across each of the models, from 737 MAX 7 to 737 MAX 10. The freighter market remains robust, with cargo traffic 8% higher year-to-date through August compared to 2019.

- **Evaluation:**

- **Expectations Met:** The actual results show strong commercial aircraft demand with significant orders for the 737 MAX, aligning with management's guidance of robust demand and strategic focus on production capabilities.

## 10. New aircraft models

- **Narrative:** Management provided updates on the timelines for new aircraft model deliveries, emphasizing their commitment to meeting planned deadlines for upcoming models.

- **Management's Guidance:**

- Boeing expects to deliver the first 777X in late 2023. Additionally, the company anticipates the first delivery of the 737 MAX 7 in early 2022, followed by the 737 MAX 10 in 2023.

- **Actual Results:**

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

- Data Not Available

**['Q3', '2021']:**

- Data Not Available

**['Q1', '2022']:**

- Data Not Available

**['Q4', '2021']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

## 11. Safety certification processes

- **Narrative:** Management highlighted their ongoing efforts related to the safety certification processes of the 737 MAX aircraft, particularly focusing on the progress made in the Chinese market. The completion of the 737 MAX flight test in China marks a significant milestone in Boeing's journey towards re-establishing its presence in this crucial market. This discussion underscores Boeing's commitment to meeting regulatory standards and enhancing the safety profile of its aircraft.

- **Management's Guidance:**

- Management provided forward-looking guidance indicating their expectation for approval by the end of the year. They also projected a resumption of deliveries in the first quarter of the next year, reflecting confidence in meeting regulatory compliance and advancing certification processes.

- **Actual Results:**

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

- Data Not Available

**['Q3', '2021']:**

- Following the completion of the 737 MAX flight test in China during the third quarter

**['Q1', '2022']:**

- Data Not Available

**['Q4', '2021']:**

- The MAX is now approved to fly in over 185 countries.

**- Evaluation:**

- Insufficient Info: Data not available.

## 12. Environmental compliance measures

**- Narrative:** Management has articulated a commitment to enhancing environmental compliance through strategic internal policies. This includes the implementation of new requirements focused on health and safety measures, which reflect the company's dedication to compliance and responsibility towards regulatory expectations.

**- Management's Guidance:**

- Management announced a new requirement mandating US-based employees to provide proof of full COVID-19 vaccination or secure an approved reasonable accommodation. This measure is indicative of the company's proactive stance towards maintaining a compliant and safe working environment in alignment with evolving regulatory standards.

**- Actual Results:**

**['Q1', '2022']:**

- Data Not Available

**['Q4', '2021']:**

- Data Not Available

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

- Data Not Available

**['Q3', '2021']:**

- Data Not Available

**- Evaluation:**

- Insufficient Info: Data not available.

## 13. 2030s product timeline

**- Narrative:** During the third quarter of 2021, Boeing's management emphasized their strategic focus on advancing their 2030s product timeline. A key element of this strategy includes the preparation for the second Orbital Flight Test launch, highlighting the company's commitment to enhancing its capabilities in space exploration and maintaining its competitive edge in the aerospace sector. Management reiterated their adherence to this long-term vision, underscoring the importance of disciplined execution according to their planned schedule.

**- Management's Guidance:**

- Boeing is actively preparing for the second Orbital Flight Test launch, anticipated in 2022, contingent upon hardware readiness, the rocket manifest, and space station availability. Management also confirmed that their strategic plan and timeline are aligned for significant milestones by the fourth quarter of 2023.

**- Actual Results:**

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

- Data Not Available

**['Q3', '2021']:**

- Data Not Available

**['Q1', '2022']:**

- Data Not Available

**['Q4', '2021']:**

- Data Not Available

**- Evaluation:**

- Insufficient Info: Data not available.

## 14. Emission reduction technologies

**- Narrative:** Management emphasized their commitment to sustainability and environmental responsibility by focusing on the development and delivery of new airplanes that significantly reduce emissions. These innovations are part of Boeing's broader strategy to advance emission reduction technologies, highlighting the company's efforts to lead in environmentally sustainable aerospace solutions.

**- Management's Guidance:**

- Management projected that the new airplanes Boeing plans to deliver will achieve a 25% to 40% improvement in fuel efficiency, resulting in corresponding reductions in emissions compared to the older models they are set to replace.

**- Actual Results:**

**['Q1', '2022']:**

- Data Not Available

**['Q4', '2021']:**

- Data Not Available

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

- Data Not Available

**['Q3', '2021']:**

- Data Not Available

**- Evaluation:**

- Insufficient Info: Data not available.

## 15. Sustainable aviation fuels commitment

**- Narrative:** Management reiterated Boeing's commitment to sustainability by participating in significant industry events and setting ambitious goals. Specifically, the company is focused on ensuring that its commercial airplanes will be capable of operating on 100% sustainable aviation fuels by 2030. This initiative is part of a broader strategy to partner with key stakeholders like SkyNRG to bolster the global supply of sustainable aviation fuel, reflecting Boeing's proactive approach to environmental responsibility.

- **Management's Guidance:**

- Management is committed to making all commercial airplanes capable of running on 100% sustainable aviation fuels by 2030, indicating a robust forward-looking strategy towards environmental sustainability.

- **Actual Results:**

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

- Data Not Available

**['Q3', '2021']:**

- Data Not Available

**['Q1', '2022']:**

- Data Not Available

**['Q4', '2021']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.