Event: In March 2019, the Boeing 737 MAX was grounded worldwide following two fatal crashes.

Impact: As of November 2019, 15,156 Boeing 737s have been ordered and 10,565 delivered, leaving a backlog of 4,591 aircraft. It was the highest-selling commercial jetliner until being surpassed in total orders by the competing Airbus A320 family by the end of October 2019. Two fatal crashes make airlines unable to use Boeing 737 MAX and customer cancel their plane order.

There are effects that will impact Boeing’s financial creditworthiness:

1) the US Federal Aviation Administration and other aviation authorities do not allow the 737 MAX to return to service; 2) Boeing stops delivering aircraft, but it still has the built inventory of 400 some-odd MAXes ; 3) the across the supply chain effects of the suspension of assembly on its ability; 4) the additional separate charges to the 737 program and for additional compensation to customers that Boeing will likely report; 5) near-term liquidity is also effected because of this event.

Each of the above items will influence the extent of the company's near-term reliance on external funding, its future earnings and cash flows and the time needed to restore its financial profile to pre-grounding levels following the aircraft's return to service and the restoration of the production system.

The longer the grounding runs into 2020, the higher customers' claims for compensation, as well as other costs, will climb. The longer the supply chain is idled, the greater the risk to a timely restoration of the ensuing desired monthly production rates. The increasing program costs that will be accrued and realized pro-rata with future deliveries, along with anticipated increases in compensation claims by airlines, will lower the 737 program margins and cash generation for years to come. As a result, Boeing’s financial creditworthiness is downgraded.