

Financing the future

Boeing Capital's role supporting customers is critical—and growing

By John Kvasnosky



A glance at the headlines is all it takes to understand that global banking and investing is going through dynamic times.

Financial institutions are the glue that binds much of the world's economic progress. That obliges the Boeing team that connects customers with needed financing to stick close to them.

"As financiers go through dynamic times, it will require us—and our customers—to be dynamic as well. We have to go through it with them to see that we all get through," said Mike Cave, president of Boeing Capital Corporation.

Cave now has two years at the helm of the company's aircraft financing and leasing arm and its team of about

150 financing professionals.

He and colleagues spent 2011 anticipating that new global banking regulations, and higher prices for export-credit borrowing from agencies like the Ex-Im Bank of the United States, would complicate aircraft financing beginning in 2013.

Recent events have changed that.

"We couldn't have foreseen the impacts of the European debt crisis," Cave said. "We believed that credit would get tighter and more expensive in 2013—but with pressure being put on European banks and U.S. dollar funding around the world, we're seeing that accelerate."

However, Cave believes 2012 will see sufficient, but more expensive, financing.

"We are unique in our ability to look at

every delivery and understand where the financing will come from," he said. "That gives us a great deal of confidence."

This year, AirTran, BCC's major leasing customer for its substantial 717 fleet, was acquired by Southwest Airlines. Southwest initially said it would operate the 717s long term. Recently it signaled it wants to move more quickly to a 737-only fleet.

"Southwest has had good success with the 737," Cave said. "I think they'll honor their 717 commitments to us, but I believe we'll have to work together to help them transition to a single type over the next five to six years."

BCC ramped up its financing support in 2011 to Boeing Commercial Airplanes. Notable was July's order by American

Airlines, where Boeing agreed to provide operating leases for up to 100 new 737s. Customer requirements drove the unusual response.

"BCC has been a great partner and helped us win some key campaigns this year, including American and Delta," said Commercial Airplanes President and CEO Jim Albaugh. "We went to customers with integrated proposals that reflect what this company is all about—innovation in everything we do. We don't think of BCC as a 'lender of last resort' but rather as a provider of innovative financing that gives Boeing a competitive edge."

Less visible was BCC's support to Defense, Space & Security customers, particularly as BDS pursues its goal to

increase and sustain international business revenues by more than 25 percent.

"BCC helps provide 'One Boeing' solutions for our international customers," said Bob Verbeck, BDS chief financial officer. "This is even more important today when potential customers have to find the best way to acquire new products and services with constrained resources."

Cave is convinced BCC has the expertise to differentiate Boeing among rivals.

"I think we're universally regarded as having the potential to be a real competitive advantage for Boeing. I say potential because we always have to have 'one heartbeat' with our internal customers."

Senior leaders share that perspective.

"The BCC team's expertise, experience

and strong relationships have them positioned to make a big difference for our customers and business performance in 2012 and beyond," said Boeing Chairman, President and CEO Jim McNerney.

"Our mission," Cave added, "is to provide the most choice we can for our customers and help them find the best-value financing. If we can do that better than others, we will make a difference." ■

john.kvasnosky@boeing.com

PHOTO: One of three additional 717s leased from Boeing Capital by Hawaiian Airlines in 2011 is seen here in pre-delivery preparations. The carrier in 2011 also purchased the 15 717s it already had on lease from BCC. PAUL PINNER/BOEING