

02-Nov-2022

The Boeing Co. (BA)

Investor Day

CORPORATE PARTICIPANTS

Matt Welch

Vice President-Investor Relations, The Boeing Co.

David L. Calhoun

President, Chief Executive Officer & Director, The Boeing Co.

Stanley A. Deal

Executive Vice President, President & Chief Executive Officer-Boeing Commercial Airplanes, The Boeing Co.

Theodore Colbert

Executive Vice President, President & Chief Executive Officer-Boeing Defense, Space & Security, The Boeing Co.

Stephanie F. Pope

Executive Vice President, President and Chief Executive Officer of Boeing Global Services, The Boeing Co.

Gregory L. Hyslop

Chief Engineer & Executive Vice President-Engineering, Test & Technology, The Boeing Co.

Christopher D. Raymond

Chief Sustainability Officer & Senior Vice President, Global Enterprise Sustainability, The Boeing Co.

Brian J. West

Chief Financial Officer & Executive Vice President-Finance, The Boeing Co.

OTHER PARTICIPANTS

Peter J. Arment

Analyst, Robert W. Baird & Co., Inc.

Sheila Kahyaoglu

Analyst, Jefferies LLC

Myles Walton

Analyst, Wolfe Research LLC

Seth M. Seifman

Analyst, JPMorgan Securities LLC

Noah Poponak

Analyst, Goldman Sachs & Co. LLC

Kristine Tan Liwag

Analyst, Morgan Stanley & Co. LLC

Robert Spingarn

Analyst, Melius Research LLC

Robert Stallard

Analyst, Vertical Research Partners LLC

David Strauss

Analyst, Barclays Capital, Inc.

Ken Herbert

Analyst, RBC Capital Markets LLC

Cai von Rumohr

Analyst, Cowen Inc.

Matthew Akers

Analyst, Wells Fargo Securities LLC

Charles Armitage

Analyst, Citigroup Global Markets Ltd.

Theodore Colbert

Executive Vice President, President & Chief Executive Officer-Boeing Defense, Space & Security, The Boeing Co.

All right. Good morning, everyone. Thank you, Stan, and welcome, everyone. Good to see you and good to be here with you. Let's get into it on the first chart and talk about the focus areas for Boeing Defense. As we all know, we are in a moment where global threats facing our country and our allies around the world make it very important for Boeing Defense, Space and Security to show up strong with our customers.

This moment is not lost on us, and we believe that we have the portfolio both today and in the future to satisfy the needs of our customers here in the United States and internationally. We also know that we have a variety of big fixed price development programs that we've got to deliver on to support those important missions, both today and the future. We're committed to delivering on those programs, and our teams are working hard every single day to get to the next big milestone in delivery of those programs.

Factory stability as part of those programs and as part of our legacy programs is also important to us. Supply chain disruption has impacted us significantly, and that has driven challenge of stability in the factory, in the development teams. We have work to do with our supply chain and we have work to do to mitigate internal labor disruption. We will go after both those challenges with the mighty force. We are in with our suppliers every single day. We have teams deployed similar to Stan talked about, to make sure that requirements absorption is done well and we are doubling down inside of the company and with the suppliers on recommitting ourselves to lean principles and making sure that every program runs with those principles every single day.

And we're working towards making sure that we have the right people in the right place at the right time. We've done a ton of hiring and we're going to continue hiring in the places that matter and spend and invest in our people from a training and development perspective. All these things contribute to us bringing more stability to our factories and to the production system in the company.

Lastly, I'll say, and to tie this all together, all these things are about making sure that those enduring legacy are proven programs that I'll share with you in a second, get back to their normal margin performance. And as we deliver on these big fixed price development programs and get them to rate, they contribute in the way that they should to the financial performance that Brian laid out earlier on today, both working the enduring programs and delivering on the fixed price development programs, contribute to the financial success of our piece of the business in the company, and we're excited about both.

Let's go to the next chart. So this is my favorite chart because this talks about our products. Our products and our portfolio are well-suited to position us for high digit margins and strong cash flow going forward. Again, right in line with what Brian shared with you earlier today. From a strike systems perspective, we had two strong enduring platforms in the F-15 and the F-18. These serve critical missions today around the world and will for a long time to come. Those complemented with the T-7 and MQ-28 make our portfolio even stronger from a strike perspective in the long run.

In the advance fighter work that we have going on that I can't talk about with you today. I am really excited about and you'll see that come to fruition and come to life over the years, hopefully. Space and missile defense, what an amazing place to be. We are proud of our partnership with NASA as we continue to work with them on human space exploration. SOS launch is right around the corner, and we're excited about that. And we'll fly the first crewed mission of Starliner earlier next year. Space is also a draw for great talent, which is why it's important to us.

Vertical lift. We just delivered the first 4 MH-139 aircraft to our customers last quarter. We will continue to deliver to our commitments, and we're waiting for the decision later this year on the future of a long-range assault aircraft. Our partners and I are waiting for that decision and we're excited about delivering that aircraft to the customer as well. And then lastly on mobility and C4ISR, it goes without saying that the E-7 platform has significant demand both here in the United States and in my conversations with our customers around the world, it's a proven platform and has a long tail of demand as well. That along with the advanced autonomous capabilities of the MQ-25 make this part of our portfolio just as strong. So as you see, we have a strong portfolio here. Demand driven from our customers, a team focused on delivering to the mission. And we're committed to delivering both the things that we have today and in the future to support the portfolio of the company.

With that, let me finish on an important topic for all of us, and that's big fixed price development programs. The chart that you see in front of you represents four big fixed price development programs, upcoming key milestones that we have right in front of us and the period with which we've de-risked these programs in the last quarter.

These programs represent 15% of our development program revenue. We have not taken on any more fixed price, big fixed price development programs since 2018 and we don't have the appetite to do so going forward. We remain committed to them. And as I said before, we're going to live up to our commitments and double down on lean and program management and improving our focus for the supply chain and performance there.

But I am still excited about these programs. The T-7 sets the basis for model-based engineering, digital engineering and with Stephanie's business, the idea to pull the digital thread into the services business through the life of this product and support future variants. It has a long life ahead of it and the demand will just get stronger and stronger. The MQ-25, as I mentioned before, an unmanned autonomous carrier based tanker. You got to be excited about that, and we've got to deliver on this commitment to the customer.

And the KC-46, 60 of which are already in bases around the world covering the entire set of use cases as Dave described, will just get better and better going forward and we're excited about that platform. And then lastly, VC-25B, we are proud and excited to deliver two perfect airplanes to our President, two perfect airplanes, and that is what we're focused on. And we will do exactly that.

And so with all of that, with these big fixed price development programs in front of us, we remain committed to delivering them. We have worked as hard as we can to de-risk the financial profile of these programs, and we're going to get them done.