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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.

Stephanie F. Pope

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

Good morning. It's great to be here today to talk about our services business. Let me jump in on the next slide and highlight a few of our key focus areas. First and foremost is on-time predictable delivery. Key to everything we do in meeting our customer commitments. We're also focused on expanding global capability. We operate in over 70 countries with more than 40% of our workforce outside of the US, allowing us to locally support our customers 24/7 with the clock speed they demand.

Digital enabled modern sustainment across everything we do, delivering predictive analytics to drive availability and operational efficiency, and finally, disciplined, profitable growth. This is all about optimizing working capital and being very deliberate and intentional about where and how we expand our capability and capacity where we can leverage and increase our IP and drive value. Let me give you a few specific examples in our portfolio.

Next slide, please. The breadth and depth of this portfolio is unmatched. We support commercial customers, government customers and the BAGA Market, business, aviation and general aviation market. And we do that with four businesses, our parts and distribution services. We operate the largest, most comprehensive, platform agnostic, aerospace distribution network in the world. Inclusive of that is our 2018 acquisition of KLX where we have successfully integrated that business and captured both our top line and bottom line synergies.

We've also transitioned from a very historical manual demand planning model to a predictive demand planning model, delivering analytics that we can leverage to make investments in inventory, driving availability and preventing shortages. That availability is key to driving our performance. We've also leveraged our IP and transitioned our manage programs in areas like rotatable exchange programs, component service programs and used services material.

Our engineering modification and maintenance business is one significantly enabled by our OEM expertise and our IP delivering products like Boeing converted freighters, commercial mods, spanning avionics, interiors and connectivity, as well as service life extensions and performance-based logistics across all of our military platforms. We've invested significantly in driving capacity to meet our customer needs. In fact, in just the last couple of years, we've almost doubled our Boeing converted freighter capacity, operating 15 737 active converted lines as well as five 767s.

We also look for opportunities where we can invest in needs for our customer as well as expand our IP. This is illustrated in our comprehensive cabin offering that we've been developing in partnership with our JV at Adient Aerospace as well as our acquisition of EnCore.

Our market-leading digital solutions and analytics business, inclusive of Jeppesen and ForeFlight, provides over 80 digital offerings to our customers, market-leading in Nav, crew and Electronic Flight Bag, and we continue to innovate and invest to drive additional operational efficiency and sustainability for our customers, bring in new offerings to market.

And lastly, efficient and high value training and professional services is critical to driving safe operation for our customer. We have a comprehensive portfolio where we support pilot and maintenance training, as well as simulators and simulator support and digitally enabled learning solutions. The performance and value of this portfolio gives us confidence in meeting the financial objectives laid out by Brian earlier.

Let me talk about those financial objectives on the next slide. We continue to execute and deliver strong performance quarter-over-quarter. Many of you last night asked me about our portfolio mix. So let me start by addressing that with the graph out on the left.

Pre-COVID, we were about 60% commercial and 40% government. At the peak of COVID, that balanced out to a more 50-50 mix and we're now seeing growth as commercial traffic recovers with a 60% commercial market and a 40% government. Let me also point out embedded in that commercial market, 40% of our offerings are off-platform. Other enablers that are going to drive our business performance is the growing installed fleet you heard Stan and Ted talk about. That creates an annuity of sustainment for decades to come.

Our integrated digital solutions across all of our platforms and portfolio, as well as a robust and aggressive focus on our cost to lean and that our cost to serve embedded in lean and simplification in everything we do. And lastly, let me talk about disciplined investments. We are being very thoughtful at our capital deployment, where we invest, where we can leverage and grow our IP to deliver value and creating different business models within the industry to partner and collaborate where we can't. Emerging from the pandemic, with a robust portfolio, with a right sized cost to serve and a disciplined investment gives us confidence in meeting the financial objectives Brian laid out earlier, continuing to deliver profitable growth and strong cash conversion.