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# The Boeing Co. (BA)

## Q1 2025 Earnings Call





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# MANAGEMENT DISCUSSION SECTION

**Operator**: Good day, everyone, and welcome to The Boeing Company's First Quarter 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. Please be advised that today's call is being recorded. The management discussion and slide presentation, plus the analyst question-and-answer session, are being broadcast live over the Internet. [Operator Instructions]

At this time, I'm turning the call over to Mr. Matt Welch, Vice President of Investor Relations for opening remarks and introductions. Mr. Welch, please go ahead.

## Matthew Welch

*Vice President-Investor Relations, The Boeing Co.*

Thank you, and good morning, everyone. Welcome to Boeing's quarterly earnings call. With me today are Kelly Ortberg, Boeing's President and Chief Executive Officer; and Brian West, Boeing's Executive Vice President and Chief Financial Officer.

This quarter's webcast, earnings release and presentation, which include relevant disclosures and non-GAAP reconciliations, are available on our website. Today's discussion includes forward-looking statements that are subject to risks and uncertainty, including the ones described in our SEC filings. As always, we will leave time at the end of the call for analyst questions.

With that, I will turn the call over to Kelly Ortberg.

## Robert Kelly Ortberg

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

Thanks, Matt, and thanks to everyone for joining in today's call. Let me start out by saying that we had a really solid quarter of performance across the business and I'm pleased to report that our recovery plan is in full swing and showing signs that it's being effective. Albeit early, I do like what I'm seeing.

In BCA, we've continued to implement our safety management system and remain on schedule with our safety and quality plan that we've established with the FAA. The key performance indicators that we're using to measure our production stability, continue to progress and we delivered 130 airplanes in the quarter, which was better than our internal plan. I want to remind you that we plan to ramp up conservatively so that we had some capacity to deal with unknown challenges.

In BDS, we had improved performance on our fixed price development programs and held our EACs for the quarter. We continue to make progress on our active management approach on the programs to improve performance and reduce our future EAC risks. And of course, winning the F-47 program was a transformational accomplishment. To be selected the contractor for the world's first sixth-generation fighter is a testament to our focused investment in some pretty difficult time and to our dedicated team. This will secure our fighter franchise for decades to come.


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And our BGS business continued to deliver strong results and we reached a milestone event by delivering our 100th 767 freighter conversion. So let me dig a little deeper into our 4-point plan for our recovery. Recall from previous calls that I highlighted 4 key areas. The first, stabilizing our business; second, improving the development program execution; third, changing our culture; and fourth, building our new future.

So for stabilizing our business, our balance sheet has been an important focus. The equity raise at the end of last year was sized to provide us the ability to restore our production system to help. With the better-than-expected delivery performance, we naturally had less drain on cash in the first quarter, so we continue to be on solid footing here.

As we announced yesterday, the expected divestiture of portions of our Digital Aviation Solutions business will also provide a significant cash infusion. The key to cash generation will be continued progress on the 737 MAX ramp. We are currently producing in the low 30s per month and expect that we'll get to the 38 per month cap over the next few months. We'll ensure that the KPIs are showing a stable production system and then request an increase to 42 per month with the FAA later this year. We've stayed very close to new Department of Transportation and FAA leadership, and we remain aligned on the criteria to move to the next rate.

If you look back before the strike last fall, we've seen about a 50% reduction in traveled work and a 25% reduction in rework hours on the 737 line. So the changes we've made to strengthen our quality system are delivering results. Even more importantly, almost every customer I talk with report an improvement to the quality of the airplane.

On 787, we continue to produce at five per month and I'm pleased to report that we've completed the work on the last joint verification airplane in Everett, which now allows us to close our shadow factory and redeploy the people and facilities dedicated to that work. We're poised to move to seven per month this year, provided our KPIs indicate a stable production system and they're currently looking very good.

As we highlighted last quarter, we continue to work through seat certification issues affecting some deliveries, and I expect this will be a challenge for us for the balance of the year. With the current cash balance and the production ramp status, I feel we are well on our way to stabilizing the business even in the face of the tariff situation, which I'll address in a moment.

Now let me switch to the next priority, which is improving the development program execution. As I mentioned, a quarter with EAC stability in Defense is a good start, but our efforts run deeper than that. During the last quarter, I mentioned that we have reached an MOA with the customer on the T-7 program, for which we've termed, active management. And we've since completed our first two incentive milestones associated with that agreement.

On VC-25B, we continue to work with the customer to revise the program plan to allow for an earlier first delivery while maintaining our focus on safety and quality. And we recently transferred our MQ-25 aircraft to our new production facility in Illinois to begin final assembly, which is the last production step before we move to ground and flight test later this year. And this next quarter will be an important one for us as we begin to baseline the performance of our F-47 plan.

On commercial development programs, we've reached authorization from the FAA to expand the 777X flight test activities to include additional aerodynamics, brakes, and engines. The aircraft are flying daily and performing well in flight testing, along with the 777X, the 737-7, and the 737-10 continue with their certification programs and there is no change to our previously shared certification timeline on any of the commercial programs.


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So while there's still a tremendous amount of work to do across all of our development programs, I am seeing an improved sense of urgency around the baseline management and risk management on these programs.

Now the third area of focus is changing the culture at Boeing, and we've made some good progress there as well. In the quarter, we had a series of employee meetings talking specifically about culture change. We formed an enterprise working group to help us refresh our values and behaviors. And we've recently completed an all-employee survey, the first in five years, and got very constructive feedback on what's needed to improve the future of our company. We've introduced the new values and behaviors to the entire organization, and we'll be incorporating those into our new performance management system, our leadership training, and leadership selection criteria. Our people are passionate about the culture change, so I really want to seize the moment to make the necessary changes within the company.

Now the last area to discuss is building our future. The planned divestiture of portions of our Digital Aviation Solutions business is an example of the portfolio streamlining that I highlighted on earlier calls. There are a couple more steps that we are considering in this regard to help us keep focus on the right products and capabilities for Boeing's future. And obviously, the F-47 win is a key step for building our future, cementing our franchise in the fighter business.

So that brings me to the current tariff environment and the impact to our plan. I would break this down into two categories: input tariffs that affect our cost to manufacture our products, and then the potential impact of retaliatory tariffs like those we are seeing in China. Brian will walk you through the financials, but the input tariffs incurred in the first quarter were immaterial, and we really didn't see any impact to deliveries in the first quarter.

Much of our supply chain is based in the United States, and many of our imports from Canada and Mexico are exempt under the USMCA agreement. We do have suppliers in countries subject to the new US tariffs, most notably in Japan and Italy, where our suppliers do significant structures work on our wide-body airplanes. We are currently paying the 10% tariff on those components, but we should recover tariff costs for those aircraft that are subsequently exported, which is a large portion of our wide-bodies. I hope over time that these tariffs can be resolved through negotiated agreements, but until that happens, we will have to manage our way through these increased input costs.

The other issue is impact of potential retaliatory tariffs from other countries, which could affect our ability to deliver aircraft. The only region that we have an issue with aircraft delivery today is China, and due to the tariffs, many of our customers in China have indicated they will not take delivery.

Given the uncertainty, we are taking a very straightforward approach to dealing with these deliveries. We have approximately 50 China deliveries in our plan for the balance of the year. We are in close communication with our China customers and we're actively assessing options for remarketing already built or in-process airplanes. And for the nine airplanes not yet in the production system, we're engaged with our customers to understand their intentions for taking delivery, and if necessary, we have the ability to assign those positions to other customers. It's an unfortunate situation, but we have many customers who want near-term deliveries, so we plan to redirect the supply to the stable demand. And we are not going to continue to build aircraft to customers who will not take them.

We bounded our exposure, and until we get more clarity, we're going to do our best to keep the China situation from impacting our production flow. We've put in place a conservative recovery plan this year, anticipating some perturbations or risks. So I feel really good about our overall plan for the year, even though I expect the China situation will take away some of the headroom we've built with our strong first quarter deliveries at BCA. We


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continue to work this situation proactively with the administration, and it's clear that they understand the importance of the aerospace industry to the US economy and the role that Boeing plays as a top US exporter.

So before I wrap up my prepared remarks, I want to recognize and thank our employees for their work in the quarter. We've really had a good start to the year, and I'm glad we put a conservative plan together that will allow us to deal with the tariffs. Let me also give a special shout out to Matt Welch, who is moving on to his new role as BCA CFO. He's done a great job for us. So congratulations and thanks, Matt, for all you've done.

Now let me hand it over to Brian to detail the operating results before we take your questions. Brian?

## Brian J. West

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

Thanks, Kelly, and good morning, everyone. Let's start with the total company financial performance for the quarter. Revenue was $19.5 billion, up 18%, primarily driven by higher commercial delivery volume. The core loss per share of $0.49 was a significant improvement compared to last year, driven by higher commercial deliveries and improved operational performance across the business.

Free cash flow was a usage of $2.3 billion in the quarter, reflecting higher commercial deliveries and a working capital usage that improved compared to both the prior year and quarter. Our free cash flow was better than expectations shared last month, driven by volume and favorable working capital timing. These financial results reflect only tariffs enacted as of March 31, which was not material.

Turning to the next page, I'll cover BCA. BCA delivered 130 airplanes in the quarter. Revenue was $8.1 billion, and operating margin was minus 6.6%, primarily reflecting higher 737 and 777 deliveries, as well as lower period costs. BCA booked 221 net orders in the quarter, including 20 777-9s and 20 787-10 airplanes for Korean Air and 50 737-8 airplanes for BOCA.

Backlog in the quarter ended at $460 billion, which was up more than $25 billion sequentially. This includes more than 5,600 airplanes that translate to over 7 years of production. And importantly, the 737 and 787 are sold firm into the next decade.

Now I'll give more color on the key programs. The 737 program delivered 105 airplanes in the quarter, including 33 in March. On production, the factory gradually increased rate during the quarter and monthly production was in the low 30s in March. Importantly, the operational KPIs continue to progress and we still expect to be in a position to go to 38 per month over the next few months.

Spirit continues to improve the quality and flow of fuselages, which sets us up well for the reintegration, and the deal is expected to close around midyear. More broadly on the master schedule, we continue to make adjustments as needed and manage supplier by supplier based on inventory levels. Over the past year, our buffer inventory has grown to promote stability across our production system. As production stabilizes and rates increase over time, we plan to deliberately return buffer inventory to more normal levels.

Today, we have about 30 737-8s built prior to 2023, which is down 25 from year-end and includes 25 airplanes for customers in China. We still expect to complete the rework on these airplanes and shut down the shadow factory by midyear. On the 737-7 and 737-10, inventory levels were stable at approximately 35 airplanes and certification time lines are unchanged.


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On the 787, we delivered 13 airplanes in the quarter generally in line with expectations outlined on our last earnings call. The program continued to stabilize production at 5 per month in the quarter. And we remain intent on demonstrating stability in the production system and supply chain prior to making the next rate increase to 7 over the next few months.

Today, we have about 20 airplanes in inventory built prior to 2023 that required rework, down 5 from year-end; 4 of these 20 are for customers in China. Importantly, we finished the rework and shut down the shadow factory in the quarter and expect to deliver about half of the remaining airplanes this year.

Finally, on the 777X, the program took another important step in its certification timeline as it received approval from the FAA to expand flight testing activities. We'll continue to follow the lead of the FAA, as we progress through the certification process and still expect first delivery in 2026. 777X inventory was up approximately $800 million in the quarter and will continue to grow as we move towards entering the service as we've previously shared.

Moving on to the next page, and BDS. BDS booked $4 billion in orders during the quarter, and the backlog ended at $62 billion. Importantly, in the quarter, BDS was selected by the U.S. Air Force to design, build and deliver its next generation fighter aircraft, the F-47. This order was not included in our first quarter backlog, pending the completion of the source selection and evaluation review process. Revenue was $6.3 billion, down 9% on planned lower volume, including the impact from commercial derivatives associated with the production restart. BDS delivered 26 aircraft in the quarter.

Operating margin was plus 2.5%, up 30 basis points compared to last year and reflected stabilizing operational performance in the quarter. We made important progress in 1Q and the game plan is to get BDS back to high single-digit margins over time. Our core business remains solid, representing approximately 60% of our revenue and performing in the mid-to-high-single-digit margin range. The demand for these products remains very strong, supported by the threat environment confronting our nation and our allies.

Roughly 25% of the portfolio is primarily comprised of fighter and satellite programs. Operationally, performance improved in the quarter, which drove favorable margin trends. Lastly, on our fixed price development programs that represent the remaining 15% of revenue, we continue to work to stabilize and mature these programs. This quarter's results reflected stabilizing operational performance, and we remain focused on retiring risk each quarter ultimately delivering these mission-critical capabilities to our customers.

During the quarter, the MQ-25 program successfully transported the first engineering development model aircraft to the new production facility in Illinois, where it began final assembly. The last production step before ground and flight testing begin later this year.

On the T-7A, we achieved the first two EMD performance milestones outlined in the MOA that was finalized with the U.S. Air Force in January. This continues to be an important example of how we are working with our customers to find better overall outcomes for both parties.

Overall, the defense portfolio is well positioned for the future and we still expect the business to return to historical performance levels as we continue to stabilize production, execute on development programs and transition to new contracts with tighter underwriting standards.

Moving on to the next page, and BGS. BGS continued to perform well, delivering very strong financial results in the quarter. The business received $5 billion in orders and the backlog ended at $22 billion. Revenue was $5.1


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billion, stable year-over-year. Operating margin was 18.6% in the quarter, up 40 basis points compared to last year on favorable performance and mix, with both our commercial and government businesses delivering double-digit margins.

In the quarter, BGS delivered the 100th 767-300 Boeing converted freighter to SF Airlines and received the modification contract from the U.S. Air Force to integrate electronic warfare systems for the F-15 Eagle. It remains a terrific long-term franchise focused on profitable, capital-efficient service offerings and continues to execute very well.

Turning to the next page, I'll cover cash and debt. Cash and marketable securities ended at $23.7 billion, primarily reflecting the free cash flow usage in the quarter. Debt balance ended at $53.6 billion, down $300 million due to the paydown of maturing debt and leaving $550 million of debt maturities remaining in the year. The company maintains access to $10 billion of revolving credit facilities, all of which remain undrawn.

We remain committed to managing the balance sheet in a prudent manner with two main objectives; first, prioritize the investment-grade rating; and second, allow the factory and supply chain to stabilize. As you saw yesterday, we entered into an agreement to sell portions of our Digital Aviation Solutions business for $10.55 billion, which is an important component of our strategy to focus on our core businesses and strengthen the balance sheet.

Stepping back, let me provide some additional context on the macro backdrop before getting into the free cash flow outlook. We continue to closely monitor recent policy developments and believe that the administration understands the aerospace industry's importance to our economy broadly and US manufacturing jobs specifically and is focused on keeping our US industrial base globally competitive for the long term.

Given our position, as a significant US exporter, free trade policy across commercial aerospace remains very important to us. As noted recently on the supply side, roughly 80% of our annual commercial supply chain spend goes directly to US-based suppliers, and we'll work closely with all our suppliers to ensure continuity of supply and pursue options to mitigate cost pressures.

Conversely, on the demand side, about 70% of our commercial deliveries this year are planned for customers outside the US. And importantly, the company has a large and diverse backlog of over $0.5 trillion with our key commercial programs sold out into the next decade. Specifically on China, it represents approximately 10% of our commercial backlog, and if we need to redirect supply to more stable demand, a strong market backdrop across the rest of the world still supports our planned production rate increases.

Regarding free cash flow, we set a conservative plan for the year and had a strong start operationally, which we believe puts us in a position to largely offset any potential cash flow impact of China deliveries this year as well as higher expected input costs due to tariffs.

Regarding deliveries, our plan for the rest of the year was to deliver roughly 50 airplanes to customers in China. There is strong demand for these airplanes and we are actively assessing options should we need to redirect the 41 China airplanes that are already built or currently in production. We will continue to monitor the demand situation and if tariff related impacts expand beyond China, we would expect to see additional pressure.

Broadly, the markets we serve continue to be significant and our backlog of more than $0.5 trillion demonstrates the strength of our core product portfolio. Long-term, these fundamentals underpin our confidence in managing the business with a long-term view built on safety, quality and delivering for our customers.


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And before I open it up for questions, I too would like to thank Matt Welch for his partnership over almost four years, and we all knew they weren't easy four years. He's a terrific Boeing leader and we wish him all the best in his new promotion and we welcome Eric Hill into the IR role.

With that, we'll open up for questions.

# QUESTION AND ANSWER SECTION

**Operator**: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Doug Harned from Bernstein. Your line is open.

**Douglas S. Harned**
*Analyst, Bernstein Institutional Services LLC*

Q

Good morning. Thank you.

**Robert Kelly Ortberg**
*President, Chief Executive Officer & Director, The Boeing Co.*

A

Hi, Doug.

**Douglas S. Harned**
*Analyst, Bernstein Institutional Services LLC*

Q

Kelly, if we go back to the first Trump administration, your negotiations on subsidies across the Atlantic led effectively to a zero tariff environment for aviation. And when you look at the recent tariffs announced and under consideration, I mean, we would say they do nothing positive for the industry. I expect, if Guillaume Faury were on this call, the two of you would probably be in violent agreement on this. But – and you commented earlier that the administration understands the importance of the industry, but can you describe how you and others are interacting with Washington to get around, get out of this tariff environment, and what are you hearing back? What's your sense on how this might evolve in the US and even in Europe and China based on your interactions there?

**Robert Kelly Ortberg**
*President, Chief Executive Officer & Director, The Boeing Co.*

A

Yeah, Doug, well, obviously, it's an important topic right now and very dynamic topic. I don't think a day goes by where we aren't engaged with someone in the administration, including cabinet secretaries and up to POTUS himself. So this is a dynamic environment. As you point out, we've had the luxury of operating for decades, actually since the 1979 Civil Aircraft – aviation agreement on large aircraft in a tariff-free environment. So we're spending a lot of time making sure the administration understands the implications of either short-term or long-term tariffs on not just our company, but the overall aviation industry here in the US. I would just tell you that they understand. They know this is extremely important to our trade, to the trade balance. Aircraft are such a significant part of our trade surplus. And if we see markets closing, that's going to be a big challenge for us.

So, look, I'm very hopeful that we get to some negotiated agreements here and that we can move forward. Right now, China is our only problem, and as we said in the prepared remarks, we're going to work our tail off to make sure the China issue doesn't implicate our recovery and particularly our stability in our production system.


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So, we'll deal with that. Customers are calling, asking for additional airplanes. So, this is really going to be just a short-term challenge for us to either have China reverse course and take the airplanes or get us in a position to remarket those airplanes. And as you know, to remarket them, we'll have to do some things like painting them and things like that.

But having said that, look, I can't predict where this is going to go. I don't know any better than anybody reporting. We do hear signs that indicate that negotiated settlements are – there are opportunities for that. I just don't know the timing. And so, again, we're going to take the actions we need to make sure if this takes a while, we don't get into a situation where it impacts our recovery.

The one thing that we have to watch is to make sure we don't see more countries in a similar boat as where we are with China. We're watching the EU. You made the comment on our competitor. And I think you – I would agree with you wholeheartedly that both Guillaume and I would welcome a non-tariff environment for both of us. This isn't good for either company to be in this situation or the industry. So, hey, we're working through it. I can't tell you the timing of when this is going to all get resolved, but I can tell you, we're going to take proactive action and manage our way through it.

**Douglas S. Harned**
*Analyst, Bernstein Institutional Services LLC*

Q

Very good. Thank you.

**Operator**: Your next question comes from the line of Myles Walton from Wolfe Research. Your line is open.

**Myles Walton**
*Analyst, Wolfe Research LLC*

Q

Thanks. Good morning and congrats on the move, Matt. You survived a lot. So Brian, I think in January, you were expecting deliveries in the 737 in the low-400s and maybe 80 or so on the 787. Does that still – that framework still holds with the 50 aircraft from China, not going to China specifically, as Kelly mentioned?

**Brian J. West**
*Chief Financial Officer & Executive Vice President-Finance, The Boeing Co.*

A

Thanks, Myles. On the 737, yes, we still think that's the right ballpark of 400. We had a nice strong start to the year operationally, and that should allow us to offset most of any delivery pressure that would come from the 25 airplanes that are already built in inventory and around 6 that are in production airplanes that we plan to deliver this year. And for the second quarter specifically, we expect to deliver in the high-20s for April, and the quarter should be more or less in line with 1Q ex-China, which is in the low to mid-90s.

On the 787, you're also in the right ballpark. We also are having a nice start to the year, and we expect to ramp to 7 per month in the next few months, and China would only be a handful of airplanes impacted. So, we like the ballpark that you mentioned. And for 2Q, we've already delivered 5 so far in April, and we expect 2Q to be a bit higher than where we were at in 4Q 2024 delivery. So things are going pretty well.

I think what's really important is any delivery timing won't disrupt our production rate increases on these programs. And we're making really good progress operationally, and we're tracking to achieve the rate milestones that Kelly mentioned on both programs in the coming months.


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**Myles Walton**
*Analyst, Wolfe Research LLC*

Q

All right. Thank you.

**Operator**: Your next question comes from the line of Seth Seifman from JPMorgan. Your line is open.

**Seth M. Seifman**
*Analyst, JPMorgan Securities LLC*

Q

Hey. Thanks very much and good morning, everyone, and congratulations, Matt. Just wanted to ask a follow-up question on tariffs on the cost side. I guess, if there's anything you could say to kind of size if we're thinking about the two impacts being kind of the China impact and the cost impact, maybe kind of sizing potentially those two impacts, and then talking about the drawback process on the cost side, do you need to maybe manage the supply chain a little bit on the cost side if there are suppliers down in the chain who can't handle this as well as some of the larger and more well-capitalized suppliers? And also, how you deal with – I gather you're going to get a push from certain suppliers to kind of push through tariffs that they have with different surcharges and anything you can say about that process?

**Robert Kelly Ortberg**
*President, Chief Executive Officer & Director, The Boeing Co.*

A

Yes. Seth, let me start with kind of the process, and then I'll let Brian kind of quantify it. So as you point out, we do have the duty drawback opportunity. And as you know, about 80% of our airplanes go outside – are delivered outside of the US. So we have the opportunity for those duties that we pay, those tariffs that we pay to recover that when we deliver the aircraft. Now, it creates a little bit of a cash flow timing issue that we'll have to work through. We are actively working as well with the supply chain because they don't have that opportunity. Their point of delivery is to us, and then we, in turn, deliver the product outside of the US. So we are working to see if we can't, if in effect, allow them to piggyback on our duty drawback. And that requires accounting processes to make sure we can track things. And so we're working that right now.

We do have some suppliers who indicated they're going to have some pricing increases associated with that. But it's not overly material, and we're working through that. The thing I'm really trying to make sure we're focused on is making sure that an argument over a 10% tariff who's going to pay doesn't turn into a continuity of supply issue. So we really need to make sure that people are buying and bringing in the parts that we're going to need and then we'll work through the financial implications. I'll let Brian kind of quantify that for you.

**Brian J. West**
*Chief Financial Officer & Executive Vice President-Finance, The Boeing Co.*

A

Yes, sure. So I think I'll start with the supply chain input costs and then I'll get to the China piece. On the supply chain side, the net annual impact of higher tariffs on our input costs is manageable. And within our plan, it's less than $500 million annually. And here's how to think about some of the pieces in addition to what Kelly described. We have elevated inventory levels that are all pre-tariff. Aluminum steel are typically 1% to 2% of the average cost of the airplane, which is virtually all US sourced. And with higher inventory levels and hedging strategies, that 1% to 2% is even lower in the current environment. We do bulk buys on behalf of our supply chain partners, and those could be subject to some price increases as tariffs move higher, that we can't pass along, but that's a very small amount of money, nothing to worry about.


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As Kelly said, we do have this duty drawback opportunity to get us to that net a few hundred million dollars. And I would point out that we have a global trade and supply chain team that have decades of experience with tariffs and duty recovery. And when you're one of the world's biggest exporters, we really have a good handle on this. So we feel confident in some of the ways that we've been describing this.

I'd also say that keep in mind that over time, any input-related costs will work its way through to price escalators. So it should mostly neutralize over time. And then in addition to what Kelly said about the suppliers, as you know, many are on fixed price life of program contracts, where the importer of record does pay the tariff. And as Kelly said, we're doing what we can to help them through this situation.

As it pertains to China specifically, we talk about 50 or so airplanes that's – it could be north of $1 billion, but as I said, it's all contemplated within a conservative plan we put together. So we feel pretty good.

**Seth M. Seifman**
*Analyst, JPMorgan Securities LLC*

Q

Great. Thank you.

**Operator**: Your next question comes from the line of Scott Deuschle from Deutsche Bank. Your line is open.

**Scott Deuschle**
*Analyst, Deutsche Bank Securities, Inc.*

Q

Hey. Good morning. Brian, on the last call, you seem to reference that the free cash flow usage for the year will be somewhere in the $4 billion to $5 billion range. I guess, can you give an update on how you're thinking about that specific range as well as some further characterization of the free cash flow cadence as we move through the year? Thank you.

**Brian J. West**
*Chief Financial Officer & Executive Vice President-Finance, The Boeing Co.*

A

Sure. Thanks, Scott. Let me start with the second quarter. So we expect the second quarter to be roughly in line with the first quarter usage. And as we've said, we expect the second half free cash flow to turn positive and then accelerate as we exit the year, driven by a few really important levers. The 737 production ramped to 38 per month and even potentially higher as we exit the year, higher 737 delivery volume. We've got the 787 production ramp to 7 per month and also potentially higher as we exit the year. We have the higher 787 delivery volume, and we have customer receipts that will be favorable. And those are offset by a couple of things: higher investment levels, including the 777X and the potential impact of both China and this net impact from higher input costs from tariffs that we've discussed.

So in terms of the range that you mentioned, we're not going to adjust that full year range right now. We're good with where it's at. We had a really good start to the year. We need to execute on the production rate increases and we need more clarity on China and tariffs more broadly. So give us a little bit of time to see how things play out. The good news is that, as Kelly said, we deliberately built the year to account for some unknowns. We're still comfortable with the plan that we've outlined.

**Scott Deuschle**
*Analyst, Deutsche Bank Securities, Inc.*

Q

Appreciate it. Thank you.


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**Operator**: Your next question comes from the line of Sheila Kahyaoglu from Jefferies. Your line is open.

### Sheila Kahyaoglu
*Analyst, Jefferies LLC*

Q

Good morning, Kelly, Brian and thank you, Matt, so much. So maybe just on that last thought, assuming the skyline is largely intact outside of China, and there's no demand impact with tariffs, how are we thinking that production ramps outside 2025 with the 737 and the 787 rates? And how you're watching the biggest risks in the supply chain in the master schedule and how that correlates to cash flow expectations as you continue to benefit from volume ramps, but also on-time deliveries?

### Robert Kelly Ortberg
*President, Chief Executive Officer & Director, The Boeing Co.*

A

Sheila, let me take the demand side and I'll let Brian comment. So we don't see any change in the overall demand here. Our backlog is well over $0.5 trillion. It's – everybody wants the aircraft. So we're going to work through this China situation, maybe we have to redeploy some aircraft, but we don't see any pullback whatsoever in demand for the aircraft. So our rate increase plan remains unchanged. We'll go to 38 a month here. We'll get to the stability. And then our first rate increase will be from 38 to 42. And then we'll do 5 per month increments after that, so 42 to 47, 47 to 52. Those rate increases would be no earlier than probably six months in between. But again, it depends on – each one will require that we have stable KPIs. And the more you move up the rate, the more difficult it is to make sure you maintain stable KPIs.

So if we go to one of those rates and we need to stay there for a little longer to be mature, that's what we'll do. But I don't see any change in our long-term rate plans. All the KPIs on 787 right now are all green, look good. So we'll make this next rate increase in the coming months on 787 and then there are future opportunities there. As you know, we've invested additional capital, $1 billion here in our Charleston facility. That's where we are today, to expand our production capacity here. So we definitely want to get the 787 back up to double-digit production rates. And none of what we're seeing right now is not going to stop those plans.

### Brian J. West
*Chief Financial Officer & Executive Vice President-Finance, The Boeing Co.*

A

And on the supply chain side, as I mentioned, we have a lot of inventory, enough inventory that is there for us to achieve the rates that Kelly is mentioning. And we've got really good alignment with our key suppliers, fuselages, engines, everything looks pretty good. Yeah, we have to get through some discrete moments around this tariffs and ensuring the continuity of delivery, which we'll work through, as Kelly mentioned. But as we look a little further out, good alignment, plenty of inventory, feel pretty confident about the supply chains side of it.

### Sheila Kahyaoglu
*Analyst, Jefferies LLC*

Q

Thank you.

**Operator**: Your next question comes from the line of Scott Mikus from Melius Research. Your line is open.

### Scott Mikus
*Analyst, Melius Research LLC*

Q

Good morning.


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**Robert Kelly Ortberg**
*President, Chief Executive Officer & Director, The Boeing Co.*

A

Hey, Scott.

**Scott Mikus**
*Analyst, Melius Research LLC*

Q

Kelly, congrats on the F-47 win. I have a quick question there. There was a comment from the administration about the EMD phase being cost-plus, but there were some competitively priced options for LRIP. So I'm just wondering, are those options fixed price? Do they have inflation escalators built into them? How should we be thinking about the risk from those options?

**Robert Kelly Ortberg**
*President, Chief Executive Officer & Director, The Boeing Co.*

A

Yeah. Hey, Scott. On the F-47, we're not at liberty to disclose anything relative to the contract structure beyond what the Air Force has said. So the only thing I can say is what you've read there is the extent of our disclosure. Clearly, we haven't come off our strategy of ensuring we're entering into the appropriate contract type for the appropriate type of work. So I wouldn't worry that we've signed up to undue risks like we've done in some of our past fixed price programs. But that's about all I can say on that right now.

**Scott Mikus**
*Analyst, Melius Research LLC*

Q

All right. Thanks for taking the question.

**Operator**: Your next question comes from the line of David Strauss from Barclays. Your line is open.

**David Strauss**
*Analyst, Barclays Capital, Inc.*

Q

Good morning.

**Robert Kelly Ortberg**
*President, Chief Executive Officer & Director, The Boeing Co.*

A

Hey, David.

**David Strauss**
*Analyst, Barclays Capital, Inc.*

Q

Hey, Kelly. Could you maybe dig in a little bit more on the status of the six KPIs, specifically the progress you're seeing there, I guess, maybe [audio gap] (00:42:52) three months ago, both on the 737 MAX and the 787, I think you had highlighted there was one on the 787 that was kind of out of line a little bit. If you could just touch on that. And then how you've gone about mitigating risk around the Jenkintown, the fire there? And how do you feel like how you've got that kind of captured in the guidance as well? Thanks.

**Robert Kelly Ortberg**
*President, Chief Executive Officer & Director, The Boeing Co.*

A

Okay. Hey, look, on the KPIs, as I mentioned, on 787, when we talked at the last earnings call, we had one of the KPIs that was below threshold and that was in final ticketing, the number of snags at final ticketing. That's all


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gone green. So we're looking really good that 787 team has done a really, really nice job of focusing on that. We are still burning down some rework associated with pre-strike level inventory aircraft. We're getting close to that, I switched to 737 now. And so we still have a little bit of work on one KPI, and that's on rework relative to the 737 MAX. However, it's coming down. The rework is coming down per our plan. So I feel pretty good that as we continue to go through from the low-30s 38, and we get the cleaner airplanes flowing through the factory that will actually be green on all of our metrics.

So look, as I sit here right now, things really look good. We had – as I said in my prepared remarks, we had Secretary Duffy and the acting administrator, Chris Rocheleau here, in Seattle. They spent time out the floor, talking to FAA people, talking to our machinists and things look pretty good. I think we're really aligned on what we need to do to get to the rate increases. So, so far, so good, we can't claim victory. We got to get to 38 and show stable performance there, but our plan seems to be working and we'll make any adjustments we need to.

Regarding the SPS fire, the team has done a very, very nice job of reacting and jumping all over that issue. And it's a combination of finding alternate source, re-qualifying, finding inventory, and getting it in the right place. And it's not just us as you know, it's some of our major suppliers as well who this impacts.

I think we're going to be able scramble our way through this. I don't think we'll be at the inventory levels we want, but I don't see right now that any aircraft program is going to be held up over these fasteners. The team, every time I meet with them, they've burned down the open issues to fewer and fewer. And it looks like we're going to be able to manage our way through this. Now, it's going to be – take a while to get this capacity back into the system. So, we're going to just have to stay diligent as we manage this and particularly as we ramp up in rates.

**Operator**: Your next question comes from the line of Noah Poponak from Goldman Sachs. Your line is open.

**Noah Poponak**
*Analyst, Goldman Sachs & Co. LLC*

Q

Hey, good morning, everyone.

**Robert Kelly Ortberg**
*President, Chief Executive Officer & Director, The Boeing Co.*

A

Hi, Noah.

**Brian J. West**
*Chief Financial Officer & Executive Vice President-Finance, The Boeing Co.*

A

Hey, Noah.

**Noah Poponak**
*Analyst, Goldman Sachs & Co. LLC*

Q

Kelly, how did you reduce traveled work by 50% in a few months? And how did you have a positive defense margin despite the tanker news in the quarter? And really, the bigger picture question there is, were some of these improvements inevitable with time? Or how much have you changed specifically since you've come on board with the blocking and tackling of the operating performance of the business? You've laid out how you're going to turn the battleship, but curious if you could talk about the shorter-term simpler blocking and tackling improvements you've made, and I thought maybe those would be two that would be helpful to hear more about.


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**Robert Kelly Ortberg**
*President, Chief Executive Officer & Director, The Boeing Co.*
A

Yeah. So let me address the traveled work first, Noah. First of all, I don't build any airplanes, so the team is doing a great job. It's not me. It's what the team is doing. And we've put in a major new process in the way we're building the aircraft. For any – before we move the aircraft, and you know these are moving lines, so before we move the aircraft, we now have what we call a travel-ready process. And what that requires that any work not done on station, any traveled work, has to be evaluated in a risk – safety risk assessments done against that. And if it induces safety risk, like we saw with the door blowout, we're not going to move the airplane.

And the last I saw, and I know these numbers are probably higher right now, but the last I saw the numbers, we had implemented that process on 800 airplane moves, and we had stopped the airplanes, 200 of those 800 times. So, long-winded, that's how we're not getting the traveled work. We're not traveling the airplanes. And so if the work is not done, we're getting it done. We're holding the airplanes and getting it done and being much more disciplined. Now, I'll also say our supply chain is in much better shape than it was pre-strike, so we're not dealing with near the number of shortages that we were prior to that.

Look, on the defense side, it is around this new focus on working with our customers to get these contracts, so that is a win-win. We've made real good progress, as I've talked about, particularly like on the T-7, VC-25, the Starliner. I think we've got all these programs now well contained in terms of what are ETC.

Now, I'm not claiming victory here yet. We've got a lot of work to do on the ETCs on a lot of these programs. But I do think our disciplined cost risk management and active management with our customers to get to a win-win on these programs is helping. And obviously, our goal here is to get our defense business back up to a high single-digit kind of performing business, and there's no reason I see we can't do that. So this is a good step, but we've got to continue to have good EAC performance to make that happen and the team's really focused on doing that.

**Brian J. West**
*Chief Financial Officer & Executive Vice President-Finance, The Boeing Co.*
A

And on the tanker specifically, Noah, that crack on the leading edge, the team identified it very quickly, determined it wasn't a safety of flight issue. The population that they had to go do was small. The rework, they could get to that very quickly. So it really wasn't a big deal. So it didn't disrupt the quarter at all.

**Noah Poponak**
*Analyst, Goldman Sachs & Co. LLC*
Q

Okay. I appreciate all the detail. And Matt, congrats on the promotion and thanks for all the help over the years.

**Matthew Welch**
*Vice President-Investor Relations, The Boeing Co.*
A

Thanks, Noah.

**Operator**: Your next question comes from the line of Peter Arment from Baird. Your line is open.

**Peter J. Arment**
*Analyst, Robert W. Baird & Co., Inc.*
Q

Yeah. Thanks. Hi, Kelly and Brian. And congrats, Matt. Hey, Kelly, I guess, maybe just to wrap up a little bit on a lot of questions around the rate breaks. But when you get to 38 and obviously, the FAA is reviewing the KPIs with


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you, how do we think about that when you're moving beyond rate 42 or rate 47? Is that something you're doing in concert with the FAA? I know you mentioned to Sheila that you're looking for stability first on all those. Is it just keeping them in the loop or are they more involved in the process? Appreciate it.

**Robert Kelly Ortberg**
*President, Chief Executive Officer & Director, The Boeing Co.*

A

No, our current plan is that until the plans change, we will go through the same process with each rate break. So the metrics – they have access to the metrics. We have a digital dashboard. They look at them on a daily basis. So it's not just looking at one point in time. They're regularly looking at these. So that's why I said when we go from 42 to 47, if we're not stable for a couple of months, we'll stay at that rate until we get to stability. And so we think the fastest we'd want to go would be about six months in between rate breaks. But it really – we do have to have a stable production system and they're going to be the same KPIs that we're using on the initial rate break.

I said this last quarter and I think it's going to still be true is that I think the first rate break will be – maybe take the longest just because it's not something we've collectively done before. I think we've got a good plan to do it, but that may take a little while to get through that plan. Then, I think it's going to be much more standard work and we've always had a process with the FAA. We call it capstone reviews, where we do a major FAA review before we go higher in a rate increase. So this isn't really a new thing to sit down with the FAA as we go through rate increases. We just have a new process here to do it.

**Peter J. Arment**
*Analyst, Robert W. Baird & Co., Inc.*

Q

Thanks for all the color. Appreciate it.

**Operator**: Your next question comes from the line of Robert Stallard from Vertical Research. Your line is open.

**Robert Stallard**
*Analyst, Vertical Research Partners LLC*

Q

Thanks so much. Good morning.

**Robert Kelly Ortberg**
*President, Chief Executive Officer & Director, The Boeing Co.*

A

Hey, Rob.

**Robert Stallard**
*Analyst, Vertical Research Partners LLC*

Q

And congrats, Matt, on the move. A quick question on the sale you announced yesterday. Brian, if you could give us some idea of what the impact could be on future EBIT and free cash flow dilution as this exits the business? And what you expect your net cash proceeds to be after tax from the sale? Thank you.

**Brian J. West**
*Chief Financial Officer & Executive Vice President-Finance, The Boeing Co.*

A

Thanks, Rob. So, on the margin question, this is not going to disrupt our long-term view as to be in the mid-double-digit margins for the business. It's just not a very big impact. So I'm not worried about that at all and the service business will continue to perform in that, grow in the mid-single-digits revenue and deliver nice mid-teen margins, so that will be consistent. This is nothing to do with that.


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In terms of the deal itself, there's not a lot of leakage on this. So you can think about it being $10 billion net. So it's going to be pretty close to the full purchase price. And then I'd also add that the way this deal got done is that it's all cash. So it's important to know that we're not going to take any risk between signing and closing, which I think is good for the company and good to get this behind us.

**Robert Stallard**
*Analyst, Vertical Research Partners LLC*

Q

Okay. Thanks so much.

**Matthew Welch**
*Vice President-Investor Relations, The Boeing Co.*

A

And Rob, we have time for one final question.

**Operator**: Certainly. Your final question comes from the line of Richard Safran from Seaport Research Partners. Your line is open.

**Richard Safran**
*Analyst, Seaport Research Partners*

Q

Thanks. Kelly, Brian, good morning. Matt, congrats. You know, I think you guys have talked several times about your portfolio shaping. I thought maybe you'd update us on where the Jeppesen's sale leaves you as you look forward. Is there anything else that you're considering on, any other items on the list?

And on Jeppesen specifically, I think it's a pretty important digital asset. So, I was just wondering how you think about where to set the perimeter of the deal? I was wondering if you kept what you needed to ensure, you have a strong digital capability going forward? Thanks.

**Robert Kelly Ortberg**
*President, Chief Executive Officer & Director, The Boeing Co.*

A

Yeah. So that's a good question. We spent an extraordinarily long time looking at the boundary of this and ensuring that we're retaining access to everything we need for the future of our aircraft. You're right it's a great digital asset. We'll continue to do business with Jeppesen even post divestiture. It's a great asset. But I can assure you that all the things that we need for the success of our cockpits and our future aircraft support and maintenance, we've retained either access to that or it was outside of the perimeter of what we're talking about in the divestiture.

We do have a couple more, Rich, that we're looking at. I would say that they're probably not going to be as big as Jeppe, but we've got a couple more things that I'd like to action in the portfolio. I am done with the review. So I'd kind of have our mind on what we need to do here. I think a couple more, smaller activities are probably in the cards. And we'll just have to see how those play out over time.

**Richard Safran**
*Analyst, Seaport Research Partners*

Q

Well. Thanks very much.


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**Robert Kelly Ortberg**
*President, Chief Executive Officer & Director, The Boeing Co.*

A

Thanks, Rich.

**Operator**: And that concludes the Boeing Company's First Quarter 2025 earnings conference call. Thank you for joining.

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