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# The Boeing Co. (BA)

## Q2 2025 Earnings Call


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# MANAGEMENT DISCUSSION SECTION

**Operator**: Thank you for standing by. Good day, everyone, and welcome to The Boeing Company's Second 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 am turning the call over to Mr. Eric Hill, Vice President of Investor Relations, for opening remarks and introductions. Mr. Hill, please go ahead.

## Eric Hill

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

Thank you, and good morning. 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 uncertainties, 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.*

Well, thanks, Eric, and it's great to have you on board. And thanks to everyone for joining in today's call. First, I want to express our sincere condolences to the loved ones of everyone onboard Air India Flight 171 as well as those affected on the ground. Our team continues to provide technical assistance to the ongoing investigation, led by India's Aircraft Accident Investigation Bureau, or AAIB. And we're supporting our customers in any way we can.

So now let's shift our focus to the quarter. It's clear our recovery plan is taking hold. We're making steady progress to stabilize our business, strengthen development program execution, and change our culture to set up for the future. In May, we announced our largest wide-body order ever for up to 210 commercial airplanes, which adds to the momentum from recent wins in our defense business like the F-47. Our market demand remains strong.

We're just over halfway through 2025, and I'm pleased with our progress. We're starting to see real momentum. And the nice thing is that we're seeing it across the business. At the same time, we also have to acknowledge the remaining work ahead of us on this recovery. And while we continue to manage through a dynamic environment, we're certainly encouraged with the very recent trade deals.

Turning now to BCA. We're seeing the benefit of our ongoing investments to stabilize our production system as we continue to remain on track with the safety and quality plan that we established and submitted to the FAA. A few highlights are we've reduced traveled work at rollup by 50%. We've addressed employee feedback from our


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safety and quality stand downs. We've employed structured on-the-job training, and we simplified more than 1,500 work instruction documents. This is critical to our performance to deliver safe and high-quality aircraft on time to our customers and steadily execute our planned production increases.

With more stability in operations, we delivered 150 commercial jets in the quarter and 280 in the first half of the year. That makes it the most deliveries in the second quarter and first six months of the year since 2018. More importantly, almost every customer I talk to has said they're seeing higher quality airplane deliveries.

On 737, you'll recall our plan was to methodically ramp up to 38 per month, stabilize at that rate and then request an approval from the FAA for the next rate increase to 42 aircraft a month.

In the quarter, we achieved a rate of 38 airplanes per month, and we're now focused on demonstrating stability at that rate. We'll continue to use key performance indicators that have been agreed to with the FAA to measure the health of the production system. Those KPIs continue to steadily progress in line with our expectations we set at the beginning of the year. We expect to be in a position to request approval from the FAA in the coming months to increase to 42 aircraft per month.

On 787, we successfully completed a Capstone Review in the quarter and the program is now at a production rate of seven airplanes per month. Like our team in Renton, our team in Charleston is now focused on stabilizing at the new production rate and using KPIs that we're tracking and they still look good, they're all green. We'll continue to track those over the near-term before preparing for the next rate increase.

Turning now to our commercial development programs, we continue to progress with our 777X flight test program and remain focused on the work ahead to get the airplane certified and delivered to our customers. With our full test fleet activated, including four dedicated airplanes, the program has completed more than 1,400 flights and 4,000 flight hours. Flight testing continues with no new technical issues to report. So good progress so far, but we still have a lot of work to do.

Production of the first 777X-8 freighter is underway with the first hole drilled in the wing spar this month, and work on major assemblies at Boeing and key suppliers is in progress.

On 737-7 and 737-10, we continue to mature the technical solutions for engine anti-ice and certification path for the 737 MAX family derivatives. Work on the solution is taking longer than expected, and we now are expecting certification in 2026. As we've previously said, we don't expect a material impact to our production plans, and we're prepared to build other 737 models for our customers.

Switching now to Boeing Defense & Space. As you know, we recently named Steve Parker as our permanent Defense Business CEO. Steve is a terrific leader and has guided the team in our recovery, helping to stabilize our defense business, improve our customer relationships, while developing his people with a focus on building a strong culture. And I look forward to his continued leadership in this turnaround.

We had another good quarter on our fixed-price development programs and held our EACs for the second consecutive quarter. Our renewed efforts around baseline and risk management on these programs are producing early results. Again, like in commercial, we have a lot of work to get these programs through the development phase, but I do like the direction we're headed.

On MQ-25, the team began ground testing and successfully worked through the production move to our new facility, bringing the program closer to first flight for the US Navy.


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On T7, we finalized the MOA with US Air Force to build four production representative aircraft, and now have completed five milestones associated with the original agreement. As we've said, active management is a win-win for both us and our customers and show us how this approach works to derisk some of our development programs while delivering capability to our customer.

On KC-46, we delivered five tanker aircraft in the quarter. Recent global events remind us this platform continues to deliver unparalleled capability, versatility and operational flexibility for the war fighter no matter where we are. As the customer gains confidence in our stability and operations, US Air Force recently shared its sole source approach for the next batch of KC-46 tankers beyond the current program of record.

Turning now to our Space portfolio. We recently captured an important win with the US Space Force awarding Boeing a $2.8 billion contract for the development and production of two satellites to deliver resilient, space-based nuclear command and control and communications for the United States. This contract is consistent with our strategy to ensure we enter into the appropriate contract type for the appropriate type of work. Furthermore, this award is a testament to our role as a leader in national security space, and we stand ready to support future programs like the Golden Dome.

Looking forward, the recently enacted Reconciliation Bill also increases national defense spending by $150 billion through fiscal year 2029, providing funding for Boeing defense programs like the F-15EX, the MQ-25, the E-7 and proprietary programs, among others. Our portfolio is well positioned to meet the priorities of our customers and the current global threat environment.

Next, we'll discuss Boeing Global Services. BGS had another strong quarter, continued to deliver great performance for our company as they support our defense and commercial customers. In the quarter, we delivered the first P8 with enhanced anti-submarine warfare technology to the US Navy, marking a major milestone for our team in Jacksonville, Florida. BGS also secured a contract to provide P-8A aircraft training systems and support to the Republic of Korean Navy.

And in Commercial Services, we opened our third parts distribution center in Germany and our ninth global location dedicated to shipping spares. Our network of distribution centers enables quicker repairs as well as maintenance and overhaul work to keep airplanes in service, all focused at serving a growing aftermarket.

Turning now to global trade where the environment has been dynamic. We continue to simultaneously monitor policy developments while mitigating the potential impacts of tariffs as trade negotiations continue. As a reminder, about 80% of our commercial supply chain spending goes to US suppliers and about 80% of our commercial deliveries are to customers outside the US.

As a leading US exporter, ongoing free trade is important to our business. Our top priority is promoting continuity of supply, and we're working across the supply chain to ensure suppliers are focused on meeting the strong market demand.

You'll recall that we framed the risk of higher input costs in our first quarterly call, and our team is doing well to manage within that framework. We are seeing some of these input tariffs resolved through negotiation agreements, like the one announced over the weekend between the US and the EU, and the bilateral with the UK. So overall, we're probably feeling better today, but we still need to actively manage through this dynamic environment.


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We appreciate the administration and Congress for championing the US aerospace industry around the world and applaud President Trump and the EU Commission President Ursula von der Leyen for reaching a negotiated agreement that will be good for the aerospace industry in the US and Europe. The administration understands the role of our sector in strengthening the US trade balance, and we're optimistic that future agreements will address aircraft and parts as we work through our diverse backlog of more than $600 billion for our global customers.

During the past several quarters, you've heard me talk about four key areas that will enable our recovery. This morning, we've touched on the progress to stabilize our business, improve program execution and build on our future with key wins.

I'd like to now spend a few moments going through our progress on our culture change. You may recall earlier this year, employees helped create a new set of values and behaviors that we shared across the company. I'm very excited about how the employees have embraced this. It's simple, it's straightforward, and it's helping people rally around change.

This month, we took our next step in rebuilding our culture by introducing our new performance management approach to strengthen accountability, develop careers and measure what they accomplished and how they achieve their goals through our values and behaviors. These measures will be important because they determine how we reward, develop and promote our people. I'm confident as we continue to change our culture, work to rebuild trust and strengthen accountability, will continue to move Boeing forward. We have an incredible opportunity ahead.

Now before I conclude my prepared remarks, I'd like to give special thanks to our employees for their dedicated and hard work throughout the quarter. The energy that they're creating here and the focus on delivering to our customers, meeting commitments and execution is really paying off.

And I also want to extend my deep appreciation of Brian West for his outstanding work over the last four years to stabilize our business and navigate the recovery, all while continuing to position the company for our future. And I particularly want to thank him for the support he's given me this past year.

As you know, we've recently announced Jay Malave will join Boeing in a couple weeks as our new CFO, as Brian transitions into a senior advisory role. I look forward to welcoming Jay to Boeing and Brian's continued counsel in his new role.

Thanks, Brian. Now I'll hand it over to you to discuss the operating results before we move to questions.

## 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 $22.7 billion, up 35%, primarily driven by higher commercial delivery volume. The core loss per share of $1.24 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 $200 million in the quarter, reflecting higher commercial deliveries and working capital that improved compared to both the prior year and the prior quarter. Our free cash flow was better than expectations shared in April, driven by higher commercial delivery volume and better wide-body mix as well as favorable timing of CapEx.


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Turning to the next page, I'll cover BCA. BCA delivered 150 airplanes in the quarter. Revenue was $10.9 billion and operating margin was minus 5.1%. BCA booked 455 net orders in the quarter, including 120 787 and 30 777-9 airplanes for Qatar Airways and 32 787-10 airplanes for British Airways.

Backlog in the quarter ended at $522 billion, which was up more than $60 billion sequentially. This includes more than 5,900 airplanes that translate to over seven years of production. And the 737 and the 787 are both sold firm into the next decade.

Now, I'll give more color on the key programs. The 737 program delivered 104 airplanes in 2Q, including 42 in June. On production, the factory steadily increased rate during the quarter, with monthly production reaching 38 per month in May. And the team remains intent on stabilizing at that level. Importantly, the operational KPIs continue to progress, and we still expect to be in a position to request approval to go above 38 per month in the coming months.

Spirit continues to deliver fuselages with improved quality and flow, which sets us up well for both the production ramp and the reintegration. Closing on this transaction is expected later in the year.

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 continues to stabilize and rates increase over time, we plan to deliberately return buffer inventory to more normal levels.

The quarter ended with about 20, 737-8s built prior to 2023, down 15 from 1Q, which are for customers in China. We now expect to complete the rework on these airplanes and shut down the shadow factory in the third quarter.

On the 737-7 and 737-10, inventory levels were stable at approximately 35 airplanes. As Kelly said, we continue to mature the certification path for these programs. The engine anti-ice solution has taken us longer and we now expect certification next year. As we said, we will build other MAX models for affected customers and don't expect an impact on our planned production rates, with the financial impact of this revised time line reflected in the program margins this quarter.

On the 787, we delivered 24 airplanes in the quarter as the program continued to demonstrate improved stability. After stabilizing at five per month and completing a successful capstone review in the quarter, the production rate is now at seven per month, and the program is focused on stabilizing the production system prior to future rate increases.

2Q ended with about 15 airplanes in inventory built prior to 2023, down 5 from 1Q. The rework on these remaining airplanes is complete, and we expect to deliver about half of these units this year and the other half in 2026 in line with our customers' fleet planning requirements.

Finally, on 777X, flight testing activities with the FAA continue to progress, and we remain focused on the work ahead to deliver the airplane next year. 777X inventory was up about $900 million in the quarter and will continue to grow as we move towards entry into service as we've previously shared.


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Moving on to the next page and BDS. BDS booked $19 billion in orders during the quarter, and the backlog grew to $74 billion. Revenue was $6.6 billion, up 10% on improved operational performance, and BDS delivered 34 aircraft and 2 satellites in the quarter.

Operating margin of 1.7% was up significantly compared to last year, also reflecting the better operating performance in 2Q. The business continued to make important progress in its recovery, and the game plan to get BDS back to high single-digit margins remains a key focus.

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 global threat environment confronting our nation and allies.

On the roughly 25% of the portfolio that's primarily comprised of fighter and satellite programs, operations continue to reflect the stabilizing performance trend that began in the first quarter, which drove relatively consistent sequential margins.

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 reflect improved operational performance, and we remain focused on retiring risk and ultimately delivering these important capabilities to our customers.

In the quarter, we made progress on the MQ-25 program, which started ground testing, as well as the T-7A program, which achieved three additional customer milestones.

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 Boeing Global Services. 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 $5.3 billion, up 8% year-over-year, primarily reflecting improved commercial and government volume.

Operating margin was 19.9% in the quarter, up 210 basis points compared to last year, on favorable performance and mix, including a one-time gain. Both our commercial and government businesses again delivered double-digit margins.

In the quarter, BGS completed the sale of its maintenance, repair and overhaul facility at Gatwick Airport and secured a contract to provide P-8A aircraft training systems support to the Republic of Korean Navy. BGS remains a terrific long-term franchise that is focused on profitable, long-term efficient offerings, and the team continues to execute very well.

Turning to the page, I'll cover cash and debt. Cash and marketable securities ended at $23 billion, primarily reflecting the debt repayment and free cash flow usage in the quarter. Debt balance ended at $53.3 billion, down $300 million in the quarter on the pay-down of maturing debt, with $300 million of maturities left 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, continue to prioritize the investment-grade rating; and second, allow the factory and supply chain to stabilize.


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Let me provide some additional context on the macro backdrop before getting into the free cash flow outlook. We continue to closely monitor ongoing policy developments and work to promote our industry's importance to the long-term economic and trade objectives of the administration. And we were encouraged by certain bilateral trade deals that were announced in the quarter, including the recent agreement with the EU. Given our position as a top US exporter, free trade policy across commercial aerospace continues to be very important to us.

On the input cost side, we continue to work closely with our suppliers to promote continuity of supply and pursue options to mitigate tariff cost pressures and as we've said, any financial impact is not significant.

Regarding free cash flow, we expect third quarter free cash flow to be more or less in line with the second quarter usage before any impact from a potential onetime DOJ payment. That sets us up for positive free cash flow in the fourth quarter so long as the global trade environment continues to remain favorable for the industry and our commercial delivery forecast remains intact.

Broadly, the markets we serve continue to be significant, and our backlog demonstrates the strength of our 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.

With that, let's open up for questions.

# QUESTION AND ANSWER SECTION

**Operator**: We will now begin the question-and-answer session. In the interest of time, and to allow for broader participation, we ask that you limit yourself to one single-part question. Our first 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. Brian, thanks for all the help over the last four years. You've always been straightforward in assessing these ups and downs. It's good to see we're on the upside. Can you – and on that point, can you lay out for us the $2 billion better performance here on free cash flow in the second quarter? How much of that should we translate to the prior $4 billion to $5 billion target? Are we comfortable at around $3 billion or so? And then what might be upside risks for the year?

### Brian J. West

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

A

Well, thank you, Myles. That number you threw out there in terms of $3 billion, that's probably a pretty good assumption. And let me just walk you through some of the pieces. The first half free cash flow usage of $2.5 billion exceeded our expectations, and the second quarter uses of $200 million was quite a bit better. And it's primarily driven by better BCA delivery performance as well as some timing items.

And let me highlight one important on the 777 program. Usually, we see six to seven 777 deliveries in a given quarter. We had 13 in the second quarter, which drove an incremental $700 million of positive free cash flow. Now as we think about the third quarter before we adjust for a potential one-time item, free cash flow, as I mentioned, is going to look a little bit more like the 2Q usage more or less.


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And here are the things that are driving it. The benefit of lower interest payments will be offset by this 777 2Q reversal that I just outlined. On volume, 737 could be a bit better, and I think the 787 is going to be pretty steady. And there's a few hundred million dollars of unfavorable timing shift from 2Q to 3Q, mainly CapEx spend.

On top of this, in the third quarter, there's a potential for a $700 million one-time payment related to the DOJ non-prosecution case. So that's the third quarter, which then sets us up for the fourth quarter to be positive. And as long as the global trade environment remains favorable and we make progress on the rate increases, we expect the fourth quarter to turn free cash flow positive and set us up to exit the year with a very nice positive momentum heading into 2026. So when I put all that together, I think your number there of $3 billion is pretty reasonable for the full year.

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

Q

All right. Thanks, Brian.

**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 Brian, congratulations on ending on a high note, and thank you. Kelly, maybe one for you on tariffs. We've seen a number of trade agreements announced since April, with lower tariffs – with the tariff agreements benefiting Boeing orders potentially year-to-date. How do you think about the zero-for-zero with EU? How do you think of the order momentum builds from here? And given the seven-year backlog, how does that factor into pricing and deal negotiations and any potential impact on supply chain?

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

A

Yeah, Sheila. Well, there's obviously been – some of these deals have been a good boost for us here in the last quarter. Let me start a little bit with input tariffs because I think that's still important. As you recall, we outlined a less than $500 million impact on the input tariffs. One of the key areas for us is the equipment we import from Japan. So getting this Japan agreement in place, and we understand that to include zero-for-zero, no input tariffs, will be helpful for us going forward. So that was one of the big ones.

We still need to see what happens with Italy. As you know, we import some fuselage components from Alenia in Italy, so hopefully that will also result in zero-for-zero. My understanding is that is the kind of the baseline negotiation strategy as they go through these bilaterals that we will end up in a zero-for-zero, but still yet – work yet to do.

In terms of the demand side, yeah, I mean everybody is looking at their trade imbalance and saying, how do I address that, and no better way than to make a big aircraft order. So the order environment is going to be very good.

In terms of pricing, irrespective of the tariff-driven demand, this has been a constrained environment. And so we've been managing our pricing to also reflect that environment going forward. So I think that will also give us an opportunity, particularly to offset some of the cost growth, inflationary cost growth that we are going to see going forward.


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So the landscape is pretty good right now. A couple areas I just think we got to keep watching. One is making sure that we don't end up back in retaliatory tariffs with China. So we are making deliveries, as you know, right now, and hopefully, that comes to a resolution.

And then the USMCA agreement is still very important because of the amount we import from Mexico and Canada. So as they revisit that USMCA, hopefully, that stays in the same trade situation that we're in today. So we don't see additional tariffs there going forward. But look, if we continue to see this zero-for-zero, I think we'll be able to beat that $500 million bogey that we've established here.

**Sheila Kahyaoglu**
*Analyst, Jefferies LLC*

Q

Great. Thank you.

**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. Good morning, Kelly and Brian. And thanks again, Brian, for all your support over the last four years, really appreciate it. And Kelly, maybe we could talk a little bit about maybe the longer-term framework, how you're thinking on rates. When you think about the progress you're seeing on the 737 MAX and the 787, and I guess specifically on the 787, it seems like the demand continues to be really strong with obviously the orders that you're seeing, and there's a wide-body replacement cycle, seems to be heating up. And how are you thinking about where the long-term rates could go there? Thanks.

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

A

Well, first of all, Peter, one step at a time. We just moved from five to seven a month, very successfully. And as I said in the prepared remarks, our KPIs are green after we've done that rate increase. So we'll stabilize at that rate, and then we'll consider moving to the next rate. We have a series of rate increases in our plan. And as you know, we're investing in expansion in Charleston as well, so that we can continue to grow beyond the current capacity of our facilities there. So, the market demand is strong for 787 and increasing rates is part of our plan to address that market.

On the MAX, we're at the 38 a month rate, and like we said that, we're stabilizing right now. I expect to be going to the FAA soon to start the negotiation or discussions on the rate increases.

We do still have one KPI that is below threshold that we're still working. Not surprising. We know it's – the amount of rework hours we have on the airplane. So, we're working that down. And once we get that KPI where we need it, then we'll be having those discussions with the FAA.

We said rate increases beyond that will go in increments of five, no earlier than six months. That doesn't mean it's on six months. It's no earlier than six months. We'll continue to do what we're doing right now. As we go to the new rate, ensure we're stable and can prove that the production system has the right metrics before we go request an increase in rate. And if they aren't, then we'll stay at that rate until we get the stability to where we want it. But we've kind of said no earlier than six-month increments and they'll be in five per month steps.


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

Q

Appreciate the color. Thanks Kelly.

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

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

Q

Thanks. Good morning. Brian, thanks for the help, and best of luck. Following up there, I wanted to ask about MAX delivery guidance for this year, and 787 as well. I think previously, Brian, you talked about 400 deliveries, it looks like you're – on the MAX, it looks like you're tracking ahead of that, maybe in the 425-plus range, and is 787 still looking around 80?

And then if you could just also, Brian, quickly touch on the movement in inventory in the quarter given that you absorbed a pretty big hit on the 777X, but the inventory balance came down. Thanks.

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

A

Yeah. On the inventory one, yeah, we did have an up as expected on the 777X. But we also liquidated a lot of wide-bodies as I mentioned. So, all that kind of was in the right net-net trajectory for inventory. And that 777X, we still expect that, as we move towards EIS, that is going to go up as we expected. So, don't get too concerned about that movement as we move into the back half of the year.

In terms of deliveries, so on 787, we've delivered 37 airplanes in the first half, and we're focused on stabilizing at seven per month. And we had always thought the range was 70 to 80 for the year. So, we're at the high end of that range.

And on the 737, as you mentioned, we target, circled around 400. We've delivered 209 airplanes in the first half, including 37 out of inventory. And as we continue to have good performance, we're poised to do a little better than the 400 for the full year, as you mentioned. So, we feel like we're in pretty good shape heading into the second half.

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

Q

Thank you.

**Operator**: Your next question comes from the line of Ron Epstein from Bank of America. Your line is open.

**Ronald J. Epstein**
*Analyst, BofA Securities, Inc.*

Q

Hey, good morning guys. So, maybe, Kelly, if you could dig down a little bit more on the engine anti-icing issue with the 737-7 and 737-10. What's going on there? Yeah. You mentioned in some of your remarks on CNBC before that it's taking longer. What about it is taking longer? And how should we think about that?


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

A

Yeah. So we've got several different design paths that we've been going down for solutions on the – to correct the problem. The latest delay is driven by – we just haven't closed the design. We went through some testing and this is a very delicate area that we're dealing with around the inlet of the engines and can it cause any perturbation to the airflow into the engines. And we found some issues with the design implementation we had. So we're going to have to back up and make some additional design changes to get through that de-icing requirement. So basically the engineering designs have not yielded in the timeframe that we were anticipating, and so we still have work to do.

**Ronald J. Epstein**
*Analyst, BofA Securities, Inc.*

Q

Got it. Thank you.

**Operator**: Your next 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. Brian, thank you for all the help over the years, and good luck. On the rate increases that you were talking about before, you've had this goal in the future rate increases to 47 and 52 on the MAX, at six-month intervals. And I appreciate that you'll see how that goes and make a call if it needs to be longer. But that seems like a very ambitious target given Boeing hasn't really done that in the past, it's been more nine to 12-month type intervals.

What has given you the confidence that you can move to those levels potentially? And where do you see the biggest bottlenecks in getting there? And I'd say including the supply chain. And I'll just throw in, how are you thinking of using the fourth line in Everett in conjunction with this?

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

A

Yeah. So let me start with the fourth line in Everett. So predominantly, that will be focused at the 737-10 variant. The 737-10 variant has the most change from all the other variants. So it will naturally flow through the factory at a slower pace. So by isolating or providing that fourth line in Everett, it will allow us to let the three lines in Renton flow faster. So that is a big change from what we've done in the past, having that many lines flowing. So that's one of the areas that gives us additional confidence. We've invested in the capacity.

Another thing from a supply chain, remember, we've got, as Brian outlined, we've got a tremendous amount of inventory in place. So I think in the near-term, as we ramp the MAX, supply chain is not going to be a challenge for us because of the inventory levels. As we get to those higher rates that you talk about, yes, we'll be balancing, getting more to a balanced inventory level and ensuring that the supply chain can achieve those rates is work yet for us to do with the supply chain.

Now keep in mind, we generally have them at a higher rate than we are at. And so we'll be able to see where those supply chain constraints are in advance, and we go work them and beat down. This is one of these processes where the constraints tomorrow get resolved and then there's new constraints, and you just constantly are working each one of those down because we're in a perpetual rate increase kind of environment. So we've


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got a huge market demand, and we need to satisfy that demand. And the only way we're going to do that is through these methodical rate increases.

But I will say we're going to do the same thing we've done here, as we've gotten to 38 a month. The priority is to keep it stable, build high-quality airplanes. And if we start to wobble then we're going to stay at that rate until we get the production process stable.

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

Q

Okay. 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

Thanks very much. Good morning everyone and Brian thanks for everything. Best of luck, maybe since it's your last call, we could do an accounting question.

And if you could talk a little bit about the progression in BCA margins from here, both as the different programs ramp up and also, I think you mentioned, maybe some margin consequences of the change in certification timing for the 737-7 and 737-10?

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

A

Yeah. I'll get that last one. So, any kind of adjustments are really modest, given the size of the program. So you're not really going to see, and I wouldn't have you worry about that.

I would say, overall, BCA margins are expected to be negative for the year, as we've said before, although less so as we go quarter by quarter.

So if you remember, first quarter was negative 6.6%; second quarter, we just posted negative 5.1%. And we expect to get better as we move into the second half of each quarter, but still negative.

And if you step back, BCA margins will be better in 2026, but it's way too early to characterize that any further. And then, as Kelly and I have both said consistently, that long-term, there's nothing that we see that would suggest that we can't get back to historical margin levels of performance.

So we just got to keep working the recovery plan, get back to these rates, get the productivity and then this should be something that is in much better shape as we move forward.

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

Q

Great. Thank you very much.

**Operator**: Your next question comes from the line of Ken Herbert from RBC Capital Markets. Your line is open.


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**Ken Herbert**
*Analyst, RBC Capital Markets LLC*

Q

Yeah. Hi. Good morning, Kelly and Brian. I wanted to maybe pivot over to BDS, if we could. You've got some good momentum in that business, good budget backdrop some leadership now on a permanent basis there. You're obviously facing some work stoppage issue or strike risk.

But how do we think about that with the opportunity and the pace of margin improvement in BDS, as you seem to be have turned the corner from a risk standpoint? But when do we think about that business getting back to the mid- to high single digits? And what's the pace in the second half of the year?

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

A

Yeah. Let me address the strike question first. So just to put in context, it's about 3,200 employees. They build the fighters, mechanics, they build the fighters and our munitions business in St. Louis and St. Charles.

So the order of magnitude of this is much, much less than what we saw last fall. That was roughly 30,000 machinists. So we'll manage through this. I wouldn't worry too much about the implications of the strike. We'll manage our way through that.

Look, we've said that – and Brian said in his prepared remarks, we want to get our BDS business back to high single-digit margins. I see nothing that's going to keep us from doing that.

A couple of points is we are, as we're entering into these new contracts, we're following our process to make sure that we only enter into the appropriate contracting type. So these recent big wins we have, the development parts of those programs have all been cost plus. So we're not making the errors of the past and signing up for fixed price development, high risk programs.

So we do have this pig in the python that we've just got to push through relative to these big development programs. But Parker is doing a great job and working with his customers to derisk those programs and help us get those through the development phase. So we're just going to have to keep doing that.

This active management that we started with the T7 is a great example of how we can go change the outcome of this that's beneficial to both us and the customer and we're playing that playbook in other areas as well.

**Ken Herbert**
*Analyst, RBC Capital Markets LLC*

Q

Great. Thank you.

**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. And let me add my thanks, Brian, for the work with us over the recent years.

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

A


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Thank you.

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

Q

Clarification on the free cash discussion for this year. If 3Q looks like 2Q and then I put the $700 million on top of that, 4Q would have to be to be kind of barely positive to be minus $3 billion for the year. And given the historical seasonality there, I think that would maybe be a little better. If I'm missing something there.

And then beyond 2025, the consensus is around the $10 billion framework you used to have in 2027 and 2028. And I just wanted to ask, without putting a year on it, is – with the demand you have and the profitability and working capital picture you see, is the $10 billion still the right framework and it's just a matter of time? Or is that kind of number very far in the future?

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

A

So let me have Kelly respond to the last part. Let me take the first part in terms of your question this year. So we have a global trade environment that's stabilizing and getting more favorable each day that goes by. We've got some nice rate increases that we're anxious to get to stable as we head into the second half. So fourth quarter, it will be positive. How positive is going to be a function of how our delivery performance or rate performance goes. And a lot of that is uncertain because we've got to do things like get above the 38.

So I would just be a little – just give us a little bit of time. It will be positive. I think the $3 billion net is the right, reasonable assumption right now. And as we move through the rest of the year, we'll have plenty of time to update you on progress. And Kelly, maybe take the other part.

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

A

Yeah, Noah, look, I see nothing structural that says we can't get to that $10 billion. So I think you framed it perfectly. It's not if but when. And I'm not ready yet to say when. We got a lot of work to do here as we've talked through all the production rates and see how we're doing in these rate increases, how long does it take us between rate increases, how is the supply chain doing. But I think that's certainly a target out there that still looks reasonable to me. I don't see anything that knocks us off that. We just have to look real long and hard at when are we going to get to that level.

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

Q

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, Kelly, it seems that Airbus will be making some architecture decisions on its next-generation single-aisle within the next few years. I think potentially selecting the engine architecture by around 2027. So in that context, do you have a sense for when BCA will need to begin making these types of design decisions in order to have a competitive entry into service date for its own next-generation single-aisle?


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

A

Yes, we're working through that. I'm not in a position where I want to announce any decision dates at this particular time. I've said this in the past, we've got three work streams here that we've got to mature. One is the readiness of market for the new airplane, and that needs more work. I don't think the market is ready yet for a new airplane. When are we ready? And this whole discussion around turning the company around and generating cash flow is really important to when we're ready to launch it, as well as when is the technology ready. And engine technology is a part of it, but it's beyond just engine technology.

So we're maturing all of those and we'll do that when those three work streams all kind of converge. That's not today and probably not tomorrow.

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

A

Hey, Rob, we have time for one more question.

**Operator**: Certainly. Your final question comes from the line of Kristine Liwag from Morgan Stanley. Your line is open.

**Kristine Tan Liwag**
*Analyst, Morgan Stanley & Co. LLC*

Q

Great. Thank, everyone. Brian, echoing everyone's thanks. Thank you for all your help. Kelly, congrats on your first full year at Boeing. It's great to see stability in aircraft production. I guess looking back, what surprised you most in your year one at Boeing? And where do your priorities lie for 2026?

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

A

Well, thanks, Kristine. First of all, it's not a year yet. It's August 8 when it's a year, so I still have some work to do. But I'm pretty pleased with where we are through the first half and through my first year.

Clearly, the surprises have been just a lot of the macro dynamics that we've been through. I mean we've been through quite a bit. I'm not surprised with the performance of the company and the recovery. We've got great people in the company. We've got great market positions. My role here is just to help everybody get organized and headed in the right direction. It's turning a big ship around. I think that we're turning it. I don't think it's turned. We still have a lot of work to do.

But I haven't been overly surprised with what I learned. As you know, I spent a lot of my career working very closely with Boeing. So not a lot of surprises with what we're dealing with. It's just one day at a time, improve our performance, address the issues that we have, restore trust and build confidence with our customer base and our end users of our products. And I think you're seeing that. So like I said, I feel pretty good with the first half, but we've got a lot of work yet to do in the second half.

**Kristine Tan Liwag**
*Analyst, Morgan Stanley & Co. LLC*

Q

Great. Thank you.


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**Operator**: And that completes the Boeing Company's Second Quarter 2025 Earnings Conference Call. Thank you for joining.

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