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The Boeing Co. (BA)

Bernstein Strategic Decisions Conference

CORPORATE PARTICIPANTS

David L. Calhoun

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

OTHER PARTICIPANTS

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

MANAGEMENT DISCUSSION SECTION

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Let's get started. So, welcome this morning. I'm Doug Harned, Bernstein's senior aerospace and defense analyst. And I'm really happy again to have with us Dave Calhoun, the CEO of Boeing. I think you have a forward-looking statement – yeah.

David L. Calhoun

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

A critical slide that you should all read in depth with respect to forward-looking statements that I may make, as you all know, I'll let you read it. There you go. Thank you.

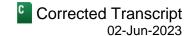
QUESTION AND ANSWER SECTION

Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC All right. Great. So just to get started here, Dave, we were here a year ago, I think almost in this exact spot. And since then, a lot's happened. So, maybe just to start out with, you can take us through the last year and the challenges you've faced and kind of where you are now. David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. Yeah. Last year, I would have been – I was beginning to be optimistic about the recovery and mostly just the robust nature of it. Since that time, on the market side, I think we've announced four of the biggest orders we've ever had. And that is the beginning of a lot of competitions that are going on around the world. So, the optimism I had with respect to market returning is significantly better than even then. So, now, I'm - now, I'm not just optimistic. I'm, like, okay, now we got to be smart about how we manage supply against that demand spike and it is reasonably big. On the flip side, on the supply chain, it's just frustratingly slow going to open up the constraints. Some of which we know and structural and knows - I'm actually feeling quite good about. But then, it's the ones you don't know. It's the supplier who lost some experienced talents somewhere along the way, didn't replace them in kind. They're still going through learning curves and you get a notice of escape or a defect or I can't make next month's delivery. And because we're all operating at the margin now, we need every next part, we need every next assembly, it's been frustratingly slow. So, my appreciation for the depth of that issue, how we ultimately get through it is significantly better now than it was then, but it doesn't mean it gets better tomorrow. We still have a ways to go with respect to supply chain constraints. Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC But if we look at demand right now and the narrow-body traffic is all the way back to 2019 levels. David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. Yes. Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC Wide-body is not. But when we look at, like, flight hours on 787s, they are. David L. Calhoun

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

They are, yes.

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Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

And so from the demand side, even if we see a recession, do you see any risks to the kinds of targets you've put out there?

David L. Calhoun

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

No. No, I don't. With the targets we've put out there, I see us as still supply constrained. I'm not talking about my supply side, but the ability for the two airplane makers to meet the demands. I think we'll still be constrained five years from now.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

And when you think about it that way, if somebody here wanted to order a MAX today, when can you get a slot?

David L. Calhoun

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

Yeah, it would be very hard. We're all competing out there in 2028, 2029.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Yeah.

David L. Calhoun

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

And as you saw, some of our orders, of course, carry all the way into the early 2030s. And so, that is the way the pipeline's working. There's two reasons it's going on. One reason is the return of traffic. It's been as robust as can be. And then two, there is no doubt, and if you look at the size and scale of the orders and the length of time they want to go out, they're all beginning to understand the supply constraints that will exist. And then, therefore, that in and of itself creates demand. I got to get in line, I got to get in line sooner rather than later.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

It sounds like what we heard from Ryanair.

David L. Calhoun

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

Yeah. No, I think...

Douglas S. Harned

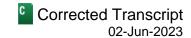
Analyst, Sanford C. Bernstein & Co. LLC

Yeah.

David L. Calhoun

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

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...with Ryan, and I give a lot of credit to Michael, we were patient with each other. We had some objectives we had to meet. He had some objectives he had to meet. We finally got to where we need to get. I have no doubt that part of the reason we got to an end was because his recognition of what was going on.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

And when you look at the 787, I mean, clearly, narrow-bodies, very high demand, how is it for 787 in terms of when you can get an open slot?

David L. Calhoun

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

So, we're sold through 2026, so you'll start in 2027, and I - I'II predict that that market is going to extend out as far as the MAX and maybe further, even if we can find our way to 10 and then up the rate even more over the next five years. It's just a – there's a robust demand for that airplane.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Okay.

David L. Calhoun

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

Robust, yes.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

And then I'll just have to throw the last one in here, 777X.

David L. Calhoun

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

Yeah. Well, the 777X, everyone sort of looks at that airplane as an old airplane in a sense that it's been around for as long as it's been. But you would appreciate the technology that was developed to facilitate the 777 development was developed for the airplane we're going to introduce in 2025. And it's all about those two engines replacing four. And what's happened in the last few years, that airplane now will compete with nothing. In other words, the A380 we know is out of production. The 747, we ended our production...

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

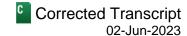
Well, Airbus would argue their A350-1000 competes with that.

David L. Calhoun

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

Yeah. And we'll just go up again – we'll just go up against that all day long, all day long. I believe this airplane will be just one of the most successful ever. It's hard for me to predict rate. I want to get certified first.

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Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Yeah.

David L. Calhoun

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

That is going well. The airplane is performing beautifully. So we're – we have a lot of confidence in it. But I also believe that this one could last as long or longer than Queen of the Skies, the 747, simply because it really does compete on its own. When you get up into loads that can handle – or that airplane can handle and you can fill it with either the cargo end of it or pax, it has real economic advantages for the airlines. And there's a big enough market there, in my view, stimulating a lot of demand.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Now, when you've talked about your goals for 2025/2026, getting to 50 a month on the MAX, getting to 10 a month on the 787, you've said this and, I mean, we've looked at it, we have the same view, but you can do this without any additional orders from China...

David L. Calhoun

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

Yes.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

...or deliveries to China...

David L. Calhoun

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

Yes. Yes.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

...I should say.

David L. Calhoun

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

Yes.

Douglas S. Harned

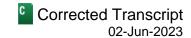
Analyst, Sanford C. Bernstein & Co. LLC

Now, how does China stand now? What's the situation?

David L. Calhoun

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

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Yes. So, I always have to explain this to everybody. I've taken it out of all of our guidance. So our \$10 billion in 2025/2026 is a – has no China. And why did I do that? Because the rhetoric and discussion around all things geopolitical with China was beginning to confuse all of our investors with respect to how important is it, how critical is it. So, I wanted to make sure everyone understood the underwriting case for no China.

We never stopped working on China, ever. We have great customers there. We've satisfied them every step of the way. My personal view is that the reason things stopped in China for Boeing is COVID related, that COVID policy they had for all that time, they didn't need a single airplane, they didn't need one. And even the other guy, while they got some orders, the deliveries have been at a very slow pace and some of them have even been parked.

But now that is over and it's all coming back. So we saw a major move to get all of the airplanes that they already have and own, the MAXs...

Doug	las S.	Harned
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Analyst, Sanford C. Bernstein & Co. LLC

Yeah.

David L. Calhoun

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

...up in the air. So they're – all of the airlines have them back in the air and almost – we're almost through all of the airplanes' period that are there. And as you know, we have airplanes on our tarmac that have their logos. So, we're working on that. I'm constructive on it. If it didn't happen, remarketing them would be easy.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Yeah.

David L. Calhoun

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

Nothing is easy in our business, but, yes, it's easy. Yeah. So, I do think and I believe that with ebbs and flows, we will restart our work in China.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

So, when you look at China, so you've got in the – the vast majority of the MAXs, like, 90-some over there flying again.

David L. Calhoun

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

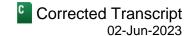
Yes.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

But they also have – I mean, they have a big – the airlines have big sub-fleets of 737 NGs.

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David L. Calhoun

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

А

Yes.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Q

When you talk with the Chinese about this, the Chinese airlines, is there an assumption that they would keep – stay with those NGs sub-fleets and bring MAXs in? In other words, is that commonality a big deal for them?

David L. Calhoun

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

A

Yeah, it is – it's the same for them as it is everybody in the world. You pay a price when you mix up your fleets. And by the way, it's not just the airplane itself, it's the pilots.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Yeah.

David L. Calhoun

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



Pilots are in short supply everywhere. And switching from one airframe to the other, that's not a simple endeavor for an airline to orchestrate with respect to pilot availability. So, it's that same dynamic. And as is often stated to us, in all of our discussions around China is, their objective is to keep it an even split. That is what they would like to do.

So, yes, geopolitical events happen. They slow things down for periods of time. But I think the need for the airplane itself, given the traffic demands in China, I just think that will ultimately prevail. I've always believed that.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC



And I just – I will ask this because I feel like I have to ask this. But how do you look at the COMAC entry that just had its first commercial flight?

David L. Calhoun

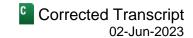
President, Chief Executive Officer & Director, The Boeing Co.



Yes, I – again, you have to run the long game and the long game in – based on what I know and have seen and as you know, I started with that organization back when we're putting engines on their regional jet. So, I've watched that development from the very, very beginning. It's taken longer than anybody would ever predict to get to this moment where they have – they fielded an airplane.

It's a good airplane. It's a safe airplane. The ramp-up of that airplane in terms of production and then the improvements required to meet the standards that the other two guys have, that is another 10-, 15-year run, the regulatory hurdles that you have to go through everywhere in the world to get that into the global market, you run all of that stuff, all of those numbers, and even in an optimistic case, maybe in 2050 they get to be a 10% player.

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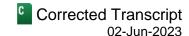
In a market of our size and scale, growing at the rates it's growing over that period of time, the idea that we would have three competitors serving the global market should not intimidate us. It just shouldn't. And our focus has to be to just keep developing a technology road map that keeps us advantaged with respect to every next airplane entry. And that goes for me and it goes for the other guy that's currently in the business.

So, I don't predict an end to the Western providers like a lot of people would. I view it very differently. A lot of

industries get along just fine with three players... Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC Yeah. David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. ...and two giant players. So, I don't lose a lot of sleep over it. I wish them luck and I don't mind the competition. Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC So, let's get to the MAX. Now, supply chain has been tough. And when we've looked at this and I – if I look at the guidance that you've given, the guidance that Airbus has given, and I go back, for 2023, and I go back to the beginning of 2022, each of you has cut that by about 25% from where you were because of supply chain issues. David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. Yes. Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC Now, you – and you've just recently you had this issue with the fittings coming from Spirit. David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. Yes. Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC You said, I'm keeping the guidance at 400 to 450. David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. Yes. Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC

As I understand it, you've stabilized at 31 a month. The goal had been to go to 38. I think it still is. But can you fill us in on where you are now in this in terms of getting that rate up and how you think about that...

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David L. Calhoun	Λ
400 to 450 number?	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Yes.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A

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

So, you'll recall during the 2022 discussion, which was the first time we really laid out a sort of a forward look, we said we weren't going to assume that everything gets better, that the supply chain would remain constrained, we would hit bumps in the road, we would overcome them. Our belief is and our experience more importantly is that these bumps are getting lower, smaller. The resolution of them is getting faster.

So in the projections that we laid out, we expected bumps. And the Spirit one, little bigger bump than some of the ones that we may have expected, but manageable. Very manageable. Probably costs us 25 airplanes in a year. The rate increase that we have projected in the middle of this year, that's going to happen. Nothing is – it didn't affect that at all. We're not taking it off course. So we're going full out on that.

Our rate projections as you go forward, all the way up to 50, are lower than my competitors' rate projections. But I don't think our projections are going to be what happens. I think it's all going to be based on how this supply chain opens up, the extent to which constraints are removed. If it gets better and better and better and better, our rate projections will get better and better and better and better, right? Because as we said, we're starting with what we believe is overwhelming demand in a supply-constrained industry. So, if we can figure out a way to open up our constraints faster than the other guy, then so be it.

Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC

So, if I go back to last year, the constraints that you were facing or at least you talked about a lot were heavily tied to engines. Same thing at Airbus. It appears that the engine situation has gotten a little better.

to engines. Same thing at Airbus. It appears that the engine situation has gotten a little better. David L. Calhoun

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

Yes.

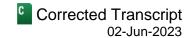
Douglas S. Harned
Analyst, Sanford C. Bernstein & Co. LLC

Where are you now? In other words, where are the stress points and the bottlenecks in your supply chain?

David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.

Yeah. So, as I said earlier, the structural issues mostly were built around engines and then underneath them, forging, casting suppliers.

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Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Yeah.

David L. Calhoun

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

be able to get to where we need to get to.

Those structural impediments have gotten better. They still have a lot of work to do to stay ahead of the rates, but they have made steady progress on doing that, and I'm confident that they can do that. Now, I'm – as you know, I'm heavily weighted to one of those suppliers, to one of those suppliers. And I have a lot of confidence in them to

If I wanted to increase my rate projections, I mean, 50 to 60 or whatever, that would be - I'd go back to structural and I'd say, how are we going to do this? So - but we have time to do that. We have time to do that. The other constraints, honestly, it is - cast about maybe 25, 30 parts that we track, far fewer suppliers because some of those suppliers own a lot of those parts.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Yes.

David L. Calhoun

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

And we have regular meetings and rhythms about what's required and what's necessary. Visibility is great. So the people you have visiting this conference, I interact with them directly. With both of our teams, we all have visibility of what is required. Confidence is growing every day, but we still run into – we run into month-to-month issues. And as you know, if we stay disciplined in our factories, I got to – I have to pause production when that happens, I have to pause it, so I don't travel it because we know how travel piles. So that's what we do.

And anyway, I am confident it is steadily getting better and the visibility in the supply chain and the leadership of the supply chain is clear. And nobody is second guessing demand anymore, nobody.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Yeah. Yeah. And I'm sure that helps because there was a lot of – they really expect us to take rate up...

David L. Calhoun

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

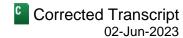
Yeah. Yeah. And I was one of those guys in the supply chain for a long time, and I second guessed every projection I got.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

But if you look at a couple of things, and over the course of the last couple of days here, there's been one area that seems to have come up on both defense and commercial sides, and that's electronics...

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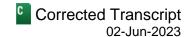
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	
Yeah.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	C
that there are some issues there. Has that been – actually, the tware electronics and systems issues and seats.	o things that I wanted to understand from you
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	Α
Well, the last one first. Seats is – that was a perennial issue. As you	u know, we open our own seat company
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC Right, right.	C
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
and it's doing incredibly well. And it's allowed us to, I think, overcombout seats as I have been historically. And as you know, it's our cubut we have opened up the capacity, I think, enough to not – that n	ustomer who places the order for those seats.
Electronics is – to be honest with you, I don't think we've had a sna defer any deliveries and/or slow down any rate increases in electronics.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	C
Okay.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	Δ
That probably has a lot to do with mix of our products. And defense in every way. As you know, we have a lot of mature programs when	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	C
Yeah.	

David L. Calhoun

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

So, I could see where some of our brethren in the industry might have a little more focus on that than we do. But so far, I have had almost none. In fact, I can't think of one over the last – over the course of this year.

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Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Okay.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Yes.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Then you mentioned that if you can go higher, you could go higher – I mean, would go higher.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. Yes.	A
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
So right now, I mean, you've got three lines in Renton, which should be able to do your 50 a month you're building out another line for the MAX in Everett	, and then
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. Yes.	A
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
which suggests to me that you are seriously thinking of going well above 50.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
We have to be ready for it. I think we would have started that fourth line under normal circumstance we used to know, we would have started that a year or two from now. We wanted to go early, start ready, be prepared.	
One of the advantages we have here is the rework that we have hear involved in on the MAY, the	MAYa that wa

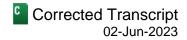
One of the advantages we have here is the rework that we have been involved in on the MAX, the MAXs that we inventoried for as long as we did. We have an awful lot of people working on those. That ends at the end of next year. So, I've got a workforce ready and able. So my ability to step that up, if the supply chain can keep up, I want to be ready. I want to have people in place and I want to have the physical plant in place. And that – so that's why we're moving as fast as we're moving. I want to be ready for it.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

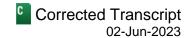
Now, on the 787. So, you've said you're now at four a month...

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David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Yes.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
going to be at five a month by the end of this year	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. Yes.	A
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
and then 10 a month out in 2025/2026. So, again, as we talk about, del look at – anyway, when I go back and look at Charleston before, I mean, seven in Charleston, seven in Everett.	-
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. Yes.	A
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Now, you're going to 10. I think you all said you're able to do that with pre	etty limited capital investment.
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. Yes.	A
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
So, what are the bottlenecks there on the 787 in getting that up?	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Well, our biggest issue has been the joint verification work. As you know,	we were – again, we have this rework
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Is the nonconformity?	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Nonconformity.	

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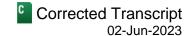
Douglas S. Harned Analyst, Sanford C. Bemstein & Co. LLC	Q
Yeah.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
We call it joint verification. It is a line in and of itself.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Okay.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
And so, it occupies a lot of space and occupies a lot of work. We do as much work on that line as we do to assemble the original airplane. Again, that ends next year.)
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Yeah.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
So, we have this opportunity now to – and what we've done is we've migrated that work to the Puget Sour the joint verification, and now we're in the tool up for the second line that allows us to get to 10, but we're confident we can do that. Like you said, very limited capital. Whatever is required, we'll put in, but it's not go change anybody's projections.	
Then the issue we will face is, if we want to go over 10, and we believe we can, we will require some capit will require some footprint work.	al. We
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC Okay.	Q
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Not new land, but just footprint.	

Yeah. Yeah. But when you think about the 787, particularly this joint verification issue, there's been extra cost in your supplier base to make sure that you can meet the...

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

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David L. Calhoun

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

Α

Totally.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Q

...requirements. And if I just think more broadly and you look at, like, the material costs have gone up, and a lot of small suppliers, there's been a lot of pressure on them...

David L. Calhoun

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

Δ

Yes.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC



...on their financials, how does that get covered? In other words, one of the things we've struggled with is you've got pricing to the end customer and everyone always says, oh, well, we have escalators or we've got fixed price contracts. Then you go down to the next tier, they tell you the same thing. You go to the next, somebody is paying for the inflation, somebody is paying for these added costs. How do you think about that?

David L. Calhoun

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



We have a – if you look at it over a reasonable amount of time, somewhere between 5 and 10 years, our inflation recovery mechanism is pretty good. It's pretty good. The contract escalation clauses don't cover everything in any one year, ever. But they are a real hedge against it and they – it accumulates, so it recovers.

And then, every next contract which speaks to that, the second 5 years, your 5 to 10, we have got to price our way to where we need to be. But if you look at that over a fairly long period time, you'll find out that mechanism works pretty well. And it's working pretty well right now, particularly in light of the demand that we're seeing.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC



Well – but in terms of costs, I mean, you certainly – this may globally work, but are there – do you have small suppliers down like Tier 3s who are facing – structural suppliers that have a more material costs kind of in their cost structure that you have to help out or work with...

David L. Calhoun

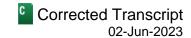
President, Chief Executive Officer & Director, The Boeing Co.



Without a doubt. And that is – I mean, that's going on as we speak. I believe and I think the step function moment for our company with respect to all of the forward guidance we've given is second half of next year when we shut down these shadow factories. And then we get to a way more stable moment for us and as importantly, as you point out, all those suppliers that are down there.

A lot of work is been going on with respect to the – the reasons their material costs or more importantly, probably labor costs have gone up because of rework operations they've had to put in, etcetera, so that we don't have to

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do the joint verification in our factories that all of those things are being worked hard, both with our engineers and their engineers, and there's real progress being made.

So, there will be a much higher level of stability in that supply chain as we get to that 2025 timeframe, but we have to end our – sort of our big shadow factory so they can end theirs. Incoming, every next airplane that we produce, much better, much better. So we don't have to – we've sort of stopped the entry to joint verification. Meaning, the airplanes we get, the parts we get today are meeting our standards.

So I think there's a lot of productivity embedded in that whole transition to stability. And then, yes, they have had material inflation which our clauses and our pricing have to recover.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

And so, when you look out to that 2025/2026 timeframe, you've said there's still going to be supply chain issues to work through in terms of volumes and so forth. But do you see yourselves able to get back, say, on the MAX, to the margins you were able to get pregrounding?

David L. Calhoun

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

I do. I do. I think the 737-10 will also have – play a big role on that one. More seats is a good move for us. It's both productive and it's price accretive.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

And to get to the MAX 10, can you give us an update on certification?

David L. Calhoun

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

Yes. I mean, it's slow. We just gave – our program manager just gave an update to the press. I'm confident we're going to get to where we need to get to. The slowness is 90% documentation. So the flight – our flight testing is going great. And now we have to get our regulator on top of all the flight testing. But I feel very good about the dates we've set out there. And we have enough margin between the dates we've set and the customer commitments we've set...

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

And what are those now...

David L. Calhoun

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

...and so...

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

...the MAX 7 and the MAX 10, what are you kind of thinking about?

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David L. Calhoun

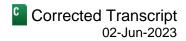
President, Chief Executive Officer & Director, The Boeing Co.

So, the MAX 7, the most important moment for the MAX 7 is going to be the introduction into service at Southwest because that's the big customer. So, we still are targeting the end of this year. It could bleed a month or two into next year, but that's where we are. And it is almost – I think we're probably within weeks, if not a month or two, into the final documentation submissions. So...

Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Yeah.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
And they've already been through rounds and rounds. So, then, this will just become the stamp, if y	ou will.
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
And at this, stage	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
And a lot of that then becomes the basis for the MAX 10.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
And is this – is sort of this timing now mainly due to sort of backup? Kind of FAA has a lot going on, of getting it through their processes at this point?	and is it sort
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Yeah. I wouldn't fault them in the sense that they got a lot going on. I think the changes to the cert put the requirements on design assurance	process and
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Yeah.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
which is the big documentation exercise, it basically says you've got to bring everything perfectly every one of these airplanes, whereas in the past, you could bring a lot of your history into that subcan't anymore. Everything now has got to be perfectly current, detailed to the nth degree. So it is whereas in the past, you could bring a lot of your history into that subcan't anymore.	mission. You

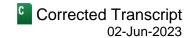
they are wrestling with that just like we are.

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Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Yeah. Yeah. 777X certification	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Yes.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
you're still	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	А
Still positive, feel good. But the big hurdle there, so we go back to a year ago when we were here. The hanging issue was EASA and the FAA agreement on the certification principles and design principles to embedded there. They've resolved that. It's documented. So, now, we are marching down the path. Aid doing incredibly well, so	hat were
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Engine's fine now?	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Yes. Well, they know what it is, and their program to fix it is in place. And I trust it.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC Yeah.	Q
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
I trust it. Yes.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
There's no new airplane coming any time soon, I believe	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. Yeah.	A

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Doug	las S.	Harned
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Analyst, Sanford C. Bernstein & Co. LLC

...unless you're going to surprise us.

David L. Calhoun

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

Д

Yeah. Yeah. You know me and surprises, yeah. No. No.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC



But how are you thinking about an eventual new model in terms of the technologies you'll want to have, manufacturing capabilities? I mean, what's going to determine the timing and the positioning?

David L. Calhoun

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



Yes. Again, you've been around this a long time, and I hope many of you have, but you have to go back in history and look at airframe program development. In its simplest form, go all the way back to the 777, in our case; the A380 in the other guy's case. These decisions are big. They're monumental. If they don't improve their performance for our customers, a minimum of 20%, a minimum of 20%, hopefully something closer to 30%. And that performance now is both efficiency and emission.

If you don't do that, it's really hard to justify a program for a new airplane. So you have to mature the technologies that allow you to get to that kind of incremental improvement so that when you make that big investment, you can get a return on your investment, and that investment will have to last a minimum of 50 years. It has to. And all the great airplane programs have. And the ones that weren't so great didn't, and the losses were massive.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC



Yeah.

David L. Calhoun

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



And so, our job is to mature the technology road map enough so that we can call out that airplane and put it in place. We have said, I have said, not before 2035. Why? Because we know enough about our technology road map to know that they're not going to be mature enough to then take to the marketplace when we need to take them to the marketplace.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC



And this includes engine technology?

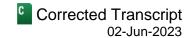
Δ

David L. Calhoun

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

This includes engine technology, yes. The only way they're going to get to the kinds of numbers we need is a bigger bypass, so bigger fan. Anyway, it is – and there are things we have to do the airplane to accommodate that. So that will be a piece of it. Won't be the biggest piece. There are aerodynamics associated with some of our

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programs. There's one that's highly publicized, our Transonic Truss-Braced Wing. That is a very viable design. We have done a lot of test work. We're on step two of the maturity program. Step two is a joint program with NASA to put it on a real airplane, put it to work, and find out if it performs as well on a real airplane as it did in the wind tunnels in all of our experiments, etcetera.

So, that program is designed to prove its course by 2028. We'll learn a lot every single year in the process. So that combination, what that does, that wing which sits on top of the airplane, does what, it allows for the bigger bypass...

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Yeah.

David L. Calhoun

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

...allows for the bigger bypass. So – and if we can get to that moment, then we will say to ourselves, what is the product – airplane spec? What spec will fill the biggest part of the market and generate the kind of demand over time that we need? And that's got to be meaningful. It can't be a niche.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Yeah.

David L. Calhoun

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

Can't be a niche. For me to design an airplane that sits on top of one of the other guy's airplanes, it makes no sense at all.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

C

Yeah.

David L. Calhoun

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

А

There is no return. There is no return.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Q

What – so, I mean, hydrogen's way out there. Hybrid electric doesn't really work very well at this scale. But there is the open rotor, which your predecessor to predecessor, Jim McNerney, once said to me, he goes, yeah, every time people run out of ideas, it's the open rotor.

David L. Calhoun

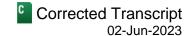
President, Chief Executive Officer & Director, The Boeing Co.

A

It's the open rotor.

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



Doug	las S.	H	arn	ed
Analyst,	Sanford	С.	Bern	stei

in & Co. LLC

So, what do you think? They have the RISE concept now...

David L. Calhoun

Yeah.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

...at CFM.

David L. Calhoun

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

It is a – it will be a regulatory challenge, be a regulatory challenge, because today, there's containment mechanism for these fan blades, and in that scenario, there's not. On the other hand, there are an awful lot of airplanes, awful lot of airplanes flying around with "open rotor." I'm getting more and more confident they can do it, but it's not a short putt.

One of the biggest technology introductions was the fan blade on the 777, which operates at very high speeds as a composite blade. And the performance on that now will get you to a safety standard that can meet that requirement. So – now, it's a very different configuration. It's very different. But the material itself, I think, is the key to the whole thing. And I think the – at least one of these players has taken a big step forward on that front.

So, I'm more confident than I would have ever been. You can't deny the – both the emission and efficiency gains you get from it. You just do. And our job now is to figure out how to accommodate it with a different wing concept.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Yeah. Well, let's switch over to defense. So, we're in a period of strong defense budget growth. I mean, growth at Boeing Defense has been pretty modest...

David L. Calhoun

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

Yes.

Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC



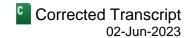
...at best. And now, when you look at the new budget, the 2024 Biden budget, and we've gone through kind of a crazy process in Congress to say we're going to get out of that. How does – first, how does Boeing fare in that budget?

David L. Calhoun

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

I don't think the budget and the deal that was cut and the caps are going to impact us much at all in the next several years. For us, let's just acknowledge right up front the underperformance of the portfolio. We fully

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understand that. I think we have a good approach on how we improve this over the next five or six years. We have a collection of programs, probably 60% of our revenue that meet all of the return characteristics that all of the other players have, in some case, exceed. We have a couple of fixed price development programs we have to just finish...

Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Yeah.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. and never do them again	A
and never do them again.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC Yeah.	Q
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Never do them again. That fixed price development world has to stop. It just doesn't work. It doesn't work for our customers, in my not so humble opinion.	doesn't work for us
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC And I will just say that we heard from several other large defense primes the same message	Q this week here.
David L. Calhoun	Δ
President, Chief Executive Officer & Director, The Boeing Co. Yeah. It just doesn't work. I think everybody's learned a lesson. I'm not preaching anybody. I also sees the limitations associated with it. So, we have to complete those. When we do that in the business. The improvements get significantly better. And then we've got fighters and so about — between 20%, 25% of our portfolio, where they are underperforming for the same reacommercial aviation is, which is supply chain, and working our way through all those caveats on the same kind of improvement timeframe as our civil businesses.	, then a lot changes atellites which are asons that
So, we have a $-$ we have a means by which we get to a great answer. And, oh, by the way, v services business in our representation of defense. We put it in a services bucket. It performs you put it in defense, it at least improves the picture.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Yeah.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A

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Still underperform, but it improves the picture quite a bit. So, I like where we are. The most important part to all of this is, with respect to the threat that the Defense Department is focused on, the intensity with which they are focused on it, the pace at which they will accelerate programs that meet that threat, I think we're in incredibly good spot, incredibly good spot. As you know, most of that is in a classified world, but we have steadily invested in that. We didn't take our foot off the pedal once during these existential moments. And as you saw, some of these have been advanced already. And I just – I like our chances, and we're going to give these our best shot and with contract terms that are acceptable.

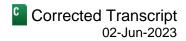
contract terms that are acceptable.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Now, I mean, I understand the contract term issue, but also in this have be you took very large charges last year. We saw another charge on the tankethen, there was an issue came up on the Starliner that was just reported.	•
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. Yes.	A
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
So, how can we get confident that you can pull out of this, putting the fixed	price contract structure aside
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Yes.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
but the execution issues, how are you going to get out of those?	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Yeah. I would suggest relative to the industry, the execution issues are not because our execution issues in the context of the contracts we have, they hits. When you have a zero-margin contract and you have an execution buyou have to do what you do.	're immediately visible and you take
If I compare myself to other programs in the industry, in defense, you read significant cost growth	about cost growth every day,
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Yeah.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	А

The Boeing Co. (BA) Bernstein Strategic Decisions Co.



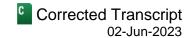
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but they're protected by contracts in every case.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	O
You're right, they're not forward loss.	
David L. Calhoun	Α
President, Chief Executive Officer & Director, The Boeing Co. They're all — there are no forward losses.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Ω
Yeah.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
I have to do forward losses the minute something happens. And I can't just p covers all forward losses so we can get on with life. You can't do that. There complete some of these contracts, till we complete them, this is just going to finish them. We have to finish them well.	are rules and you do it. So, until we
And with respect to execution, nobody, including me, are happy with any more find out something late in the game that you then have to go back and make commercial crew moment that we just had. Now, I don't think this will be sign hearing about things at the last second.	adjustments, including the
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Yeah.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
And when you hear them, you got to do something about it, you got to do it for development side, it – things don't go perfectly, they just don't. You're taking the way. They're calculated risks, you get through them. If they take too much So, I'm not quite as pessimistic on "execution" as what I think that the world provided the statement of th	 you are taking risks every step of h time, it hurts, so forth and so on.
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
But you have – so when you look at the profile here, this year, it's going to be cash.	e a – defense is going to be a user of
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Yes	*

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Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
And I think back several years ago, it was always just a great source of cash.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Yes.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
You've talked about it getting up to a \$2 billion source of cash	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Yeah.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
in that 2025/2026 timeframe.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. Yes.	A
Douglas S. Harned	
Analyst, Sanford C. Bernstein & Co. LLC You've also done, I believe, a pretty significant reorganization inside BDS.	Q
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Yes.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Can you talk about that and that path to get to the positive \$2 billion?	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Yeah. The reorganization was mostly built around what I saw and my new leadership team sees as just opportunities to eliminate bureaucracy and things that just – my biggest – people ask me all the time, cultume about the Boeing culture because it – so much was written for so long	re, tell
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Yeah, we've talked about that.	

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

Α

...blah, blah, blah.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

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Yeah. Yeah.

David L. Calhoun

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

Δ

But the one thing I emphasized with everybody that is so important is transparency. We got caught in a moment in time where our culture wasn't as transparent as it needed to be, yeah, with the outside world. But even more importantly, inside the company. Knowing things instantly. Knowing things quickly, being able to act quickly so that you can get ahead of things as opposed to wait for things to sort of spring. That has been probably my number one endeavor since the first day. And I think we've made enormous progress, and I have a leadership team now that embraces that in every way. It's uncomfortable, but it's necessary.

So, I feel like our team is making enormous progress on that front. Transparency is helpful to us in every way we get ahead of things. We will get to that \$2 billion cash flow. We will. A lot of it is completing these fixed price programs. Those are cash drains. That is our money going out. Every hit we take within 12 months, the money goes out the door. So it's – I'm confident we're going to get to that moment. And most of the rework is focused on that transparency thing.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC



So, Boeing Global Services, this has been a pretty impressively performing unit. And you mentioned the defense side, defense services side. And if I go back a ways, there were some, I would call them, extreme projections for growth in services at Boeing. How do you think about – I mean, what's your target for this? I mean, how large do you think this business will be in that 2025/2026 timeframe or longer?

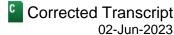
David L. Calhoun

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



I'll refrain from setting that giant target. You're right, that target was way out of reach in many ways. And the out of reach cost us because capital was getting deployed for the sole purpose of achieving that number and – without enough regard for the return on the capital we deployed. We have a team now that is really good at capital deployment. They know where we have IP, they know where we have product knowledge advantage, they know where we can capture more than our fair share of the returns and where we enjoy competitive advantages, and they're doing a great job at it. And it's growing at a healthy rate. I believe this is a business that can grow somewhere between 10% and 15% over the medium and long term. And I also believe it can get the kinds of returns. Today, we operate at over 15% margins, and I believe we can retain that.

And the digital component of this, the things that make operators more efficient in their world doesn't relate necessarily the airplane, usually has some connection to the airplane, but where it's working on the efficiency of the airplane, the efficiency of the ATC systems, etcetera. That business has been growing at a very healthy rate. We have migrated most of the technology now to modern architectures so that we can integrate them.



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Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	
Yeah.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	
And so, I'm quite bullish on that one. And I hope there's a day in our life where we can sort of call or segment separately and talk about the growth and the returns, because I do think it's going to be remeaningful to our industry.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	
And that would be the high – what you see is the highest growth potential	

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

David L. Calhoun

Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC

...within BGS?

David L. Calhoun

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

Yes. And many of you know, we have - we enjoy a business Jeppesen. We've retained the brand. We will always promote the brand that has a really important position in the industry.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

So if we bring this all together, you've talked about free cash flow of \$10 billion in the 2025/2026 timeframe. What things could take that higher or lower? Where is the sensitivity around that number?

David L. Calhoun

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

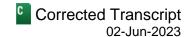
Supply chain stability takes it higher. Every step forward will take it higher, because it'll allow us to get a little more aggressive with rate. And more importantly, the productivity inherent is huge. So, what I like about that is it's mostly controllable, stuff I can work on every day. It's not market dependent. And I think most of the levers that we get to pull are within our control, whereas normally, you're - now you're thinking about market stuff that's got to occur. So, I feel pretty good about that. What could take it worse? Instability, serious...

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Supply chain.

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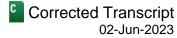
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co. Yeah. Supply chain and/or some world event and	
Yeah. But world event other than just, say, a normal recession or something like that	at.
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Yeah. Yeah.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Yeah.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
World event, you can imagine.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Yes.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Yeah. Yeah.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Yeah. So, you still got \$40 billion in net debt. As cash generation comes back, how that cash?	are you looking at deploying
David L. Calhoun	Λ

President, Chief Executive Officer & Director, The Boeing Co. Well, we're going to run down the debt, so that'll speak to most of the cash flow in those early years. We'll run it to a level that we feel is conservative enough to do all the things that we want to do. Ahead of that is investing in the

business, except we already do that. So there's not - it's not - we're not like been cutting back in any significant way during this period. As I said, we've been steadily investing in our big projects for defense, steadily investing in the technology capabilities that need to mature. So I'm pretty confident in our ability to sort of do all the work we need to do at today's kinds of run rates. So, we'll pay down the debt as fast as we can and we'll get back to how do we return it and we'll get lots of advice.

I don't think we're going to want to move the balance sheet to a more conservative position than it was, say, in 2017, 2018, but we'll want to get close.

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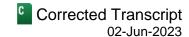
	<u> </u>
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Yeah.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Yeah.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Okay. Well, look, just to wrap up, I just want to finish, when you look at to focus your time?	the next 12 months, where are you going
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
Just running the supply chain as hard as we can. There are two big thin all doing it. Everybody is racing. Like I said, visibility is good. We're mov number one. But priority number two is the industry demand is getting for the Middle East and in India.	ring down that path. So that's priority
So the sovereign demands and requirements, you have the Kingdom of destination. It's a big country and the destinations are pretty amazing. A traffic lanes to get people in, and they've got big targets. That is, as we've demand. We've been beneficiaries of that.	and they've got a lot of work to do to build
India for the first time has a real player for the international market, first long time. But the new owner and the deal that the government constructives them lots of room, lots of money and they are good operators.	
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
Yeah.	
David L. Calhoun President, Chief Executive Officer & Director, The Boeing Co.	A
So I'm confident India can become one of those massive markets just lil speak. And then the folks in the Middle East who are already big and er both directions, they're not going to want to fall behind. So, what we have	njoy so much of that international traffic in
Douglas S. Harned Analyst, Sanford C. Bernstein & Co. LLC	Q
And big long haul.	

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

Yeah. And this is all the feed to long-haul markets, etcetera.

David L. Calhoun

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Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Yeah.

David L. Calhoun

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

We love our product positioning and we – anyway. So, that's all happening as we speak, each one wanting to beat the other one to the table, right? And then, we haven't talked about it, but there's also this sustainability override. The easiest way for any airline to move down the course on sustainability is to replace old airplanes, simple as that.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Yeah.

David L. Calhoun

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

30% the day you do it.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Yeah.

David L. Calhoun

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

So, there are just some demand things that are all happening, and these are the kinds of things we're working on.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

Okay. Well, great. Well, Dave, thank you very much.

David L. Calhoun

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

Yes.

Douglas S. Harned

Analyst, Sanford C. Bernstein & Co. LLC

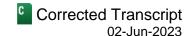
Really enjoyed it.

David L. Calhoun

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

Awesome. Appreciate it, Doug. Yes. Thank you.

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