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The Boeing Co. (BA)

Jefferies Global Industrials Conference

CORPORATE PARTICIPANTS

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Analyst, Jefferies LLC

Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

MANAGEMENT DISCUSSION SECTION

Sheila Kahyaoglu

Analyst, Jefferies LLC

Great. Good morning, everyone. I'm Sheila Kahyaoglu with the Jefferies aerospace and defense team, and it's a great pleasure to have Greg Smith with us here from Boeing. Greg has been Executive Vice President of Enterprise Performance & Strategy since 2015, and CFO since 2012. As a testament to his leadership ability, Boeing's stock has gone from \$75 to \$350 today, and we won't attribute anything else since 2012 to Greg.

With that, I think Greg, you have a few opening remarks, and then I have some questions that we'll kick it off with. Thank you.

Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

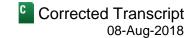
Yeah. Good morning and, Sheila, thanks for having us. Maybe what I'll do is just give you a broad overview of the market and some of the key focus areas for us and then I'm happy to take any of your questions. First and foremost, I'll talk about the commercial market, continues to be very robust. You're seeing a lot of strength in passenger traffic. We just updated our outlook for the next 20 years and we now see a need for about 43,000 aircrafts over the 20-year period, and that's up by about 1,700 from our prior forecast.

When you get into the fundamentals of what's driving that growth, it's certainly across the globe and it is not only growth in aircraft, but it's replacement and has about a 45% replacement cycle in there, which has been pretty similar to what we've seen in our backlog and our deliveries. And I think that really goes to again not only the fundamentals in the market, but us investing in the right products and services to differentiate ourselves, and win in the commercial airplane market, and we continue to do that, and I'll talk about more of that a little bit later.

On the defense side, you've seen domestically more support there. When you look at the Boeing programs, we're pleased by the support for those programs. I think it really goes to again the proven capability, the value proposition and the reliability that those products bring into the market, meeting the needs for the Department of Defense. At the same time internationally, we're seeing a lot more interest internationally for our products as well as our services, and again really going to those key attributes, at the same time, we've been investing quite a bit in our products and services across the fence. And I think you're also seeing the benefit of that and the strength in the marketplace related to those.

On services, we just marked our one-year anniversary for setting up a separate services business. This is about a \$2.8 trillion market, and we've brought the businesses together through the commercial, defense, space, and

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security, and we're going into the marketplace as One Boeing, and bringing the best and brightest and the best capability from across our company. And you've seen us take share, growth plan there and we'll continue that, and we really see this as a significant opportunity for our company, but even more so for our customers, as we think that we can serve the market in a much more efficient and effective manner and really, again, leveraging the investments we've made in our company, and leveraging the core capabilities from across the enterprise.

When it comes to investing in our business, you've seen us invest about \$60 billion over the last ten years, and really think of that as again putting the right products and services into the marketplace, innovation across the portfolio as well as productivity, more money going into things like automation and capital and tooling and so on to make ourselves more efficient, to be able to support the demands of the market, but also generate better returns at the end of the day, and then commitment to deploying cash back to shareholders through share repurchase and dividend. And you've seen us perform there since about 2012, consistently bringing our share count down and buying back our stock, at the same time being more competitive on the dividend front. And you should consider that going forward as well as we think about our capital deployment returning about a 100% of our free cash flow back to shareholders.

So, as you step back and look again across the business, we're seeing a lot of robust strength that really does go to getting the right products and services in the marketplace, doing that efficiently. We're spending a lot more time and effort on productivity across Boeing as well as on working capital and I think again you've seen that in our results and you should expect to see that going forward. But we're pleased at where we are in the marketplace.

Having said that, we're targeting to be on all fronts to be at much higher levels, whether it's winning in the marketplace or performance or working capital, we're really setting a standard for ourselves that we call global industrial champion, which is a top quartile type performance. So, really pushing across the organization, where we've got efficiencies, where we can learn from others, apply those back into our business, and then again compete to win in the global marketplace that again we're seeing good strength on. So, with that, maybe I'll turn it back over to you, Sheila.

QUESTION AND ANSWER SECTION

Sheila Kahyaoglu

Analyst, Jefferies LLC

Q

Thanks, Greg. And just having come back from the Airshow, one of the feedback from investors is that the order momentum is quite strong. The backlog is maybe stretching longer than they need to. How do you kind of think about that environment with the backlog stretching and pricing as well?

Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

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Yeah, I mean again, I think it just goes to the robustness of the marketplace, the fundamentals, what's driving traffic growth, the growth in middle class. The new route structures that things like the 787 have opened, the replacement. Look at MAX, look at 787-8, 787-9, and 787-10, look at the 747-8, the 777X the current 777, the efficiencies of those products are bringing into the market is certainly making it very compelling on the replacement. So again, that replacement cycle, I think, is a core fundamental that we're seeing, and we have seen for the last number of years. But you're going to continue to see that as we see this outlook in the 10 and 20 years, and that's certainly playing into the order book. At the same time, the traffic growth and route structure realignment that's taking place, do you have the right products and services in the marketplace to fill those needs, and that's been the investments that we've been making in things like the MAX, in the 787, or in the 747, or the 777X that again I think we're seeing some of that demand today as a result of those investments we've been making over the last 10-plus years.

Sheila Kahyaoglu

Analyst, Jefferies LLC



The market continues to be very good. Air traffic remains strong. How do you keep a pulse on the market and what concerns you the most?

Gregory D. Smith

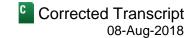
Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.



Yeah, well, I'd tell you it's a day-to-day pulse. And so, we really leverage our relationships with our customers, at the same time, internal organizations that are constantly monitoring what's happening across the globe and the potential implications on an airline. At the same time, like I said, staying very engaged with the airlines to really understand what's driving their demand, kind of back to where do they see growth, where do they see opportunities, what are their plans for their fleet, their route structures and so on, and how does that play into current backlog or potential orders. So, I'd say pretty robust process, always at the forefront of our mind because obviously there's day-to-day, there's changes that take place across the world and we want to make sure that we're clear eyed about those and we understand the potential implications that could be on our customer, how do we help them and then potential implications on us.

So ongoing, I'll say engagement and oversight onto that, tied to that is freight and you've seen a lot of improvement across the board in freight. Clear fundamentals driving that, we're seeing higher levels of production globally and therefore, shipments as well as e-commerce. And back to making the right investments in the right products and services, you look at the 777, you look at the 767 and the 747 right in the sweet spot of real breadth of portfolio of freight offerings there. And you're seeing some of that in the 777 bridge. You're seeing some of that in the skyline on the 747 as well as the 767 going up in rate really driven by freight. So another area that we

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obviously continue to watch very closely and really see an upswing there and again it really goes to, do you have the right products and services to meet the customers' needs and we really feel like we've made the right investments there.

Sheila Kahyaoglu Analyst, Jefferies LLC Q

Boeing is the largest exporter in the U.S. and I think the team has done a good job, keeping a dialogue with the administration. How do you view the current environment as regards to tariffs and global trades and just the implications on the overall aerospace sector as well?

Gregory D. Smith

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Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

Yeah, I mean it's certainly a big watch item for us, probably just like any other global company. Being the biggest exporter in the world, it is certainly something that we stay very close to, really try to understand the objectives from the administration and really work hard to have a seat at the table. To be able to listen and understand the objectives at the same time be there to help provide any potential solutions, at the same time being very close with our customers globally, and as well as foreign governments globally to find ways where we can help meet the objectives in the business that we're in. But it's just something Sheila where you've got to stay – you've got to be at the table, and you've got to be engaged, and you've got to be able to explain potential implications of any potential changes in trade or tariffs, the impact on our business, potential impact, the impact on employment and so on, and the impact globally.

Now having said all that, when you look at our business; being primarily on the Commercial Airplane side, that really does promote trade globally, that's our products and services. This is what they do, and there's a lot of need for these products across the globe. And I think again having that dialogue with the administration to help them understand where we play in our business, and frankly the areas where we can help is something where we spend a lot of time on and we'll continue to do that.

Sheila Kahyaoglu



Analyst, Jefferies LLC

Just talking about Commercial Airplanes, and the narrow-body's backlog a little bit and production rates. Can you talk about how you're managing the transition from 47 to 52 a month, last month and then step up to 57, and what are the different considerations to think about?

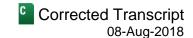
Gregory D. Smith



Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

Yeah. Well, as you know, we've got a very robust rate readiness process. We've increased production rates about 20 times since 2010, very flawlessly. Now I would say that has not happened by mistake. There's a lot of hard work and effort in a very gated process that we go through internally. Obviously, first and foremost around the market, and the robustness of the market and how we can hold a particular rate increase for a period of time to really optimize the efficiency. And then you get into the supply chain, to your point, capital, tooling, people, broader capability and the timeline, lead time can they be ready in time. But equally important looking at all the other scope that they have within the supply chain that is also potentially going up in rate, and how can that supplier meet our needs as well as understand all the other implications. That's a very, again, very disciplined process we go through and I think it's treated us well as we've gone up in rate 20 times.

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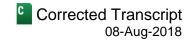
Going from 47 to 52 is another big step. Again, the market is very robust on the narrow-body side. So we've got the market demand there really around our production system in getting ready and we now are at 52 and then our supply chains. And we've seen some constraints there. We've seen constraints with what we talked about with our fuselages of Spirit as well as with CFM. And you saw some of that making its way into 2Q deliveries a little bit. And you'll see more of that in Q3 where we'll expect to have deliveries lower than our production rate. And so therefore you'll see a much more heavily weighted Q4, and that's really the implications of those early deliveries of particularly those two suppliers and then burning off those jobs.

So those jobs are now in our factory. And each one of those suppliers is getting more on track, but days matter, when you're at 52 a month, a day matters. And you don't have a lot of margin for error there. So we're working with them, putting resources into them, particularly into Spirit, additional resources into our factory and on our ramp, to really burn off the open jobs that are left on those aircraft. And again, those will be more heavily weighted into Q4 deliveries. But this is just part of the process of going up. It's obviously a big watch item for us, very important program to us and to our customers and our suppliers, but it's work.

It's not more complicated, hard to do, but it really gets down to a certain amount of jobs open. They've got to get closed in a certain amount of time, so you need resources in order to do that. So we're surging in some resources to be able to burn that down. But I think going through this now certainly will help as we plan to go to 57. Really again more in-depth understanding where we have constraints and also recognizing again when you're at – you not at 19 anymore, you're at 52, a day, an hour...

Sheila Kahyaoglu Analyst, Jefferies LLC	Q
Yeah.	
Gregory D. Smith Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.	A
four hours, matters. And we put a lot of efficiency into streamlining our factory our factory that it's very efficient, but not a lot of margin for error playbook. And if you're not or you have any hiccups, we've got to be able to what we're working our way through now.	or. Everybody's got to be on the same
Sheila Kahyaoglu Analyst, Jefferies LLC	Q
So I think, as you said a day matters when you're at 52 a month, what we she deliveries as we head into Q4? And the biggest impact on maybe deliveries	
Gregory D. Smith Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.	A
Yeah, you'll definitely see more back loaded in Q4 on those deliveries.	
Sheila Kahyaoglu Analyst, Jefferies LLC	Q
Yeah, it makes sense.	

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Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co. And we've got a recovery plan in place for them and for us now it's about executing to that recovery plan. But I

don't want to make it more complicated than what it is, it's work, and we got to get recovered and we've got the right resources in place to do that.

Sheila Kahyaoglu

Analyst, Jefferies LLC

I think Airbus is talking about the A320 going to 70 a month. How do we think about the implications, maybe it's the rookie in me but I would say why not control pricing a little bit more instead of ramping volume?

Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

Yeah, well, I think again, it goes to the strength of the market. It's a very robust market not only in narrow-body but also in wide-body. So that's kind of first step, does the market support it and we're certainly all seeing a lot of strength in the market, but then it gets to what we just talked about. It's the capital required, the tooling, the resources required to get up in that rate, how long can you maintain that rate.

And not just for us but obviously back to the constraints on the supply chain, so it can't just be one dimensional. Everything needs to work and if it doesn't work, you shouldn't go up in rate, obviously. But first and foremost, the market needs to support it and we're seeing it. So we'll go through as we normally do, we'll go through back to that disciplined process that we have and have used, and then we'll decide from there.

But the demand is there. There's no question, but if your supply chain or yourself can't meet that demand...

Sheila Kahyaoglu

Analyst, Jefferies LLC

Sure

Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

...there's no upside for you or your customer or your supplier to put yourself into that, yet that risk profile that really is not necessary.

Sheila Kahyaoglu

Analyst, Jefferies LLC

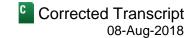
Makes sense. And I think there appears to be somewhat more debate on the NMA and I know it's only a concept program at the moment, but how's Boeing thinking about it and now where the service is as a standalone division does that change your service go-to-market strategy at all?

Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

Yeah. I mean it's a unique opportunity for us to look through the lifecycle lens at the beginning of the program, and the overall design and infrastructure of the program and in meeting our objectives to grow services at the same time again deliver better value back to our customers. So it's the first time that we've done this. That we're at the forefront, not only been looking at the basic obviously characteristics of the airplane and what it brings to

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the marketplace competitively and for the customer, but also that whole lifecycle lens, so how do you think about your design and manufacturing and serviceability, IP, all aspects of the production system from a services lifecycle perspective at the beginning. And so we're taking the time to go through that, to really fully understand it and talking to our customers, we're engaged with about 60 different customers on this product. This is part of the discussion now.

Is not just the platform, but also how we service that platform going forward. I would tell you, we're spending the time that's needed to ensure that this is robust in all levels, and it's about getting it right. This is not, we're respectful of – there's a need to our desire to have it into the marketplace in 2025. But we're also going through a very disciplined gated process, to ensure the business case is very solid, to ensure that we're transferring technology, there's no big leaps here, it's really leveraging that \$60 billion of investment I mentioned over the last 10 years, leveraging that, de-risking the program, getting the non-recurring effort down to a manageable state, lessons learned from all the programs that we've had. So we're taking the right amount of time to ensure this is robust on all fronts.

And, obviously, ensuring that we can win in the marketplace with this aircraft, we think we've got a great airplane. We're again very engaged with customers who like what they see, but we've got to make sure that everything works and everything is done, and we get, like I said, it's about getting it right on all fronts, and that's the time and effort that we're spending doing right now. And we've got the right team in place to do that, that's day-in and day-out, they're working their way through this business case and all other aspects of the aircraft.

Sheila Kahyaoglu

Analyst, Jefferies LLC

is on?

And how do you, I guess, define the NMA market, I think you've mentioned in the past 4,500 aircraft as a potential replacement market. How do you think about that and how do you contemplate new route structures that the 787

Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

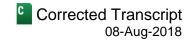
Yeah, I mean fundamentally, it's a product line that fits between the high end of the 737 and the low end of the 787. And so, as you look at that market, look at those potential route structures, look at what products are in that marketplace today. And again how can you win with NMA in that marketplace? And then on the other, to your point, the other element of that is there are new route structures that this aircraft could serve that aren't being served today. So that's an element in this business case and some of the way we're thinking about it. But you're right, when we see it about 4,000 to 5,000 and it really kind of fits between those two product lines. So again that's a point where we're spending a lot of time with our customers to really fully understand their needs, how they will operate the airplane and we're showing them what we think the potential is of the NMA and letting them think more about how they would optimize a product line like that, and that's part of the effort that we're going through today.

Sheila Kahyaoglu

Analyst, Jefferies LLC

I think on the 777, the bridge seems a lot healthier than it did maybe six months ago. Has that surprised you at all? And how do we think about the current rate transition to delivering 3.5 a month? And then with that just beginning to produce the 777X?

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Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

Yeah, look we always had a game plan, and key campaigns in place to fill that bridge. We really went after them as a company, not as a program or as a division, really as a company, how do we go win here, and fill that bridge. The 777 obviously is a phenomenal machine and has delivered great value to us and to our customers. So you've got a great product, so how do you fit it in the right timeline to meet the customers' needs, that's what's the big focus been and you're right, the team has done a great job on that. And then certainly, the freight market improving has certainly helped fill this bridge. So you're right, we're in pretty good shape, 2020 is the focus area right now to fill that bridge and we got a very good active list of campaigns in place to do that. But from a risk perspective, certainly as I sat here a year ago or prior, that risk profile has definitely changed. A lot of the focus right now has been now on the 777X campaigns and filling in the skyline on 777X. And I think you heard us talk about at the earnings call. We've got some time to do that but that's where I'll say more of the level of effort is now

Sheila Kahyaoglu

Analyst, Jefferies LLC

being put on.

And I guess on the 777 Freighter demand has really been driving some of the strength. But why is the freighter picking up and what's driving freight?

Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

Yeah, I mean you're seeing it across the globe, so it's not necessarily in one pocket, in particular I'd say the highlights have been China and Europe. When you look at levels of production that are taking place there and need for large scale, I'll say capabilities in order to move that freight, it falls right again in the sweet spot in particular on the 767, 777, and 747. We're also seeing strength in e-commerce as well that's really picked up over time. And that again is playing in. And let's face it there's been a period of time where there hasn't been a lot of orders obviously on freighters. So there is – I think there's also been some pent-up demand and I think there's six large freighters parked today globally. So it really gives you a sense of at one point we had more – there was more parked freight out there and it's all been utilized across the board. So we're seeing more freighter conversions in Stan's business as well as more robustness on those product lines, which again has helped increase the 767 line, hold the 747 line and as well as fill the bridge on the 777.

But again just like passenger, keep watching, continue watching the fundamentals of really understanding the shifts in trade, understanding what higher levels of production globally, how does that freight get moved – and how does that play into our product line is again another part of looking at the marketplace on a very regular basis and staying very engaged with our customer to understand what they're seeing day-to-day, where they're seeing growth, where they have means and where we can help with fulfilling their business objectives.

Sheila Kahyaoglu

Analyst, Jefferies LLC

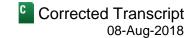
I think on the 787 you outsource maybe 70% of the airplane, you've had some partnership announcements with Safran and Adient. How do we think about the right mix of what's outsourced and what's internally produced?

Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

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Well, look, we stepped back obviously after the 787 and really kind of assessed overall risk profile, as well as IP and so on and where we want to have critical points in the airplane, as well as through the life-cycle lens. So that's changed as well. So taking those lessons learned off the 787 combined with the life-cycle is causing us to pause and think where do we want to have critical, vertical capability on our products and services, really kind of understand from the customers' perspective, where are they going with I'll say data on the airplane and information and their potential needs there and really kind of bringing that more back into Boeing's capability.

I think what you're seeing on the partnerships is an example of, we're looking at – how do you win in the marketplace here, what capabilities do we have, do you buy it, do you partner it, do you develop it? Everything is open for a discussion and so it's – what's the most efficient way to do that and also with a keen eye on risk.

And so, how do you go about doing it, in some cases it's going to be partnerships like we've described, some it's going to be more organic and in some cases as you've seen there's been some inorganic. So it depends on what it is, in that assessment of our own capability and others capability and willingness to partner. And if we can find the right business model that meets our needs, their needs, and the customers' needs, then that's something we're going to engage with and those are examples of just that.

Sheila Kahyaoglu

Analyst, Jefferies LLC

And then, just on that I'll sneak a quick one in on M&A. I think KLX and Embraer are very different transactions on the face of it. How do we view your preferences from here?

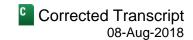
Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

Yeah. Well, I think kind of goes back to when you step back, you look at, okay, where do you have capability gaps, so look at the market, how do we compete in the market, where do you have capability gaps, where do you have product gaps or example and how do you fill them. First priority, organic, that's the investments we've been making over the last 10 plus years. And then the partnerships potentially are inorganic. So you're right, two different needs, but KLX really kind of filling the need of growing services, addressing that \$2.8 trillion market, is that a bolt-on capability that we don't have today that we can again kind of create value and allow us to win in the marketplace with a customer check.

On Embraer, it's much broader, as we've talked about, it's not only a complementary product line offering, whether it's the KC-390 or the E2 or the E1, it's also capability and it is also services. And that is different but it's a much kind of broader value proposition, whether it's go-to-market together and being able to do that better and more competitively together than we can separately, a complementary product line which frankly in this business bringing companies like this together is not something that's norm. This is very complementary on many levels. And then you get to the capability and the capability, in particular you mentioned on verticals where we see keen interest in lifecycle, as well as wanting to have IP, there's some of that that Embraer has that capability. So collectively together, can we be more – bring better and better products and services more efficiently to the market? We think we can.

It's also unique that it's a company that we've been collaborating with for over 30 years. So we know each other very well which is I think again highly unusual when you think about M&A. This is not a company that we just got introduced to. We have very clear knowledge and understanding through a number of joint projects we've done over the years about what they bring, what we bring, where they do things better than we do and vice versa and where we can really complement each other and be much more powerful in the marketplace together. So it's an exciting – both of them are exciting opportunities.



We're spending a lot of time obviously getting these to closure and getting into the marketplace and capturing the efficiencies through supply chain and engineering efficiencies and vertical capability services as well. At the same time, working on integration and putting integration leaders in place to ensure that we have very smooth, very efficient integration. So we just named someone for the Embraer integration, Chris Raymond, full-time job, full team. His focus and working with his Embraer counterparts is to ensure we have a very smooth introduction of these capabilities and product lines together.

So we're spending the right amount of time and resources in place to ensure that we plan well upfront, get the right people in the right jobs to ensure that we've got a really smooth integration plan and that we have – able to capture again these efficiencies and get into the market and win.

Sheila Kahyaoglu

Analyst, Jefferies LLC

I think on Commercial Airplanes, very strong performance in Q2, if you exclude Tanker, it seems mid-teens margins could be a reality, how do we get there from here?

Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

Yeah. Well, I mean, let me just start with – we don't exclude Tanker. So I appreciate that you are, but we don't exclude Tanker. It's part of our portfolio and it's our job to perform on that program just like every other. But you're right, stripping that out and looking at the fundamental bottom line performance at BCA was very strong. And you saw it also at services and at BDS, a variety of things. Certainly you're seeing a lot of the hard effort on the productivity front that's been going on for the last several years. You're seeing One Boeing approach to a lot of these initiatives. As you know, we changed our compensation structure to be a One Boeing score on the annual, its revenue, its earnings and cash, and cash being 50% of that, and then on the long-term adding the TSR element. That really was put in place as a key enabler to take best practices from across the company and literally bring them across all programs. And really enable that, and I have the added advantage of being in a job where I get to see a lot of different programs, a lot of different sites and see top quartile type performance in pockets of the company. And then now it's about sharing that.

And you're seeing best practice that came off 787 that are now an F-15, you're seeing Apache best practices that are now making their way onto 777. So you're seeing a lot more of that collaboration, again, we're all scored on how well the company does and how well we do on a relative TSR. On a personal level, we're scored on how we behave obviously and then how do we enable this One Boeing. And we believe, I certainly believe, that this is a competitive advantage.

So how do you leverage it? So we still got a lot more work to do there. But you're seeing more of that making its way into I'll say kind of the bottom line and the risk. I mean, we spend a lot of time de-risking this portfolio over the last number of years. That's not lost on anybody. And so, how do you continue to manage that risk profile, doesn't mean you don't take risk. But, how do you make sure you don't have concurrent risk on top of risk, and how you're thinking about the risk mitigation plans putting in place, whether it's rate transitions from 787-8 to 787-9 and 787-10. Think of that as risk reduction. Think of that as months and months of planning and discipline by that team to ensure that transition went smoothly. That's risk reduction. That's part of the DNA. That's part of how we want to run the business and how we're running it.

So, risk is also why you're capturing productivity. How do you get it onto the 777, ensure that you're still delivering productivity, profitability and delivering the airplane to the customer. How do you do that and not add risk.

So everything we're doing, I'll say, at scale like that is also kind of looking at that lens, especially when you're at these kind of production rates. But getting to One Boeing, opportunity here is pretty significant around productivity, bringing that productivity into the supply chain which we're doing more and more of, so best practices, let's go into the supply chain, let's make them better. Ultimately they'll make all of us better. We'll be able to meet the customer needs in a much more efficient way. Working capital, same thing, across the enterprise, but also helping the supply chain to be more efficient on work and getting best practices from them, and bringing them into our factories as well. So being very open minded, no idea is a bad idea. You know what I mean. It's being very transparent. Going out to other companies that are non-aerospace, trying to learn from them about whether it's development or whether that's automation, out of autos as an example or around overhead structures, organization structures, you name it, really trying to focus on what does it take to be top quartile, who's there, how do you apply it into our business, don't add risk, capture the productivity and profitability.

Sheila Kahyaoglu

Analyst, Jefferies LLC

And maybe just one last one on services, you're responsible for setting up the unit almost a year ago now, how do you think about the market opportunity and challenges. I know a lot to answer in 20 seconds, but?

Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

Yeah, big team effort in working through deciding whether we set up that separate business, I would say that we've thought about this a lot over a number of years. And it just wasn't the right time considering things that were either taking place in the market or taking place within the company, and we thought that; last year was the right time to do that. It's a \$2.8 trillion market, and we got single-digit share in each of the businesses. So we think there's a pretty significant opportunity for us as a company, but we also think there's pretty significant opportunity to serve the customers better. And that's what Stan and the team are working on. But I would also tell you that's what everybody's working on to support that. So it kind of gets back to the one score. Everybody's all in in figuring out, how to capture more market there, deliver better value to the customer as a company, and leveraging the company capabilities and resources, and so I'd say, we're probably even more excited about the opportunity than we were a year ago now that we're into it. Teams done a great job, you've seen them capture share in the market since we've set it up. But I view it as – we're just getting started. And when it comes to market facing at the same time, in the backroom on the efficiency, there's still more opportunities that the team is working to capture. But I love the excitement, the enthusiasm but it's up to us to perform there, and demonstrate to our customers and to you all that we can create value for everybody and we really think we can. So it's an exciting growth opportunity for our company and we're all in to make it successful.

Sheila Kahyaoglu

Analyst, Jefferies LLC

You're just getting started. So I'll leave it at that.

Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

Okay.

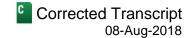
Sheila Kahyaoglu

Analyst, Jefferies LLC

And thank you very much, Greg.



Jefferies Global Industrials Conference



Gregory D. Smith

Chief Financial Officer & Executive Vice President, Enterprise Performance & Strategy, The Boeing Co.

Very good. Thank you.



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