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

MANAGEMENT DISCUSSION SECTION

David Strauss

Analyst, Barclays Capital, Inc.

Good morning, everyone. So, we're thrilled to have Boeing here today to kick things off. Dennis Muilenburg, from Boeing, CEO, Chairman, and President. Dennis has been CEO since 2015 and has spent his entire career at Boeing 30-plus years, I believe, starting as an intern back in the day.

Dennis A. Muilenburg

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

Summer intern, yeah?

David Strauss

Analyst, Barclays Capital, Inc.

So, in a minute, we'll get into the fireside chat format, but I'm going to turn it over to Dennis to kick things off with some opening comments. Thanks.

Dennis A. Muilenburg

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

David, thank you. And thank you all for joining us this morning. Appreciate the opportunity to talk. Just a couple of framing opening comments and then, I'll jump in, David, with you. If we take a look at our aerospace marketplace today, we continue to feel very strong about the marketplace, about an \$8.1 trillion market over the next 10 years. We see a world that needs about 43,000 new airplanes over the next 20 years. We're seeing continued healthy passenger volume growth around the world at about 6% to 7% a year, outpacing GDP. And we also see strength in our defense and services market. So, across all three of our business units, strong markets.

And we're positioned to grow in each of those, and we're investing to grow both top and bottom line. You've heard previously our commitments to grow our bottom line margin performance headed towards mid-teens by the end of the decade, and we are delivering on that commitment. We also expect that we're going to continue to grow cash performance. And we've made some investments there and continuing to drive execution, and you see year-over-year cash growth. We expect that to be a sustained trend for our business, and we're deploying that throughout all of our enterprise and throughout our supply chain.

We're also bringing new markets or new capabilities to the marketplace, more innovation than we ever had before, and that will continue to fuel our future growth. We got about 5,900 commercial airplanes in backlog that

we're going to use to build that sustained growth. And then fundamentally, the nature of our marketplace has changed. In history, this has been a cyclical marketplace. We don't see that for the future. The marketplace structure has changed, traffic patterns have changed, city pair connections, the middleclass, rising middleclass throughout the world that's now entering the air traveling public for the first time, all of that's creating a more sustained growth marketplace.

And then internally, our production rate discipline, how we're doing our development programs, long-term labor agreements, growing services, all those things are designed to create a long-term, sustained growth business that also drives bottom line performance.

So that's the context for the business today. If you take a look at our guidance for 2019, you'll see it reflects that expectation's strong, continued top and bottom line growth. If we take a look at sort of the quarterly profile for this year, we expect first quarter to be the lightest quarter of the year as it always is from a seasonality standpoint.

So you'll see that as the lowest revenue, lowest delivery quarter of the year. We expect to see about 20% of our annual earnings in the first quarter and probably about 10% to 15% of our annual cash flow in the first quarter, just to give you a sense of the profile. And then the other key thing to keep an eye on is our Boeing 737 MAX deliveries. We're continuing to ramp up, we're making progress on our recent supply chain challenges. We are still planning to move that line from 52 a month to 57 a month this year.

But again in the first quarter, you'll see that Boeing 737 MAX deliveries will be back loaded in the quarter, some of that's normal seasonality, some weather challenges early in the year and it also reflects our supply chain recovery plans.

All of that said, we do expect Boeing 737 MAX to continue to ramp up successfully and overall commercial deliveries this year, going from 806 deliveries last year to as we guided roughly 900 commercial airplane deliveries this year. So, all of that is fueling top and bottom line growth.

QUESTION AND ANSWER SECTION

David Strauss

Analyst, Barclays Capital, Inc.

Q

Great. So to talk about where you might be going in the future, I think it's good to kind of frame things and talk about where you come from.

Dennis A. Muilenburg

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

A

Yeah.

David Strauss

Analyst, Barclays Capital, Inc.

Q

So, when you became CEO in 2015, I think shortly thereafter, you started talking about taking the business to 15% margins year-on-year, free cash flow growth every year. And at the time when you gave these, they seem pretty audacious. BCA was running high single digits.

Dennis A. Muilenburg

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

A

Yes.

David Strauss

Analyst, Barclays Capital, Inc.

Q

And free cash flow was kind of up and down. What have been – from your standpoint, what have been the key enablers to allow the transformation we've seen and what are kind of the key enablers to continue this progression?

Dennis A. Muilenburg

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

A

Yeah. And you raise a key point. The key is we've really been focused on how do we transform the enterprise and then make it sustainable, right, something where we can continue to drive growth. So, a few years ago, we launched an effort what we called our One Boeing Strategy which is really a much more integrated approach to managing the entire enterprise as a business and being able to exchange best practices between our commercial, defense and space sectors. That's been very effective.

We also reset our expectations of the company, and set new targets to be what we call aligned with being a global industrial champion. So not just best in aerospace as hard as that might be, but to set a higher standard in terms of financial performance, productivity, quality and that drove new targets to our entire enterprise on global industrial champion performance. That included getting to mid-teen margins in our Commercial Airplane business. And you are right, it's a few years ago, there was lot of skepticism.

You can see that we are now very close to that. As we've guided for this year, we expect our Commercial Airplane business to be about a 15% margin business. But we're not going to stop there, right? We've got a number of initiatives in place to continue to drive that. Our Partnering for Success initiative in our supply chain, our market-

based affordability, cost reduction efforts internally, the work we're doing on automation and bringing in new digital systems into how we run our enterprise is a big part of that, working capital initiatives. So we have a number of long-term initiatives that are designed not just to produce results this year but to sustain that for the long run. And we expect that to be margin growth and year-over-year cash growth sustained going forward.

David Strauss

Analyst, Barclays Capital, Inc.

Q

So you mention global industrial champion, so we've heard this term out of you a lot. Can you elaborate a little bit in terms of specifics what that might mean? Who you're benchmarking – maybe examples of who you're benchmarking yourself against outside of aerospace whether it be margins, productivity, working capital because that would give us some sort of context about how you're thinking about where you can take the company.

Dennis A. Muilenburg

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

A

You bet. We look across a number of different benchmarks. One is we do look across all of our aerospace peers. That's a well-known set of competitors and suppliers. That's one dimension of measurement. We also look at our peer group that we use for our total shareholder return performance. That measurement is about 20, 25 companies in that group that we measure ourselves against, but we don't do that as a measure our company against another company in total. We rather look at what is best-in-class in any company and take that composite as our target set. So that gets into things like our productivity targets, year-over-year cost improvement targets.

Quality is a big metric that we're employing and driving deep into the organization. Safety performance is another key measurement for us. Working capital, working capital efficiency is a big metric that we've deployed all the way down to the floor.

All of these things have driven what we call champion time performance. So each of our teams down on the floor, engineering, manufacturing, they all know what their champion time performance is to be best-in-class. We are also using our innovation machine, how quickly can we bring new innovation to the marketplace. That's a measurement we use. And then also talent. A big part of our future is competing for talent and our ability to bring in the best talent across sectors, not just aerospace but to bring in digital talent competing with other sectors is a big deal for us. So that whole set of metrics is how we constitute this global industrial champion approach.

David Strauss

Analyst, Barclays Capital, Inc.

Q

Wanted to pivot for a second before we get into some specific financial question, talking about the airline landscape.

Dennis A. Muilenburg

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

A

Yeah.

David Strauss

Analyst, Barclays Capital, Inc.

Q

So, obviously most of the airlines, traffic growth has been great, airline financials are good, but there are some pockets of things that are popping up whether it be Jet or Norwegian or Etihad that we just recently saw that deferred things, maybe your take on what you're seeing on the airline side of things.

Dennis A. Muilenburg

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

A

Well, I think what you see is – there's always going to be pressure points in select airlines and different business models, different regions of the world, but the airline structure of the world has fundamentally changed and improved over the last several years. If you look at airline profitability overall last four years, has been roughly triple what it was in the previous four decades, right? So, airline profitability writ large is improving.

We see solid business structures, management approaches, disciplined fleet management. And then the other thing I think you see is that there is much more geographic diversity. So in the past, where you might have had an airline challenge and that would affect an entire region, which would then back-drive into our production systems. You just don't see that today.

We have much more geographic diversification in our backlog. That 5,900 airplanes in backlog that I mentioned, two-thirds of that is now outside of the U.S. and Europe, whereas in the past, it tended to be U.S. and Europe-dominated. So the impact of any individual airline or any local economic issue regionally is much more muted as a result of this geographic diversification.

So while we pay attention to these individual airline challenges, overall the airline industry is healthy and passenger growth trends, just look at the data, 6% to 7% a year growth and every year, we've seen about 100 million, 150 million people who fly for the first time in Asia. And estimates are that less than 20% of the world's population has taken a single flight. So think about that incredible amount of population that's yet to come to the flying public. All of that will create global growth.

David Strauss

Analyst, Barclays Capital, Inc.

Q

Switching to BCA and back to the margin progression that we've seen.

Dennis A. Muilenburg

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

A

Yes.

David Strauss

Analyst, Barclays Capital, Inc.

Q

Could you give us kind of a roadmap on how you've gone to where you are – if you think about volume and productivity and automation, mix, pricing, suppliers, step downs, all the things that we think go into that mix that have helped your margins. How you would bucket those things, maybe and how you see from here, how things progress in terms of those different [indiscernible] (11:42).

Dennis A. Muilenburg

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

A

Well, it's a great list and it's really all of the above, right? And what you're seeing is certainly we're gaining some volume advantages, we're ramping up production. And we've moved Boeing 737 MAX production up to 52 a month last year; we're stabilizing at that level. We'll move to 57 a month this year. We're contemplating potentially going beyond that in the future. If you look at the skyline for Boeing 737 MAX, it's sold out through 2023. So we are oversold against our production profile over the next many years.

787 Dreamliner, we're ramping up to 14 a month from 12 a month. We'll be at 14 a month in the second quarter of this year. So there is a certain volume advantage that's occurring on overall commercial deliveries but there's also a mix advantage. You take a look at 787 Dreamliner line for example, as we have more dash-9s and 10s in the mix, that's a favorable mix. The work we've done on Partnering for Success in our supply chain and supplier stepped down pricing which will hit future blocks of airplanes, that's an effort that has strength for years and frankly decades to come.

So all of those things play into our expectations for the future. If I think about cash, cash opportunity, cash growth, biggest tailwinds for this coming couple of years is 787 Dreamliner productivity, just basic cash performance on that line. You're going to get tailwinds from 787 Dreamliner and Boeing 737 MAX volume. And you're also going to see some cash tailwind due to Tanker as it moves into production and a better cash profile.

Headwinds on the cash side will be 777X, right, as we complete the development program, build flight test airplanes this year, and then headwinds associated with continuing ramp up in our investment profile. But those are more than offset by those tailwinds. And again, year-over-year cash growth performance is a clear expectation.

David Strauss

Analyst, Barclays Capital, Inc.

Q

So on 777X, how should we think about the impact of the initial block size, the impact that could have on BCA margins, and then also just talk about progress, where you are with 777X? And as I thought about your cash flow progression and this idea that you were going to grow cash every year, I've always thought that the 777X was kind of the biggest potential headwind, and it seems like you're almost over the hill there and going to start going the other way.

Dennis A. Muilenburg

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

A

Yeah. We've mitigated a fair amount of that risk, still some work to go. But you're right, if you step back again two or three years, one of the risk areas we were looking at is building the bridge from our current 777 line to the future 777X line. And we've been very successful in building that bridge. We sold another net 51 777s this past year. So, we've been largely successful in filling out the production bridge, still some work to go.

But really now turning our attention to 777X and getting that through the flight test program. So we are now building the flight test airplanes, flight test #1 airplane just went through power on a few weeks ago. In fact, just within the last couple of weeks, we did what we call factory gauntlet which think of that as taking the airplane fully assembled in the factory, connecting it to all the simulations systems and running the airplane as if it was flying while it's on the ground just to check out the systems. That was successfully completed. We'll move in to flight test this year and we still expect to begin delivering 777Xs next year.

Now as you point out, that will create a little bit of some additional cash headwind. This year as we're building flight test aircrafts, building inventory. Ultimately, we'll deliver those airplanes but some cash headwind to work through. And the initial block of 777Xs, first ones out of the production system as we start to work learning curve. Those will be – tend to be lower margin airplanes as we start out as is normal with our production systems. So that'll create some margin headwind as well. But all of that is factored into what I described in terms of overall year-over-year margin and cash growth. We've planned 777X into that plan. Development program's going well. We need to execute flight test successfully this year and then start delivering that airplane.

David Strauss

Analyst, Barclays Capital, Inc.

Q

On the back I think you've talked about the potential NMA layering in nicely after 777X?

Dennis A. Muilenburg

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

A

Yeah.

David Strauss

Analyst, Barclays Capital, Inc.

Q

Maybe talk about that. The R&D profile, somewhat surprising to me, you have talked about the idea that R&D as a percent of sales, if you go forward, this airplane could remain relatively...

Dennis A. Muilenburg

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

A

Yes.

David Strauss

Analyst, Barclays Capital, Inc.

Q

...flat and that's what you've been able to do with 777X and Boeing 737 MAX, but as I've thought about what NMA might look like...

Dennis A. Muilenburg

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

A

Yeah.

David Strauss

Analyst, Barclays Capital, Inc.

Q

I think, I feel like it's a more involved R&D exercise than those two airplanes. So talk about the – what you've already done kind of upfront in this idea.

Dennis A. Muilenburg

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

A

Yes.

David Strauss

Analyst, Barclays Capital, Inc.

Q

...that through a potential major development program that you can actually hold R&D as a percent of sales flat, because that would be something that we haven't seen before.

Dennis A. Muilenburg

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

A

Yeah. Well it's clearly, clearly part of the plan as we take a look at NMA or the middle of the market airplane. So just to provide some context on that, we do see a market for 4,000 to 5,000 airplanes that's between our current

Boeing 737 and 787 Dreamliner families. It's an airplane that's 220 to 270 passengers, about 5,000 nautical mile airplane.

That market can't really be served efficiently by derivatives of current airplanes, ours or our competitors. So there is a marketplace there. We're working our way through the business case to make – see if it makes sense to launch that airplane. But it has to be done in the context of not only an airplane in that marketplace, but also how does that affect the rest of our family of aircraft and how does it help us mature and advance the production system of the future. So we're really thinking about this through a life cycle lens, one, that's really important.

Secondly, we don't see this as a technology push airplane. If this airplane goes, if we decide to launch, we don't see this as an airplane that's really going to be based on pushing the technology of the airplane, the systems and structures. It's going to be more about the production system. So from an R&D standpoint, it's largely reuse of things like composite wings which were proven out on 777X, existing systems, electronic systems, existing avionics. So it's not a big technology push R&D airplane if we launch it.

And then the third thing to keep in mind is it is sequence. So we have deliberately as part of the sustained growth business model designed our R&D planning, so we're not doing concurrent development programs, that we're sequencing them so we learn program to program. This program, if we launch it, would come on the back side of 777X. It would leverage everything we've been learning from the 737 MAX and from the 777X. And we do expect, if we were to launch it, that that R&D profile would stay within the overall framework that I've described. We expect R&D to be about 3.7% to 3.8% of sales. So R&D will be growing over time as revenue grows but as a percent of revenue, we expect it to be roughly constant. And if we decide to launch middle of the market, it fits within that profile.

David Strauss

Analyst, Barclays Capital, Inc.

Q

So you're talking about the production system. What could automation on NMA look like? I mean, you've obviously made big strides in terms of automation on 737 MAX and Boeing 777, obviously 787. I mean, I was always surprised when I first went out to your factories how little there was in the way of automation and you've really accelerated that. Talk about maybe where you are in that automation framework and where you think you could get to on NMA.

Dennis A. Muilenburg

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

A

I think we're really still just at the beginning of reaping the benefits of automation in our factory systems, and that's part of what's been driving our margin cash performance over the last couple of years is the improvements there. But what you see today is we've largely taken automation, and we've applied it to how we've designed and built airplanes in the past. And so, you see things like aft body build automation with our Quadbot on the 787 Dreamliner aft body. You see it in the Boeing 777, what we call, Fuselage Upright Build where we have about 50,000 fasteners in that fuselage that used to be hand in placed, they are now in placed robotically. We're doing it on our Boeing 737 MAX wing panel assembly line. That's largely automation applied to previous manufacturing.

Now, the next wave of automation will be end-to-end digital design what we call, digital twin, and this is the idea of purposely designing an airplane digitally to accommodate automation. And when you do that, the benefits of automation grow significantly. So, one of the things as we think about the future airplanes, we're beginning to prove some of this out on 777X. But if you go to a fully digital enterprise, the benefits of automation could even be more significant. I think that's the second wave of automation benefit that we're going to see. And that's part of what's going to help our financial performance in the future. And it's not just financial performance, it's also an

enhancement to quality and it's an enhancement to worker safety because a lot of these automated activities get into some of the tough, more dangerous jobs on our production lines, and a great safety benefit as a result.

David Strauss

Analyst, Barclays Capital, Inc.

Q

On NMA, how do you think about the potential cannibalization effect of NMA, particularly, as I look at these routes that would be potentially flown by this aircraft. They're being flown today, but I think not that efficiently because they are being flown by heavy wide-bodies. But how do you – how's that being factored into the decision-making process?

Dennis A. Muilenburg

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

A

It's all part of the analysis we're doing. And so, as we think through that business case, as I've said, we're looking at the airplane itself. We're looking at a lifecycle lens. We're looking at it as a potential enabler for some of this enterprise transformation digital transformation that I'm talking about. And we're also taking a hard look at ripple effects to our existing product lines and potential overlap there.

And there are a couple of areas where we see growth opportunities market wise for that airplane. One is there are today throughout the world, wide-bodies, in many cases, our competitors' wide-bodies that are being used very inefficiently on city pairs. That could be dramatically improved with this new middle of the market airplane. That's one value proposition.

But we also expect with the potential that this airplane could bring to the market, you would create new city pairs, regional city pairs that can't be served at all today. We saw that same phenomenon with 787 Dreamliner. Since we introduced the 787 Dreamliner, there's about 200 new city pairs that have been created in the world that is high value for our customers and to be economically served for the first time. We expect to see similar city pair growth if we were to launch a middle of the market airplane. So it's both improving efficiency on today's routes, but also creating new routes. And that's all part of the analysis that we're going through.

David Strauss

Analyst, Barclays Capital, Inc.

Q

I wanted to touch on BGS.

Dennis A. Muilenburg

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

A

Services?

David Strauss

Analyst, Barclays Capital, Inc.

Q

Yes. Services. So how is – I mean obviously we see the financial results, but how has that business progressed, kind of some of the roadblocks, maybe you run into, when you first launched the business, I heard from airlines that they weren't – had a difficult time kind of seeing you in that position, maybe how have your service offerings evolved, so the airlines kind of can see you working with you in this position and then obviously the targets you have set out there. How do you see the progression there?

Dennis A. Muilenburg

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

A

Well, this is another place where we – to use your phrase from earlier, we did set some initial audacious targets. And as you've seen, we set a target to create a \$50 billion a year services business. And as we thought through our opportunities there and how can we bring value to our customers, leverage our OEM knowledge, that all led us to the idea that we need to create this new standalone Boeing Global Services business which we launched in July of 2017. A business that's purpose-designed cost structure, business processes to compete in the services sector. And I'd say we've been successful since our launch.

The services market is growing at about 3.5% a year. Last year, our services business grew at 17%, so well ahead of the market. We expect to continue to outpace the market. And the whole key to making this work goes back to your customer point. So we have to create value for customers. So every decision we make in the services business has to be looked at through the lens of value for customers. I think that's where our OEM advantage comes into play. We can see and create value for customers that others cannot because of our depth of knowledge of our airplanes and how our customers use them. And that gets into our supply chain and parts business. It gets into maintenance and mods. It gets into our training business and perhaps the fastest growing area is new digital solutions. So as these airplanes get smarter, more intelligent, there's more data available and there's more opportunities for us to create value-added services for our customers. But that lens is really important. I think that's the differentiator is customer value.

David Strauss

Analyst, Barclays Capital, Inc.

Q

Vertical process – or progress, sorry.

Dennis A. Muilenburg

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

A

Yeah.

David Strauss

Analyst, Barclays Capital, Inc.

Q

Where do you stand in the different initiatives you've taken, and then throwing into that the supplier consolidation that you've seen...

Dennis A. Muilenburg

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

A

Yes.

David Strauss

Analyst, Barclays Capital, Inc.

Q

... I think somewhat on the back of your efforts there? How have you gotten comfortable...?

Dennis A. Muilenburg

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

A

Yes.

David Strauss

Analyst, Barclays Capital, Inc.

Q

...with the level of supplier consolidation that we've seen and how does that thought not potentially disrupt you going forward?

Dennis A. Muilenburg

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

A

Yeah. That's a good question. So we've been very deliberate on our vertical integration strategy, and we saw an opportunity to selectively rebuild some verticals inside of our company that again could add value for customers. Also part of what's allowing us to take out cost and improve our margin performance. But we wanted to be very disciplined and targeted, so we don't need to be vertical everywhere, but where we want to, where we've selected we want to do it well.

And we made some good progress there. We identified avionics as a targeted area that's largely organic growth leveraging our capabilities. That's moving along with pace. Interiors and seats, we launched a new joint venture with Adient to bring some more supply chain diversity to that pressure point. And I think that's been hopeful.

APUs, we've launched a joint venture with Safran. Again, that's going to drive improved performance both cost and capability in the marketplace. So those are examples of areas where we're investing. And also things like complex composite wing manufacturing. That's something we brought back in-house with the 777X, that's both cost reduction and value for customers.

So we're making good solid progress on the verticals, more work to go. But we're going to be very disciplined and I'll say, focused in targeted areas where it makes sense. Now complementary to that is our work with the supply chain. We want, we need a globally-competitive supply chain. So we're investing with our suppliers in other areas, and part of the work we're doing on Partnering for Success is to share best practices to raise the level of performance across our entire supply chain. And where we've seen some consolidation, and those have been very visible, very public, we've been involved in those discussions to make sure that those consolidations, as they happen, are going to ultimately create value for our customers.

And there have been a few hard points, I'd say it's fair to say, as some of those consolidations came forward. But as we've discussed those with the affected companies, we've come to solutions that I think protect the interests of our company and our customers. And it's – we're in an okay place going forward on those supply chain consolidations. Something we're going to continue to keep an eye on and we're going to continue to build out targeted verticals where it makes sense.

David Strauss

Analyst, Barclays Capital, Inc.

Q

Wanted to ask you about cash flow and the composition of cash flow.

Dennis A. Muilenburg

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

A

Yeah.

David Strauss

Analyst, Barclays Capital, Inc.

Q

A decent portion of your cash flow comes from airline prepayment, advances, progress payments. So it's a question I often get from investors how should we treat those, how should we think about those, the sustainability? Obviously as rates are going up, those go up but how should we think about that?

Dennis A. Muilenburg

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

A

Yeah. Advances are a normal part of our business. They're not a big needle mover on our cash flow but they contribute. They do have timing affected by various deals with various airlines. But normally, just to give you a sense for it, we get about 1% to 2% cash down, advanced upfront. And then we have regular payments while the airplanes are being built. Typically about 40% of the cash comes in by the time the airplane is built and then the remaining 60% is due on delivery, as a general guidance, so that gives you a feel for the progression.

We manage that effectively as part of our overall cash flow strategy. So advances will continue to be an important part of our business, but I don't see that trend changing. It's not something we're banking on to continue to grow cash flow performance. Our cash flow performance, sustained growth is really about execution. It is delivering on our production system. That's really what drives our cash flow performance.

David Strauss

Analyst, Barclays Capital, Inc.

Q

I think we have time for one more. So, this past week we heard out of Airbus that they're cancelling A380. Your call there was pretty accurate in terms of how that program would go. But I mean the way I'm thinking about that, what do you think that does potentially for 777X? I mean the order book there has been fairly narrow in terms of your customers. How do you think about the cancellation of A380 maybe potentially positively impacting 777X order flow as we go forward?

Dennis A. Muilenburg

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

A

Yeah. I can't comment too much on the A380 itself but clearly I believe our wide body portfolio is the right answer for the future. So when we looked at our investments for the future, we saw a world that would continue to evolve towards city-to-city pairing and travel, not a hub and spoke network for the world. And so we designed airplanes, long endurance, long range, two-engine airplanes that are designed for that future world. And I think what you're seeing is traffic patterns are bearing that out. And 787 Dreamliner and Boeing 777 have both been very successful in the marketplace.

As we mentioned earlier, we've been successful in building out the Boeing 777 bridge. We really turned our sales team's focus now to selling out 777X skyline and we, looking at airline fleets around the world, we see a significant wide body replacement wave coming in the coming decade, early in the next decade and 787 Dreamliner and triple Boeing 777, 777X family are very well positioned for that wide body demand. And these are airplanes that are winning in the marketplace with our customer, and they are designed for the travel networks of the future. So I like our product lineup.

David Strauss

Analyst, Barclays Capital, Inc.

Dennis, thank you.

Dennis A. Muilenburg

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

David, thank you. Appreciate it. Thank you very much. Thank you, all.

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