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# The Boeing Co. (BA)

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### Robert Spingarn

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## MANAGEMENT DISCUSSION SECTION

### Robert Spingarn

*Analyst, Credit Suisse Securities (USA) LLC*

Okay. Good morning. I think we're live. It's Rob Spingarn from Credit Suisse. And it's my pleasure to welcome Boeing this morning. We have Greg Smith, EVP of Enterprise Operations and Chief Financial Officer.

Greg, thank you so much for sharing your time with us this morning. Clearly, the market will appreciate an update on the latest with Boeing, given the fast-paced environment we're in. We're going to chat for about 35 to 40 minutes, but I'd like to start by asking if you have some opening thoughts.

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### Gregory D. Smith

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

Yeah. Great. Thanks, Rob. And, again, appreciate the opportunity to be with you and the rest of the team today. And hope you and all those listening are staying safe and healthy.

Yeah. I thought it might be helpful just to give a brief update on the market, and then some updates on some of the key programs, and particularly on Commercial and just some of the other actions that we're taking to navigate the current environment, kind of how we're seeing it beyond the pandemic.

Maybe just start with the market. We're continuing to monitor the pandemic closely as we have been, and having consistent and regular conversations with customers and suppliers. And, certainly, that's informing our decisions of what actions we need to take as a company and how can we stay ahead of this, as we've been continuously trying to do.

Of course, we've seen some very encouraging news around the potential for a vaccine to be introduced broadly fairly near term, which again is very encouraging and positive. And it's a key enabler certainly to our industry and to our customers and to the recovery and the growth, along with a lot of other industries. So, something again we're watching very closely and talking to our customers about to get better informed, again, of how we need to support them.

But, at the same time, as we've all seen, the winter months have been tough so far. And we're seeing significant case spikes around the globe. And as the cases rise – and you've seen the protocols around travel change and the recovery slowed and continues to be uneven.

On the domestic front, we're seeing regional differences as Asia recovery continues and is progressing very well, whereas the US trajectory was moving in the right direction and then started to level off recently with the case rates and the restrictions and so on. And then, Europe recovery is really temporarily reversed, again, as the restrictions have continued or been strengthened.

On the international side, clearly, international passenger traffic is still the hardest hit, remaining about 90% below 2019 levels at this time last year, which again has impacted the overall near-term demand for widebody markets, as we've discussed before. And as we had a more thorough discussion on the third quarter call around the widebody market and rates, we're seeing that pressure continue over the last month since we last talked.

So, as a result of that, we've made a modest adjustment to the 787 Dreamliner production rate from what we had previously announced rate of six aircraft a month beginning in mid-2021, to a rate of five per month by mid-2021. And as we're transitioning to that lower rate between now and May 2021, we're going to see the effective production rate below 10 for that period of time. And while we balance the supply and demand through the near-term impacts in the global pandemic, we do remain very confident in the long-term outlook and certainly, the health of the 787 Dreamliner, as you've seen between the versatility and just the demonstrated market-leading economics that airplane brings to the marketplace. The long-term potentials post-pandemic are very robust.

I think on the narrowbody front, we're continuing to expect domestic air travel to lead the recovery. And as a result, expect narrowbody demand to be a really key driver in the overall market. But as we said, the path ahead will be heavily dependent upon, not only the virus, but also the wide-scale progress on rapid testing, the coordinated travel entry protocols, and ultimately, the timing and the availability of the vaccine that again, as we're seeing that progress with pace and some encouraging news there.

So, although, the near-term market again continues to be dynamic and challenging, we remain very confident in the long-term fundamentals. And as we're navigating this unprecedented time in the commercial market, we're not taking our eye off, defense space and security business, and ensuring that we're executing and meeting our expectations there that's clearly driving some stability back into the company. And the market outlook remains solid domestically and international for our major programs.

Now, shifting a little bit to just some updates on some of the key programs. As you've seen the news on the FAA lifting the 737 MAX grounding order. And you've seen international regulators progressing well. The move allows the airlines that are under the FAA jurisdiction, including those in the US, to take steps necessary to resume service, and for us, to begin making deliveries. So, this is clearly an important step representing progress. And as we rebuild trust to one airplane at a time, we will be laser-focused on, again, safety, quality and transparency.

And I'd like to pause there, and just again thank our customers and all our partners for their patience and their confidence that they've had in us and our products. And I want to thank again Michael O'Leary and Neil from Ryanair for the recent order of the 75 airplanes that we announced yesterday. We're certainly looking forward to working with them and all of our 737 MAX customers, as we bring this aircraft back into the marketplace.

And as we bring it back in the marketplace, as again, as we've stated before will assist our customers with the return to service of their existing park fleet first. And then, we'll begin deliveries from our delivery center through a mix of aircraft from storage and those coming off the production line of Renton. And just this week, the airplane

ticketing process began in preparation for the first deliveries, which are now expected to be in the next coming weeks. So, every step of the way, we will continue to follow the lead of the FAA and our global regulators. And we'll work closely with our customers to meet their needs.

And as we've communicated previously, we continue to monitor the pace of passenger traffic recovery. And again, a key underpinning of that is the vaccine, and certainly, in the travel protocols as I said, And we'll adjust the 737 MAX production rate as appropriate. And we're currently producing at a very low rate and plan to gradually increase that, as we stated, to 31 a month in the early 2022 timeframe.

On the 787 Dreamliner, as we discussed on the third quarter call, we've got a large number of undelivered 787 Dreamliner aircraft in inventory, and including the burn-down of that inventory, will be largely influenced by the pace of our delivery activities. The additional time that were taken to inspect and ensure that each of our 787 Dreamliners are delivered to the highest-quality standards is taking longer than we previously anticipated. So, as a result, we've delivered no 787 Dreamliners in November and expect the process will continue to slow deliveries in December and anticipate unwinding the inventory now of those undelivered aircraft through 2021.

So, while the additional time for inspections is impacting deliveries, conducting the comprehensive reviews is absolutely the right thing to do for our customers and for the long-term health of the program. And, I think, it demonstrates our commitment to focus on quality and safety across all of our programs. So, we'll continue to keep you posted on our 787 Dreamliner deliveries.

On 777X, continue to work with the regulators and the certification work scope, including reflecting the learnings from the 737 MAX regulatory review process. And, again, as any development program, there's inherent risks that can affect schedule. And the timing of EIS will ultimately be influenced by the certification requirements defined by regulators. So, we expect to gain better visibility as our work with the regulators progresses, and we continue to keep you up to date. And at the same time, we continue to stay very close to our 777X customers regarding their fleet plans and timing of deliveries. And, again, we'll continue to keep you up to date on 777X.

And then maybe, Rob, just lastly, as we manage the impact of COVID-19, we believe we are taking the right steps to manage our business and proactive steps. And since March, we've initiated a set of prudent steps and actions to preserve liquidity through the pandemic, adapt to the new market near term, and transform our business to capture long-term opportunities ahead of us. You've heard us talk before about the actions we're taking across those five pillars to reshape our infrastructure, streamline our overhead and organizational structure, rebalance our portfolio and investment mix, and strengthen the health and stability of our supply chain and drive operational excellence across the enterprise.

Our mission here and objective is very clear: Stay laser-focused on the market dynamics; take proactive action; and get ahead of this as much, as we can as we have done. And all eyes are on cash and liquidity right now and have been. And we will emerge stronger, more resilient and positioned for growth on the other side. The long-term fundamentals of the market, they remain strong. And we continue to keep an eye on the future as we're navigating this environment and believe our portfolio is well-positioned.

And we're taking the right actions to navigate the environment, supporting our customers or suppliers and our people. And we'll continue to be confident again in the long-term market and our future, and continue to make the right steps and make them with pace, and with solid action plans to again – to come out of this stronger and more lean, and more agile, and in a better position to even compete before the pandemic.

So, with that, Rob, I'll hand it back to you, and happy to take any of your questions.

## QUESTION AND ANSWER SECTION

**Robert Spingarn**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

So – well, thank you, Greg, and thank you for the update. I guess, hearing that and given the changes – we're in this fast moving dynamic environment, where things are improving in some areas and progressing in others. Based on the changes you just talked about to the production rate, for example, for the 787 Dreamliner and the latest timing, are you comfortable with your liquidity position at this point that you can manage through this slightly changed, I call it, near-term plan?

**Gregory D. Smith**

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

A

Yeah. Yeah. We are Rob. I'm – Yeah, we're comfortable about where we are today. And taking all that, what we just talked about, into consideration. And as you know, we've been, from day one, trying to stay ahead of this and taken action early, whether it was the delayed drawn term loan that we executed on very early, or the debt raise that we had in the market. But throughout that entire period, daily focus on cash. So, yes, we're comfortable about where we are today and getting to the other side of this.

Having said that, we're continuing to keep all of our options open. And you should expect us to continue to be proactive where we need to be proactive. And we're constantly reviewing our capital structure strategy and focused on the long-term balance sheet strength that we've looked to obtain over time.

**Robert Spingarn**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Okay. I'm going to have a question going back to that in a little bit. But I think what I'd like to do is stick on the demand side, customer behavior kind of topic, and notwithstanding what you just said about the near term. One of the things that the vaccine progress brings to light is this possibility that maybe the recovery, while it's obviously going to be slow at first and gradual, but maybe at some point, it hockey sticks a bit.

And there's this talk of a light-switch-pull case, if you will, where traffic suddenly improves. I'm not clear on the timing, but let's say, second-half 2021 and once the vaccine gets out there, especially into parts of the world that fly. We maybe get a somewhat more aggressive recovery in demand than expected. Do you contemplate the possibility of something like that, and could you accommodate it if it happens?

**Gregory D. Smith**

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

A

Yeah. I mean, to answer your first question, yes. So, we're running scenarios constantly around various outcomes of this, and pace and acceleration around it. And we've been doing that, again, since day one. And these are very active, as you can imagine, models in different scenarios with a real attempt to stay ahead of it.

Now, staying ahead of it, whether it's staying ahead of it that it becomes more challenging or staying ahead of it that it actually is better than what the base case might be today, we'll be ready, Rob. And, I think we have an advantage that, certainly, it wasn't set up intentionally this way, but we've got 450 aircraft parked on the 737 MAX. The constraint there won't be our ability to deliver. It's the pace and the ability for the customers to take them. So, we can turn that up pretty significantly, and we're resourced, and the teams are trained and are ready to do that.

Now, obviously, we will work with the regulators if that's the case, and they will take the lead on that, and we will follow them. But as far as our ability to resource and react to what might be a more accelerated case, we're very prepared for that. And like I said, in particular, as you see, it will likely be narrowbody recovery that'll we will begin with. We're in a position to provide those aircraft to the customers at a very strong pace. And like I said, we're resourced to do that.

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**Robert Spingarn**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Without getting too far ahead of myself, because I got a MAX section here. But if you provide those aircraft to customers, are they generally going to be originally-intended customers or can you reconfigure those for others, for example, Ryanair?

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**Gregory D. Smith**

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

A

Yeah. We certainly can. And as you know, on a narrowbody, it's certainly easier than a widebody, and we will. And in some cases, where we've had cancellations, we've provisioned for the ability to reconfigure those aircraft and remarket them. So, we absolutely have that flexibility, and we'll bring that flexibility to the table when talking with customers. So, if we see some earlier stronger demand, we'll go through that process with them, whether we would reconfigure, or they would reconfigure it. We've got all those options on the table.

And like I said, we've got the teams, and we've got the capital in place to be able to resource that and meet their needs. So, I don't see us as being a constraint if there is, as you put it, a hockey stick. It'll really be more around the customer's ability to take the aircraft.

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**Robert Spingarn**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

And then, just on that, Greg, if we do have that hockey stick between inventory planes and produced planes, if you were to get back into, let's say, the rate of 40 – in the 40s or 50s on the 737 MAX, and we get some lift in widebody, how close – I'm looking out to the right here. And so, I don't want to get too far out of the skis, but how close could you get to the cash flow levels that we all contemplated prior to the grounding and prior to COVID?

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**Gregory D. Smith**

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

A

Yeah. Well, you hit on the single biggest, I'll say, driver of cash flow recovery, and it's the 737 MAX. Getting the 737 MAX rate back up will be the single biggest driver, even as you look from 2020 to 2021. The improvements in cash flow, although 2021 will still be use of cash, but not as much as 2020. 737 MAX deliveries are the single biggest driver. The driver after that is the 787 Dreamliner unwind of the inventory that I just talked about and then combined with some of the other activities that we got going on in the company.

And then, as you go from 2021 to 2022, again, if you were to kind of rank these significant drivers, 737 MAX again, which is tied to again burning off that inventory, but bringing up that production rate, as you discussed. So, that's kind of, I'll say, the key drivers from 2020 to 2021, a lot of moving pieces obviously within that. But if you just step back and said, what are the real key differentiators on the cash flow profile of the Boeing company, those are the big drivers. So, that's why, clearly, we're laser-focused on this and putting all the right resources in place to ensure that we can meet the demands of our customer, and as you know, really try to get that inventory burned down as we've talked about.

And then, beyond that, it'll be all market-driven, clearly. And we'll modify production rates accordingly. And the cash flow will follow the increase in the production rates and the progress payments that will come with those enhanced production rates. So, this is very much market-driven and kind of goes back to the fundamentals I talked about, which is testing protocols and travel restrictions, and ultimately, the vaccine that's tied directly to traffic recovery. And if that's the case, then the production rates will follow, and we'll be prepared.

Now, under all of the work that we're doing under this transformation effort, as I mentioned, you know, we're not leaving any rock unturned under those five categories. And we're looking for opportunities to streamline and lean ourselves out with the idea that we can emerge from this stronger and more efficient.

So, still lots of work to be done, but that's a regular cadence. That is a weekly cadence that we go through actions we're taking, whether it's real estate, or consolidation or management structures, organizational structures, driving stability – making investments to provide stability back into the production systems, so when the rates come up, we're candidly, in some cases, in better shape than we were before the pandemic because we're using this time to get the things in place to drive stability that, ultimately, is going to drive predictability, first time quality, and our ability to come up and rate, do it efficiently and the cash flow will follow.

So, there's a ton of effort going on around that, and there will continue to be throughout this and post this. But that's kind of the way we see it, Rob. And like I said, the key drivers, as I outlined, are going to be the big focus items. And, of course, the market's going to really dictate that. And it's really important that we stay in tune with the market dynamics and making the adjustments, whatever we need to do and not lose sight of the future, which is absolutely, we are not doing.

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**Robert Spingarn**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Right. Just bringing it back a little closer to now. One topic that comes up consistently with the investor community is that of advances, and there's – so since we just talked a little bit about PDPs and Boeing's managing of the customer book, how do we think about advances trending on the balance sheet the next couple of years? The expectation is it's a headwind because you were collecting PDPs for a larger group of deliveries than you'll actually have. So, what's the way to think about that, Greg?

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**Gregory D. Smith**

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

A

Yeah. Well, as you know, the fundamentals of PDPs are tied to production rates and delivery profiles, right, I mean, and the timing associated with those. And clearly, with COVID, all of that has changed. And combined with the MAX grounding, there is no, I'll say, kind of normal profile of PDPs any longer. And there probably won't be until we get back up in these rates and stabilize because aircraft are moving from left to right. There's mix taking place. We've got PDPs obviously that are currently – some of them ahead of schedule, some of those will burn off through delivery.

So, there is even more moving pieces around PDPs than you would typically be. And not a surprise considering the day-to-day discussions we're having with the customers as they try to adjust to new market realities and preserve liquidity. We're doing all we can to try to help with that, but each one of these is a unique case. And, again, there's no norm in there currently.

So, it's going to take some time, Rob. And I think the key thing to watch is getting back to stable production rates. PDPs then will start to fit into the framework that they would typically fit into pre-pandemic. So, I think, we've got a couple of years here where PDPs are going to be a little bumpy until we get back up to those rates.



**Robert Spingarn**

*Analyst, Credit Suisse Securities (USA) LLC*



Okay. And looking out a little bit to the right, and may be premature to answer this question based on what we've just discussed, but can we have a conversation about a normalization in order behavior by airplane type with the 737 MAX versus 787 Dreamliner versus 777X? Do you all have any visibility in when the market comes back for those on the order side?

**Gregory D. Smith**

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



Yeah. Well, I think, again, it kind of just comes back to the fundamentals, and with regards to when they get back in the air and when do they start generating cash and their own liquidity positions are currently that's what's going to drive, I believe, the order book, ultimately.

And, look, you've seen the backlog going through all of this. It's continued to be very robust. And, I mean, customers, they want their aircraft now, may not want them, in all cases, right now with everything they're going through, especially widebody. But, as you've seen, net-net, for the most part, everybody wants to hold their position because they see the other side of it, and they want to be positioned to win and to modernize their fleet in that timeframe.

I think, the other factor is clearly retirement of older aircraft. You've seen customers around the globe taking more proactive action to ground fleets that maybe not necessarily were planned to be grounded in the near term. And so, they're taking the less inefficient portions of their portfolio during this pandemic and just grounding them and grounding them permanently. And that's certainly opens up opportunities for things like the 787 Dreamliner or the 737 MAX, or frankly, the entire product line. And as you know, the efficiency that that these aircraft bring into the marketplace is extremely compelling.

So, I think there's, a series of things that will take place that will really drive the order book. Having said that, it's unique customer-by-customer. As you saw, like I said yesterday, Ryanair announcing an order. And you could see more of that in the near term. So, we're working with each one of the customers, understanding kind of their fleet needs obviously currently, but also post-pandemic and how do we help get them position to win in that environment. And like I said, we'll be ready to do that, but it's – there's a couple of key factors there that are driving it, but it is unique by customer, and obviously, their route structures and their portfolio.

But grounding – permanently grounding the aged fleet does open up opportunities, certainly, for much more efficient product line. And back to my opening comments, look, I think we've got a great portfolio. And we've invested \$60 billion in this business over the last 10 years. And a lot of that has gone to this portfolio. So, we're ready for that day, Rob, to see the order book coming back. And like I said, we're going to come to the table and compete to win in what we see as a pretty robust marketplace post-pandemic. And we're going to be at the table with our customers and help them, support them whatever fleet needs they have.

**Robert Spingarn**

*Analyst, Credit Suisse Securities (USA) LLC*



Now, we get asked often about the case for continuing the 777X. Obviously, right now, there's not much demand for very large airplanes, and you're not even ready with it. But maybe the point you just made, so much heavy metal has been retired, all these quads pulling away. Does that actually boost the case down the road?



**Gregory D. Smith**

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

A

Well, I think – yeah, I think it creates opportunity certainly because as you know, a lot of those aircraft weren't planned to be permanently retired necessarily this year. And so, they've been accelerated, and I think it does. And like I said, if you look at the efficiency that something like a 787 Dreamliner's bringing into the marketplace at 25-plus percent more – better operating efficiency it's very compelling, obviously. And the track record of that aircraft, or the 777, or even the 767 as a freighter, and then certainly the 737 MAX, all these have very compelling economics that are bringing to the market.

So, when you're looking at a trade of retiring something a lot less efficient, these are well-positioned products, intentionally positioned by us in the investments we've made in them. So, I think it could create some opportunities for us over the long term. It's about getting through the short term, as we talked about, as you see, the more strain on international travel. But I think, as far as a recovery, at least the way we see it, recovery, probably be in three phases: One, being kind of a domestic recovery; and then, a more limited international recovery; and then, followed by a wide scale kind of international recovery at, again, full scale.

And so, that's where the widebody production and demand clearly will fall in, and that's something, again, like the 787 Dreamliner I talked about. Every day, we're just laser-focused on the marketplace, near term and long term, and engaging with our customers to figure out what do we do on production rates and how do we think about production rate increases. So, that's what's going to inform it. And, like I said, we're capitalized, as you know, for very high production rates. So, I don't see us being constrained in being able to deliver, if that pace of traffic picks up, I'll say, faster than the base case that's currently out there.

777X, like I said – you said, but the EIS is going to be influenced by the requirements by the regulator. And we got still lots of work to do there, and we're gaining visibility, but there's more visibility to be gained that we'll have to take all of that into account, and we will. And, at the same time, again, working with each of those customers on their fleet plans if how they see recovery, and ultimately, how that will impact the program. So, look, like I said, we'll continue to keep you up to date on all of our production rates. But, in particular, again, more focused on some of these widebody rates and, of course, 777X certification and then, ultimately, the customer feedback on their ability to take deliveries.

**Robert Spingarn**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Okay. I've got a few more topics that we're going to try and squeeze in in these last eight minutes. I'm going to do a little bit of a quick round on this. But next airplane, what are your thoughts on future product strategy, and what does timing look like, and would it be incremental or more bolt?

**Gregory D. Smith**

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

A

I'm sorry, Rob. I missed the last part.

**Robert Spingarn**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

On the next airplane, do you expect to do something more incremental or more bolt?

**Gregory D. Smith**

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

Oh, okay.

A

**Robert Spingarn**

*Analyst, Credit Suisse Securities (USA) LLC*

For the departure.

Q

**Gregory D. Smith**

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

Well, look, I think if you just kind of step back from that for a second, and I mentioned it earlier, we haven't lost sight of the importance of making investments that are critical to the future of the business. So, when we think about future product strategy, we're continuing to re-prioritize and streamline our R&D investments and CapEx. But again, when we were in pursuit around the NMA, we asked the team to step back and reassess the commercial development strategy and determine what family of aircraft to be needed for the future. And that team continues to work, and they're building off the work that we did on NMA.

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Now, obviously, the environment has changed with COVID in the dynamic marketplace and in the competitive landscape. So, we'll continue to do that work, and we'll make the right call when we need to make it. But, this is a portfolio, like I said, that we feel good about, and we've invested a lot in. I think what it brings to the marketplace has been evident, and it's evident in the backlog. But we're not losing sight of any other market opportunities we may have. And we want to position ourselves to win in those marketplaces.

So, while all this is going on, the team is continuing to reassess the product development strategy and where opportunities may exist, and what timeframe those opportunities may or may not exist. And we'll make the appropriate decisions based on that, but we'll ultimately be informed by our customers. And so, once we get to that stage, then we'll decide what we do further on our current product lineup, and if we do anything further than that.

**Robert Spingarn**

*Analyst, Credit Suisse Securities (USA) LLC*

Just briefly on BGS, what are your expectations for the commercial services' recovery and do you see the business model for BGS adapting in light of COVID?

Q

**Gregory D. Smith**

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

Yeah. Well, there's been a lot of adapting going on from day one of the pandemic because as you know, that's the first indicator, pullback is on services. So, we saw it early. Whether it's – and certainly, as we saw fleets getting grounded and spares activity dropping off dramatically, we took the right – we took a lot of action early on to rationalize the footprint and inventory levels and prioritize our investments and G&A, you name it. We got on that right away. And, at the same time we've got a robust government business, fortunately, that's helping lift, the overall service business through this period.

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So, it's been challenging certainly. But, recently, we've seen signs of starting to see some improvement. It's slow, and we expect it to be slow and moderated, but we're going to continue to look at that portfolio, again, post-pandemic and through the five pillars I talked about on transformation and ask ourselves the difficult questions around what do we continue to do, what we don't continue to do, and how do we position ourselves for the other

side to compete and win. So, lot of active engagement going on in BGS around the day-to-day, but also as you said kind of a forward looking in that recovery that – again, we've seen some early signs but it's slow, but it has flattened out, which is encouraging. And the government business is doing very well and continuing to execute well and has good demand. So, there's the advantage of having, I'll say, a balanced services portfolio that we're seeing the benefit of that today.

So, more to come, Rob, but again big watch item because it's day-to-day decisions that customers are making, and we've got to adapt quickly. So, it comes right back to what I said earlier. You've got to stay engaged with the customers. You've got to understand where they are. You've got to understand how they're thinking about next week, next month, next year. And you got to take all that into consideration and try to do the right thing for your company to address that marketplace. And then like I said, how do we come out of this even stronger on the other side to serve them even better. And that's been a big part of the discussions around services.

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**Robert Spingarn**

*Analyst, Credit Suisse Securities (USA) LLC*



Right. Just given the time we have left I've got – I'm going to go forward to my balance sheet question. We talked about it earlier, I mentioned in another question. What are your thoughts about equity issuance and capital deployment going forward? And I really am focused on this equity issuance part, just [indiscernible] the shares, et cetera.

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**Gregory D. Smith**

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



Yeah. Yeah. Well, just as you said, with the stock price, a lot of people are asking the question, which is good. Look, I think as I said earlier, we're constantly reviewing our capital structure strategy with near-term opportunities, but then just long term, how do we get the balance sheet back to – with healthy, I'll say, and with strength.

And so, we're constantly, Rob, looking at different opportunities. You just saw one recently that we did with regards to the balanced funding approach we took with funding the pension and the 401(k) with Boeing stock, along with the \$25 billion of debt issuance this year. And another \$4.9 billion of issuance for debt maturities this quarter. So, you should expect to see that same type of, I'll say, mindset of staying ahead, looking for, the best outcome for the company and not losing sight on that we want to improve the balance sheet over time.

So, when it comes to capital deployment, it'll be all about paying down that debt. We'll continue obviously to invest in the business. But we got to get this debt balance down. And we'll look for every opportunity to do that in the most efficient way, including equity. So, nothing's off the table. But I just want to, again, reinforce the fact that we're constantly reviewing it, and we're constantly running different scenarios and trades. And it's all about long-term balance sheet strength and protecting our credit rating. And again, just getting this balance sheet back to what it was. And I'll tell you, we came into this strong, with a strong balance sheet, fortunately we did, and we want to get back to that. And that's the objective, and that's the focus that we're on.

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**Robert Spingarn**

*Analyst, Credit Suisse Securities (USA) LLC*

Of course. That makes complete sense. Greg, I want to thank you for spending the time with us today. We run up against the clock. I've got more questions, but we're out of time. And we certainly do appreciate your participation in the conference. Thanks so much.

## Gregory D. Smith

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

Okay. Well, thank you, Rob. I appreciate the opportunity. Stay safe. Thank you.

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## Robert Spingarn

*Analyst, Credit Suisse Securities (USA) LLC*

You as well. Take care.

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## Gregory D. Smith

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

Bye-bye.

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