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The Boeing Co. (BA)

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CORPORATE PARTICIPANTS

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

Jesus Malave
Executive Vice President & Chief Financial Officer, The Boeing Co.

OTHER PARTICIPANTS

Kristine Tan Liwag
Analyst, Morgan Stanley & Co. LLC

MANAGEMENT DISCUSSION SECTION

Kristine Tan Liwag
Analyst, Morgan Stanley & Co. LLC

Good morning, everyone. I'm Kristine Liwag, Morgan Stanley's Head of Aerospace and Defense Equity Research. I'm very, very excited to host our next panel. We have Kelly Ortberg, CEO Boeing. Welcome.

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

Good morning.

Kristine Tan Liwag
Analyst, Morgan Stanley & Co. LLC

And Jay Malave, CFO of Boeing. So, very, very excited to have our next panel.

Before we start, we'll do the standard disclosures. For important disclosures, please see the Morgan Stanley Research Disclosure website at www.morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley representative. And, Jay, you've got yours.

Jesus Malave
Executive Vice President & Chief Financial Officer, The Boeing Co.

I do. Thank you, Kristine. Today's discussion includes forward-looking statements that are subject to risks and uncertainties, including the ones described in our SEC filings. Relevant disclosures are included in the materials accompanying the event webcast, which can be accessed on the Events & Presentations section of our Investor Relations website. Okay.

QUESTION AND ANSWER SECTION

Kristine Tan Liwag
Analyst, Morgan Stanley & Co. LLC

Q

Okay. Great. Wonderful. So, Kelly and Jay, welcome again, and lovely to see you at Laguna this year. I guess it's been a big year for Boeing in the past year since we were here. You now have the 737 MAX-7 certification. You've had successful production rate increases in several aircraft programs. I guess when you look back in the past year, can you share with us what you think have been the most successful accomplishments for Boeing? And also, what's been the biggest challenge in this past year?

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

A

Yeah. It's been a big year for us. A lot of accomplishments. You mentioned the ramping up of production that's been paramount in importance, and the team's done a really, really nice job of doing that, our commercial business. And they've not just done it to get to the delivery output, but we've sustained all of our key metrics.

We've done a lot of work on our culture across the company, restoring trust. We've seen the FAA give us re-delegation of authority this past year, which is a really, really good sign on how we're reinventing our relationship with the FAA. And probably maybe the most underappreciated is the amount of really good work that's been done in our defense portfolio and dealing with not only our challenging fixed price contracts but really setting the stage for future growth in that portfolio. Steve Parker and his team have really done a nice job.

I think as I – and I've said this at the beginning of the year, the one area probably, at least the last part of last year, that I didn't feel like we had made as much progress on was the certification programs. And as you mentioned, we're now having the Dash 7, the 737-7 cert, done. The Dash 10 is coming very shortly. We really are knocking down these major milestones on certification as well.

Kristine Tan Liwag
Analyst, Morgan Stanley & Co. LLC

Q

And congratulations on that.

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

A

Yeah.

Kristine Tan Liwag
Analyst, Morgan Stanley & Co. LLC

Q

Diving deeper on production rates, let's look at the 737 MAX. It's been successful to get to 47 per month. So, also congratulations on that. You've noted that you have plans to increase the production rate again to 52 per month after you see stabilization. Can you walk through what specific KPIs you're looking at now and how long you want to be at those metrics before being comfortable to officially going to 52 per month? And also, when you think about production rates beyond 52 per month, what are the key gating items for production?

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

A

Yeah. Well, first of all, you're right in that we're now driving at 47 a month, but we are not stable yet at 47 a month. That's been our task here to get stable. I'd say that's probably taken us a little bit longer than what I had anticipated maybe when we talked at the earnings call. The supply chain is in really good shape, including CFM on the engines, for our rate ramps on 737. The area we're constrained right now is in our wings production. We actually produce all the wings in Renton for the MAX line, and we just have not seen the flow improvements that we expected in the timeframe. So, it's taken us a little bit longer.

Having said that, we've got plans in place to go address that and move to the next rate. I think we're in pretty good shape from a supply chain to actually move to the next rate once we get some of these flow enablers behind us, and that'll happen next year.

Kristine Tan Liwag
Analyst, Morgan Stanley & Co. LLC

Q

Great. And then you touched on the supply chain, Kelly. It sounds like you're more optimistic on the supply chain. But when you look at further rate increases when you get to the 52 or beyond, can you talk about additional bottlenecks that you're monitoring for the supply chain there? And then also, how do you balance the health of the supply chain, how much physical inventory you have versus potentially freeing up inventory to improve working capital?

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

A

Yeah. I'll let Jay talk about inventory because it's a big focus area for him to try to answer that question that you're talking about. Look, in terms of supply chain constraints, again, on MAX, I'm not so worried about at least our near-term constraints. Now, once we get to 52 and 57, that's when you're going to see the supply chain more aligned with us relative to inventories. We're still at pretty high levels of inventory. So, you've got to see us – to go to 52, we need to see stability out of our wing shop.

The other thing that's important is we've just turned on the North Line in Everett for 737 MAX. This is a new production line that we're going to build four airplanes here initially to certify the line, and we need to have that line producing to go to rate 52. So, think about stabilizing at rate 47 in Renton, getting that North Line certified and producing, and once we've accomplished those two things, then we'll be ready to move to rate 52.

Jesus Malave
Executive Vice President & Chief Financial Officer, The Boeing Co.

A

And inventory, Kristine, just we've been doing some reviews now for really since the beginning of the year and looking at what the opportunity set is in inventory, and you think about kind of what we're trying to accomplish, and it's quite obvious. You look at our balance sheet [indiscernible] (00:24:59) it's a lot of inventory for the low activity that the company is actually producing and delivering at.

But when you look at, say, BCS, by far the largest element of inventory we have, and you've got to really break it down. And you've got to figure out a way in terms of feathering in the productivity and the improvements in inventory in such a way that's continues to enable the rate increases so it's not counterproductive to rate increases.

So, if you look at – you take a look at our inventory and you break it down at BCA, you've got kind of the normal production inventory to build an aircraft. And as we increase in rates, we'll have more throughput, we'll be more productive, and that will say that we'll more manage inventory more productively and efficiently, while at the same time, it'll be countered against wanting to increase rates and having more inventory.

So, the opportunity set there is how do you hold it at least flat as you're increasing rates through better productivity? But, again, how do you do that to make sure that you don't interrupt these rate increases that we're trying to accomplish?

Secondly, and you're probably very familiar with this one, is deferred production. And it's just a matter of are cash margins exceeding what we have in our average booking rates? We think, next year, we'll start to level off there, at least in the 737 and 787, and then we'll start to come on the other side of that where cash is exceeding – the cash margins do start exceeding what our booking rates are. So, it's a matter of just catching up to the profitability.

There's also – and we have stored aircraft. So, as we talked about in the past, we've got Dash 7s that we've pre-built. We're building Dash 10, 737-7s and 737-10s that we'll start delivering on upon the certifications really next year and probably over an 18-month period. So, then we'll see the inventory drawdown related to that.

And then the final opportunity at BCA is really sitting on excess inventory. We certainly have excess inventory in different commodities, and we did that as a function of where we were a couple of years ago, and it's the same thing. How do you feather that down while not taking your suppliers down to low a rate relative to what you're operating at and what you're going to? And so, that'll take multiple years to come down, but you got to think about the opportunity set. There's multiple billions of dollars there.

So, it's something that we're pretty focused on. It has to be done in a way. As I mentioned, the operational plan for that has to be consistent with our rate increase plan so they're not working against each other. But I think that we've got good roadmaps for that. And each of these will have their own work stream.

Quickly just on BDS, just opportunities there as well. Their inventory is not anywhere near as high as being a defense business. They have to think about precontract inventory. And so, what you can do there is get into long-lead material contracts. If it went through [indiscernible] (00:27:45) advanced procurement contracts with the customer such that you're being paid for the long-lead material.

And then on the other piece of them is really the contract assets. Just delivering on your milestones. If you're delivering your milestones, you'll be able to turn that into a billable receivable quickly and then collect it. And at BGS on their commercial side, if you think about them, they're kind of a parts distribution business. And parts distribution is fairly low turns. But, again, there's opportunity there to increase turns while at the same time generating the same sales.

And on the defense side of BGS, similar to BDS, really hitting your schedule milestones. So, we're going to have – to the extent that we don't have in all cases, a work stream associated with each of those areas. And this is a multiyear opportunity that we'll be able to realize.

Kristine Tan Liwag
Analyst, Morgan Stanley & Co. LLC

Q

And so, Jay, just confirming what you said there and summarizing, it sounds like once production rates are no longer in the increase phase, but more in the stabilization period, and you get to those rates, and you give time element to implement these things, you could free up a few billion dollars in working capital.

Jesus Malave
Executive Vice President & Chief Financial Officer, The Boeing Co.

A

Right. And the beauty of that is, once you get to a stabilized area where maybe you're not picking up inventory as a source of cash, but you're still holding it at a certain level so that you can drop through the margins and really the net income of your throughput. And so, as I mentioned before, it's a really solid opportunity for us, and there's a tail to it, that question.

Kristine Tan Liwag
Analyst, Morgan Stanley & Co. LLC

Q

Wonderful. And dovetailing to what you guys mentioned on the 737 MAX-7, which is now certified, so very exciting. But like, Kelly, for the 737 MAX-10, can you walk us through the timeline expectation of the certification of that program? And once that gets certified, how should we think about the pace of production and delivery for both the MAX-7 and the MAX-10?

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

A

Yeah. So, it's very soon. We've got the – when I left Seattle yesterday, I think we had three deliverables to complete, all the deliverables to the FAA. Now, the FAA work is quite a bit larger review, all that documentation then on the Dash 7, but we're in close coordination with them and working on that. And so, I think you're going to see that certification very soon. And just to be redundant, we've completed all the flight testing, all the testing. All the real work is done now. We're just in the documentation phase. We had EASA flying the Dash 10 this last week, and they were very complimentary. So, things are looking really good to get to the certification.

Now, on Dash 10, we are already building those. And as Jay mentioned, we've got Dash 7s in inventory. So, as you look at our backlog, roughly 30% of our backlog is Dash 10. So, you would see us start to build roughly 30% of the airplanes that we'll be rolling out the production line will be Dash 10s. We are building two Dash 10s up in Everett as a part of the line certification. One advantage Everett gives us is the Dash 10 is a longer airplane. We can't go nose to tail in the factory in Renton with all Dash 10s. We can do that in Everett. So, it'll give us a little more flexibility for product mix there and be able to do more longer aircrafts.

Kristine Tan Liwag
Analyst, Morgan Stanley & Co. LLC

Q

Great. Now, switching airplanes to the 777X. Can you provide an update regarding the certification of the 777X? Also, there were some media concerns that some customers are concerned about technology obsolescence of some of those initial 777X that were in production already. How have been the discussion there? Are you seeing cancellations for some of those initial airplanes? Are you seeing – do you have to offer discounts?

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

A

Yeah. There's no change in those initial units. Those are contract. They're contract discussions we're having with our customers. And I think we've got that well understood and well contained within our estimate to complete out. I don't want to negotiate publicly on who's getting what airplane, but I think that's not a big issue for us. It's something we've contemplated.

As far as the certification program, we're continuing to tick off the flight tests that are under the approved type inspection authorities. So, that's continuing. We still do not have ETOPS authorization. ETOPS is the extended flight test program for twin engine, and that's related to the mid-seal issue we've got with the engine. Until we get the mid-seal certification plan complete, we can't get authorization to start that ETOPS. We're expecting that very soon. GE is working that diligently. I think they have to do a little more testing than what we originally planned. I think they're still confident in the fix. So, we've got to get that done.

Having said that, that's probably going to cause us a little bit of a challenge between now and the end of the year. We may see some of the testing spill into the next year. We're still planning on 2027 deliveries, and we still think that, even if we have them shuffle some of our deliveries, that's within our EAC, our estimate at complete for the program. So, we're working through that right now. But I don't see that as a major challenge for us. But we still got a lot in front of us on the flight test program. Not done until we're done.

Jesus Malave
Executive Vice President & Chief Financial Officer, The Boeing Co. A

Yeah. Kristine, as we transition and with the passage of time as we get to certification, the focus will move to production and deliveries and our forecast, as Kelly mentioned. We have made a few adjustments already to deliveries and production schedules but all within the estimate to complete that we did last year. So, that's all working well.

And then just to kind of reiterate what we've talked about in terms of cash flow, you think about it. We really haven't seen much change there. Next year kind of in line with what it's going to be this year and that ballpark, generally flattish. We expect to improve in 2028 and then turn positive in 2029. So, really no change there. Where we do see some programmatic changes, the financial forecast in the EAC is still pretty much what we thought before.

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

Great. Thank you. On the 787, actually, I flew it again about two weeks ago.

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

Oh, cool.

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

I kind of forget how beautiful the aircraft is. Sometimes you see them on paper, but playing with the windows was fun. You've moved to eight per month for the 787 production this year. Can you talk about how easy was it? Did you face some unexpected challenges for the 787 to get to eight per month? Also, when would you be comfortable for potentially going to 10 per month? And now, I know I'm looking out into the future, but if you look at the backlog, there seems to be demand to support it going to 12 per month, potentially 14 per month.

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

Yeah. So, if I look back through the year, and we've been pretty transparent about this, we have been behind on engine deliveries for 787, and we did pause. Early in the spring, we had to pause the production line to allow that to catch up. Having said that, we've stabilized at rate eight. We have not yet achieved the engine delivery performance that allow us to go to rate 10. That's probably moving towards the end of the year. We had hoped to do that a little bit earlier. But, again, we're working that recovery plan with GE right now.

So, the rest of the supply chain feels pretty good in terms of production rollout. Now, you do see lumpy deliveries from us on 787, and that's primarily driven by seating and seat certification. And as I've said, that's going to be with us for a while. It doesn't really impact our flow through the factory because we can build the airplanes as more of a – we can't deliver them until we get the documentation and certification work done. And there just are a lot of new seat configurations that are very complex and taking longer to certify than what we had anticipated. So, I think you're going to still see us – even though we may have a pretty good rollout rate of eight a month, you're going to see us be a little bit lumpy here month-to-month on 787 deliveries.

Jesus Malave
Executive Vice President & Chief Financial Officer, The Boeing Co.
A

Just longer term, Kristine, back to your question, we do have plans to go to 14 in time. Our second assembly facility is under construction today. You can see it if you were to go by the Charleston site, and we expect that to be complete next year so that will help start thinking about these future rates.

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

Great. In May, you had an order from China for about approximately 200 Boeing aircraft. Can you walk us through where you are in terms of the contract – finalizing the agreement for the contract? What are the next steps in terms of getting this into a firm order? Could this happen during the upcoming state visit?

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

So, just to be clear, we didn't get an order for 200. The Chinese president indicated that they were going to go forward with an order, and we've been working on that. That's actually going per plan. I think the important part for us was – during that China visit was to get that market reopened to us. I think there will be an increment of orders going forward, but they're going to be more of a normal. They're going to be announced by the airlines at their pace, however, they want to announce those. So, we're progressing nicely. And I'm confident that we will be receiving orders. But I don't think they're going to be – I think they're going to be announced by the airlines at their particular time. So, we'll wait and see how that all works out.

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

Great. Now, shifting gears to BDS. BDS have seen some improvement over the past few years, but this year was still a little bit lumpier. How do you think about the risk of potential incremental charges in BDS today? And assuming there were no charges, I hope there aren't – no more, how should we think about the margin profile of BDS in the rest of 2026 and as we go into 2027 and 2028? And context regarding the free cash flow profile for the business.

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

Well, I think we've greatly reduced the risk of incremental charges. Having said that, there's still risk, and that we've got some of these programs in reach forward loss. So, if we see significant cost increases, that will result in additional charges. I think the team has done a very nice job of working with our customers to negotiate go-forward plans on these contracts that allow us to complete the programs within the estimate to complete.

VC-25B is still a big job for us. This is Air Force One replacement program, and we did take a charge on that here in the last quarter. I'm not anticipating that we're going to see a return to a lot of charges, but there may be some minor charges along the way as we complete the programs. I think the team has done a really, really good job of getting more disciplined around change of management, scope management, and making sure we've got a good estimate to complete in our EACs on these programs. So, in spite of a lot of work yet to do, I feel much, much better than I did a year ago on where we are on the development programs within BDS.

Jesus Malave
Executive Vice President & Chief Financial Officer, The Boeing Co.
A

If you think about the ramp, Kristine, I would say they would ramp to high single digits. That's the target for them by the end of the decade, and it's generally linear. The performance has done pretty well. If you look at their underlying results this year, year to date, backing out the VC-25B charge, they're pretty much on track with the rest of the portfolio. So, as Kelly mentioned, their performance is better. Their process discipline is better. Their underwriting discipline is certainly better. And as we start retiring some of these contracts and fully delivering on those, they're going to be replaced by other, more profitable, better priced, and better underwritten contracts. And then the performance is just program management performance is just better as well.

So, we have a high level of confidence that they'll be able to do that. And as Kelly mentioned, you can never say there's any risk. But if you think about some of these programs, VC-25, the commercial crew contracts, those were fully delivered out. And those will be replaced by other business that's going to be better priced. And look, we've learned our lessons of the past and our underwriting discipline is certainly a key tenet of what Steve and his team are doing.

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

Yeah. Thank you. In March of last year, you won a very exciting program, the F-47. So, the development program is $20 billion. Can you give us an update on how that program is progressing? What are the key milestones to watch? When do you expect first deliveries of the F-47?

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

Well, I can't talk about deliveries on the program. I would just say it's going well. I direct you to the comments from General White who oversees that program. I think he's very publicly saying that we're making good progress, and he's satisfied with the progress towards first flight. So, things are going pretty well on the program. We're pretty happy.

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

Great. Now, maybe switching topics to one I know investors are really focused on, which is on the SPEEA, your engineering union negotiation. Considering that they rejected the proposed contract last month, how are you thinking about the risk to reaching an agreement before October 9? And should you see a strike, how should we think about potential disruption to the business?

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

Well, let me be clear. We're working very hard to try to avoid any kind of a work stoppage. That's our key number one, two, three, four, five priority because that impact would be significant. If we did have a strike, essentially the 777 certification program shuts down until we get the engineers back. And it will have ripple effect even into our production.

We have put together a contingency plan as responsibly you should. And I think that contingency plan is focused on allowing us to sustain a level of 737 production. 787 is not because it's in a different region. It's not impacted by SPEEA. We probably will not be able to sustain the rates of 737 in a strike, but we want to try to keep the production line. But, again, we're focused on not having that event.

One of the things we did, Kristine, is that we agreed with the union to start negotiations early. I think that was wise because we got through this first round, and we found out that the agreement that we had with the bargaining unit negotiating team wasn't what the union wanted. And so, we've listened very carefully to the feedback in that process. We now have a new offer that's endorsed by the negotiating committee as well, and that'll go to vote here. So, I'm very hopeful that that gets us over the finish line. But we don't know until the vote is in, and that'll be – the last day of the contract is October 6?

Jesus Malave
Executive Vice President & Chief Financial Officer, The Boeing Co.
A

October 6.

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

October 6. So, the vote will be happening here in the next couple of weeks between now and October 6.

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

And I hope you find a good resolution.

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

Yeah. Well, we're working really hard to do that.

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

Last month, you announced a divestiture of a few assets, Wisk Aero, Insitu, and SkyGrid. What considerations did you weigh in making this decision, and is there more to do from a portfolio perspective?

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

Well, this is a kind of a unique opportunity, actually. We looked at where we were. And one of the key things we wanted to get out of the Wisk investment was the autonomy technology and the ability to civil serve by that autonomy technology. And I think, for the most part, we got what we wanted at that, and now we were looking at the major investment to actually go to market.

We were starting with an autonomous vehicle. Archer has a piloted vehicle which will go first before autonomous vehicles. So, we felt like bringing those together actually gave us a higher probability of success in terms of them getting into the market. We still will own a percentage of the Archer company going forward. We have someone that will be on the board of Archer going forward. And then we continue to still have access to the IP for our core aerospace business

So, I see this as a really good win-win. And we were to a point where we were going to have to start investing significant capital into that marketplace. And we've got to make our priorities decisions. And this allows us to focus our capital on some of our more core market.

Kristine Tan Liwag
Analyst, Morgan Stanley & Co. LLC

Q

Great. Now, on free cash flow, which I think everybody is excited about. So, you've guided to $1 billion to $3 billion of free cash flow for the year in your last earnings call, not trying to add other numbers there. Is that still your current thinking? And then also, when we look out to 2027, how meaningful of a step up could you see in free cash flow? And now, these are not your numbers. These are consensus numbers. Consensus is looking at a forecast of $6.2 billion in free cash flow for 2027. How do we think about puts and takes for that number?

Jesus Malave
Executive Vice President & Chief Financial Officer, The Boeing Co.

A

Sure. Well, first things first. Let's start with 2026. Yes. We still believe out in the $1 billion to $3 billion of the prior guidance that we had laid out back in January. We had guided really more towards the midpoint. What I'd say there, steady as she goes. It's still where we expect it to be nearly through almost over eight months in the year. So, really not much change there despite the fact that things do actually change.

I'd kind of point back to some of Kelly's comments in your first question is the fact that we haven't seen any change there. To me, it's an indicator and symbolic of improving stability in the business, improving stability in our operations. And that leads to more predictability in our cash flow forecasting. And hence, we're not really seeing any much change there. It's pretty stable.

And so, again, $2 billion, I think is really the framework within that $1 billion to $3 billion. I talked about before, well, how do you get above this $2 billion midpoint? And that would be through higher deliveries in the back half of the year. But as we mentioned, with some of our rates, maybe a little bit slower on 737 and 787 really pushing to the end of the year on the rate ramps, that upside is a little bit less likely than it was before. So, it kind of get, as I mentioned, stable, steady around that $2 billion midpoint that we talked about.

Shifting to 2027, we're still going through our planning cycle with our segments. And if I start with say BCA, and just a reminder of how do we generate cash flow even to begin with? They sign a contract. With that contract, they may or may not receive the deposit agreement. And that varies. It could vary in size depending on the customer, depending on the deal, depending on the amount of aircraft. So, that's a variable. It changes.

Beyond that, once you get into contract, you start receiving pre-delivery payments or advances about two years in advance of delivery. And once you kind of know what your delivery forecasts are going to be, not just in your current year, but the year beyond that because you're receiving advances now two years in advance, you have to plan that out and make sure that you've got a pretty good forecast for what your rate changes are going to be and then what you think – how that's going to convert into deliveries, because delivery is really what drives the pre-delivery payments. And then finally, you get the delivery payments. And, again, it's a function of what you expect that to be, say, in 2027.

So, we're working through all that with the BCA team. We continue to narrow the range of outcomes there, but it's still the benefit of time there. You need to go through that and get the best informed information on that. As it relates to say BDS, again, their improvement kind of in relation to their profitability, yeah, I would say. And in BGS, it's kind of we'll see cash flow generally grow with the growth in that business as well.

And so, I'm not ready to kind of lay out anything now. Those are the general kind of key frameworks that we're thinking about for 2027. I would expect it to grow. But as I mentioned before, in January, we still have these issues we refer to as drags, whether it's the pricing penalties, the excess advances that we have to burn through, and that will still burden cash flow in 2027. And so, as we work through that right now, thinking it's still a transitionary period as we go through this. And the cash flow, look, the breakthrough, it's coming, but we still have to burn through some of these drag that I've spoken about in the past.

Kristine Tan Liwag
Analyst, Morgan Stanley & Co. LLC

Q

Great. Super helpful, Jay. Now, it's been four years since you had your last Investor Day. I mean, time flies by when you're having fun, right? I think you've had a lot of fun.

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

A

I wasn't having fun then. I am now.

Kristine Tan Liwag
Analyst, Morgan Stanley & Co. LLC

Q

But it's always relative, Kelly. When you rolled out the $10 billion of free cash flow, and now, we're seeing finally the path to the 737 MAX getting to that 50 because that seems to be within the horizon. And the 787 potentially, those 10 per month. These are the two tenants supporting that $10 billion free cash flow. Now, that you've got more visibility to these higher rates and, Jay, you had highlighted the puts and takes in working capital when you kind of get to these levels, how should we think about normalized free cash flow for the Boeing Company?

Jesus Malave
Executive Vice President & Chief Financial Officer, The Boeing Co.

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On a normalized run rate business, it's still generally the same. 50-plus on 737, 10-plus on 787. What I would say is a little bit different is that we'd expect also to start generating positive cash flow on 777X program as well. And the reason for that is that our CapEx is higher now than it was when we were thinking about this in 2022. So, not substantially different, but a little bit different.

Now, as you know, the specific timing of that, again, depends on how we burn down now these penalties, as I've mentioned before in the prior question, as well as the excess advances. But we've got a pretty good line of sight. And it's fundamentally, generally speaking, very similar to what it was. Now, by the time we burn these things down, we'll probably be operating at higher rates than just, say, a 50 and a 10 number in that ballpark. So, again, timing, it's going to happen, and we'll let you know. But I think that framework is on a run rate basis is definitely pretty much intact.

Kristine Tan Liwag

Analyst, Morgan Stanley & Co. LLC

Okay. Great. I think, looking at the time, that is the time that we have. This concludes our presentation with the Boeing Company. Thank you very much, Kelly. Thank you very much, Jay.

Jesus Malave

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

Thanks, Kristine.

Robert Kelly Ortberg

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

Thank you, Kristine. Thanks.