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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. Good day, everyone, and welcome to The Boeing Company's Third Quarter 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. Please be advised that today's call is being recorded. The management discussion and slide presentation, plus the analyst question-and-answer session are being broadcast live over the Internet. [Operator Instructions]

At this time, I am turning the call over to Mr. Eric Hill, Vice President of Investor Relations, for opening remarks and introductions. Mr. Hill, please go ahead.

Eric Hill

Vice President-Investor Relations, The Boeing Co.

Thank you, and good morning. Welcome to Boeing's quarterly earnings call. With me today are Kelly Ortberg, Boeing's President and Chief Executive Officer; and Jay Malave, Boeing's Executive Vice President and Chief Financial Officer.

This quarter's webcast, earnings release and presentation, which include relevant disclosures and non-GAAP reconciliations, are available on our website. Today's discussion includes forward-looking statements that are subject to risks and uncertainties, including the ones described in our SEC filings. As always, we will leave time at the end of the call for analyst questions.

With that, I will turn the call over to Kelly Ortberg.

Robert Kelly Ortberg

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

Thanks, Eric, and good morning, everyone. Thank you for joining today's call. I'd like to take a moment to welcome our new CFO, Jay Malave. It's been great to have Jay onboard and officially welcome him to his first quarterly earnings call for Boeing. So, now, let's take a closer look at our business as we enter the final quarter of the year. Our sustained focus on safety and quality is driving better performance across the enterprise, and we are re-earning the trust of our stakeholders, including customers, regulators and employees.

Our focus on culture change continues to energize our teams and improve how we work together. By August of this year, we had delivered more commercial airplanes than all of last year. Our defense business is well-positioned in the current geopolitical environment, and our services business continues to deliver in a robust aftermarket.

Across all of our market segments, we continue to see strong demand, which is reflected in our growing backlog. We marked important milestones in our recovery, as the operations generated positive free cash flow in the quarter for the first time since 2023. And earlier this month, we jointly agreed with the FAA to increase 737 production to 42 airplanes per month.

While we're turning the corner, we're well aware of the work ahead of us to fully recover our performance, particularly on our commercial development and certification programs. We'll talk more about our status, but I want to emphasize that we're exploring every lever to deliver better performance on all of our programs.

Now, turning to the businesses, let me start with Boeing Commercial Airplanes. We're making meaningful progress in line with our safety and quality plan, and our investments here continue to improve the health of our factories. Notably, we've seen 75% reduction in traveled work on our 737 and a reduction of 60% across all airplane programs.

Supported by greater stability, we successfully ramped up the 737 production to 38 airplanes per month, as we had planned. We then focused on enablers such as improved quality, training and workplace coaches to help stabilize at that rate and demonstrate that all of our key performance indicators are healthy. Once we were satisfied with the sustained health and stability of the production system, we then presented our disciplined plan to the FAA to increase production to 42 airplanes a month.

We continue to be guided by our safety and quality plan, and we'll monitor our performance against these six KPIs, as we methodically move to higher rates. As a reminder, we expect rate increases beyond 42 per month will go in increments of 5. And while rate increase breaks won't be earlier than six months apart, we will remain disciplined and we won't move to higher rates until we achieve stability and readiness.

Also in the quarter, the FAA announced it will allow delegation to Boeing to issue airworthiness certificates for some 737 MAX and 787 airplanes. Our team continues to work under the oversight of the FAA in building safe, high-quality commercial airplanes that comply with all airworthiness certification requirements. And we appreciate the FAA's confidence in Boeing, and earning limited delegation authority is a responsibility we take very seriously.

On the 787, the team is performing well and the program continues to work towards demonstrating stability at rate seven. As we previously shared, we'll be guided by our KPIs before we transition to planned higher rates and aim to move to eight per month in the near future, having recently completed a successful rate eight Capstone Review with the FAA. At the same time, we're investing in the expansion of our South Carolina site to ensure we're prepared to meet exceptional market demand, and we look forward to an exciting future for the 787 program.

Turning now to our development programs. On 777X, as we announced earlier this morning, we have delayed our expectations for certification and first delivery, resulting in a \$4.9 billion non-cash charge during the quarter. As we've previously said in the third quarter, completion of our certification program is taking longer than expected. We have worked to understand the implications to our go-forward plan, and now anticipate first delivery of the 777-9 will occur in 2027. Jay will provide further details on this in his prepared remarks.

We've accumulated more than 4,000 flight hours, more than double a typical flight test program, and so far, there are no major technical issues on the airplane or on the engine. In the quarter, we completed critical testing of the airplane's brakes, engines, takeoff performance and aerodynamic performance. However, we still have a significant portion of the flight test certification program to go, and our team is executing plans to complete this certification as part of the schedule we shared today.

The airplane and the engine are performing well, demand for the airplane remains strong, and we remain confident that the 777X will be the next flagship airplane for our global customers. This is obviously a disappointment, but we just need more time to complete the certification process. With this charge, we now have a higher confidence that we'll complete the certification within the financial estimate.

Better news on the 737-7 and 737-10 programs. With more than 3,000 hours of lab testing and analysis, we now have a final set of design changes to permanently address the engine anti-ice issue. This effort remains on the critical path, and we're now following the lead of the FAA as we work to certify the suite of design updates. As we previously shared, we anticipate certification for the 737-7 and the 737-10 to happen in 2026.

Looking now at our defense business, we continue our active management approach and we're making progress to de-risk our development programs. We again demonstrated stability on our EACs in the quarter, and our BDS team is working hard every day to earn trust of our customers. We also continue to proactively engage with our customers and suppliers. In many cases, we've been able to revise contract baselines to lower execution risk and create win-win outcomes for the customer and for Boeing.

We still have work to get these programs through the development phase, and as I've said before, you're never done until you're done, but we clearly are making progress. In the quarter, BDS had several notable milestones, including delivery of the 100th KC-46 tanker across our combined U.S. Air Force and global customer base. We're proud our platform continues to provide unique value and capability to our customers.

We also secured key contract awards in the quarter. The U.S. Space Force awarded Boeing a \$2.8 billion contract for the Evolved Strategic SATCOM Program, solidifying our position as a leader in the national security space. More recently, we signed multi-year contracts valued at \$2.7 billion to produce additional PAC-3 seekers, leveraging the advanced investments we've made to ramp up quickly and meet the demand.

In St. Louis, we are executing our contingency plan, as our IAM-represented workforce remains on strike. While, of course, we prefer not to be in this position, the team continues to work in support of our customers. We are building JDAMs without IAM workforce at about the same production rate as before the work stoppage, and the team is progressing on our MQ-25 and T-7A development programs. We'll continue to manage through this with focus on supporting our customers.

Now, moving on to Global Services, BGS had another strong quarter, delivering exceptional performance for our company, as they support our defense and commercial customers. The U.S. Navy awarded Boeing contracts totaling more than \$400 million for the repair of the F-18 landing gear and outer wing panels. We're still on track to close the sale of Jeppesen and the other portions of our digital business later in this quarter.

At the same time, BGS team continues to secure deals for the digital capabilities that we'll retain related to fleet maintenance, operations and repair. A good example, we recently announced an agreement with EVA Air that includes digital diagnostic tools and advanced analytics to improve efficiency and maintenance operations.

Lastly, I'll share another update on our company's culture change. This remains a topic of interest in conversations with many of our stakeholders. I'm pleased with how the employees have embraced culture change. You'll recall that we used feedback and direct employee input to help shape our new values and behaviors earlier this year. Since then, as I've traveled around the company, I'm excited to see how many teams are using the values and behaviors to effect change in their daily work.

For example, I have come across production teams that are using their daily tier meetings to call out which values and behaviors help them work better with each other. And during my recent visits in Miami and some of our global sites, teams told me how championing our values around safety and quality is strengthening our relationships with our customers. I'm confident that with our new values, behaviors and the processes we're putting in place with performance management, leadership development and new training opportunities, we'll continue to see positive culture change.

Before we close out the year, we're also going to do another voice of employee survey like we did back in February. We'll get a feel for how we're doing on the culture change and get feedback on the areas that are

working and where we still need to improve. All this work is going to take time to really take hold, and while I don't expect overnight improvement, we'll continue to listen to our people and use the values and behaviors.

Now, before I finish my prepared remarks, I'd like say thank you to our employees for their dedication to safety and quality and enabling another quarter of improved performance. While we're all disappointed with the 777X delays, it shouldn't overshadow the progress we're making. Our customers are giving us great feedback on the quality and delivery performance. We're increasing production rates. We turned cash positive in the quarter, and we're winning in the market. We're well-positioned to build on the momentum, delivering on our more than \$600 billion backlog and restore Boeing to the company we all know it can be.

Now, let me hand it over to Jay to further discuss our operating results. Jay?

Jesus Malave

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

Thanks, Kelly, and good morning, everyone. Let me start by saying that it has been an honor to join Boeing at such an important time in the company's history, and I'd like to thank the team here for the warm welcome these last few months. Throughout my career, I've always been impressed with Boeing's people, products and services, and iconic legacy.

I'm very excited to partner with Kelly in support of our continued recovery and delivering for our global customers and stakeholders. Boeing is in a much stronger position than it was a year ago, and it's my job to help Kelly and the leadership team build on that progress. I'd also like to thank Brian West for his role in getting us to where we are and for his support throughout this transition.

Now, let's start with the total company financial performance for the quarter. Revenue was up 30% to \$23.3 billion, primarily driven by improved operational performance across the business, including higher commercial deliveries and defense volume. The core loss per share of \$7.47 primarily reflects the \$6.45 impact of the \$4.9 billion charge on the 777X program, which I'll discuss in more detail shortly.

Free cash flow was positive \$238 million in the quarter, primarily reflecting higher commercial deliveries and working capital that improved compared to both the prior year and the prior quarter. Importantly, this was the first positive free cash flow quarter since the fourth quarter of 2023 and serves as an important progress point in our company's recovery. These free cash flow results were better than expectations in July, driven by higher commercial deliveries, as well as the potential DOJ payment shifting to the fourth quarter.

Turning to BCA on the next page. BCA delivered 160 airplanes in the quarter, the highest quarterly delivery total since 2018. Revenue was up nearly 50% to \$11.1 billion, primarily reflecting higher deliveries compared to last year. Operating margin of negative 48.3% was impacted by the charge on the 777X program. BCA booked 161 net orders in the quarter, including 50 787 airplanes for Turkish Airlines and 30 737-8 airplanes for the Norwegian Group. Backlog in the quarter ended at \$535 billion and includes more than 5,900 airplanes, with the 737 and 787 both sold firm into the next decade.

Now, let's click down to the commercial programs. The 737 program delivered 121 airplanes in the quarter, including 41 in September. On production, the factory stabilized at 38 per month in the quarter. Importantly, we jointly agreed with the FAA in October to increase to 42 per month, and the program is now focused on continuing to drive a stable production system as they transition to this new rate.

Spirit continues to deliver fuselages with improved quality and flow, which sets us up well for both our future production ramp and the planned reintegration. That transaction is still expected to close this year. The quarter ended with approximately 5 737-8s built prior to 2023, down 15 from the second quarter. Importantly, we completed the rework on the last of these airplanes and shut down the shadow factory in the third quarter.

On the 737-7 and 737-10, inventory levels were stable at approximately 35 airplanes. As Kelly said, we have made good progress on the suite of engine anti-ice design updates over the past few months and continue to work with the FAA on the certification path for these programs. On the 787, we delivered 24 airplanes in the third quarter and ended with approximately 10 787 airplanes in inventory that were built prior to 2023, down 5 from last quarter. We still expect to deliver these airplanes through 2026, which is aligned with our customers' fleet planning requirements.

Finally, on 777X, during the quarter, we recorded a \$4.9 billion loss provision, net of a cost-based extension benefit to reset the development and production schedule on the program, with first delivery now expected in 2027 versus the prior expectation of 2026. To provide more background and color, we received approval to begin the second phase of certification flight testing in early 2025 and had anticipated authorization to start the next major phase of certification flight testing in the third quarter.

However, this authorization has been delayed, as Boeing and the FAA work through the supporting analysis that enables the next phase of certification flight testing. Given this delay and our assessment of the timeline to enter future certification phases, we have shifted our flight test and production schedules to reflect these learnings. We now expect the next major phase to start later this year or early 2026.

The certification program delay, coupled with our reassessment of production costs, constitute the basis of the incremental loss provision this quarter. The charge amount includes additional customer concessions, the cost of incremental rework on built aircraft, learning curve adjustments and the carrying cost of production operations spread out over a longer period of time. On a comparable basis to last year's total charges on the program, the costs are higher due to rework on built aircraft, incremental production disruption and learning curve adjustments.

As far as the cash profile, we see two impacts. The first is related to delivery timing, where we expect headwinds of about \$2 billion in 2026 as deliveries move to the right. This converts to a tailwind later in the decade as we deliver delayed units. Second, the cash roll-off of the \$4.9 billion accounting charge is expected to be spread into the next decade.

While disappointing, the reset allows us to operate to a higher confidence plan and allows our customers to manage their operations accordingly. As Kelly mentioned, this confidence also stems from our completion of dry run flight tests. While we have not received certification credit with the FAA for those flights, we have obtained important verification data to support technical risk burn-down.

Okay. Let's shift over to BDS on the next page. BDS delivered 30 aircraft and 2 satellites in the quarter and revenue grew 25% to \$6.9 billion on improved operational performance and higher volume. Operating margin of 1.7% was up significantly compared to last year, also reflecting the better operating performance in the third quarter. These results also included immaterial impacts associated with the IAM work stoppage, as we continued to execute our contingency plans. BDS booked \$9 billion in orders during the quarter, and backlog grew to a record \$76 billion.

Overall, we continue to make progress stabilizing our fixed-price development programs even with minor cost updates on a few programs, such as for the Tanker, which absorbed additional Everett shared costs from the

777X update. We have seen benefits from our active management approach in retiring risk and developing win-win opportunities for both us and our customers. We remain focused on delivering these important capabilities to our customers and met several important milestones in the quarter. For example, on the T-7A program, we achieved four additional customer milestones under the MOA and started assembly on the first production representative test aircraft.

The remainder of the portfolio continues to benefit from exceptional demand, supported by the global threat environment confronting our nation and allies. Performance on these programs also continue to stabilize and build on the improved operational performance that began earlier this year. Overall, the defense portfolio is well-positioned for the future, as evidenced by our record backlog, and we still expect the business to return to historical performance levels as we continue to drive execution and transition to new contracts with tighter underwriting standards.

Moving to Global Services on the next page. BGS continued to perform well, again delivering strong financial results in the quarter. Revenue was up 10% to \$5.4 billion, primarily reflecting improved commercial and government volume. Operating margin was 17.5% in the quarter, up 50 basis points compared to last year on favorable commercial volume and mix. Both our commercial and government businesses again delivered double-digit margins. The business also received \$8 billion in orders with a year-to-date book-to-bill of 1.2.

Okay. Shifting to cash and debt. Cash and marketable securities ended at \$23 billion and the debt balance ended at \$53.4 billion. The company also maintains access to \$10 billion of revolving credit facilities, all of which remain undrawn. We remain committed to strengthening the balance sheet and supporting our investment-grade rating.

Regarding cash flow, we still expect the fourth quarter to be positive before any impact from a potential DOJ payment. This outlook continues to assume significant capital expenditures for future products and growth, particularly in St. Louis and Charleston. This ramp-up was seen in our third quarter CapEx spend, which we now expect to be closer to \$3 billion for the year. Net-net, even with the higher CapEx, our better-than-expected performance year-to-date supports updating our 2025 outlook to a free cash flow usage of about \$2.5 billion, barring the impact of a prolonged government shutdown.

Okay. Let's sum it all up. Another quarter of progress in our recovery. While the 777 reset was disappointing, our overall performance continues to trend favorably. This includes receiving limited FAA delegation to issue 737 and 787 airworthiness certificates, transitioning to higher 737 and 787 production rates, delivering improved performance across the company, as well as generating positive free cash flow in the quarter.

Broadly speaking, the markets we serve continue to be significant and our backlog of more than \$600 billion demonstrates the strength of our portfolio. Long-term, these fundamentals underpin our confidence in managing the business with a long-term view built on safety, quality and delivering for our customers.

With that, let's open up the call for questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from the line of Myles Walton from Wolfe Research. Your line is open.

Myles Walton

Analyst, Wolfe Research LLC

Thanks. Good morning, Jay and Kelly and Eric. Jay, what is the negative cash flow in 2026 on the 777X in totality or versus this year? And as you look out, how soon after first delivery can that program get to a neutral position from a cash perspective?

Jesus Malave

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

Sure. Thanks for the question, Myles. So, as I mentioned before, it's a headwind relative to our prior expectations of \$2 billion. So, I'd expect the overall absolute cash flow to be a usage. It's a little bit higher than that. As far as how we get to, let's call it, I'd say, breakeven neutrality type of free cash flow, we've talked about this a little bit in the past. So, next year will be a heavy use year. The year after that will be better in 2027. And then, we would expect ourselves to get closer to neutral in 2028. And that's all on the back of improving payments from aircraft deliveries and advances.

So, again, next year, we'll build up inventory. There'll be limited advances and delivery payments. But in 2027, we'll start to see those benefits, and those will continue to ramp up in 2028 and beyond. So, I'd expect starting in 2029, neutrality will go to a benefit, positive free cash flow for the program. And so, look, all told, next year is going to be a little bit heavy, but it'll continue to improve year-over-year from that point.

Myles Walton

Analyst, Wolfe Research LLC

Okay. And sorry, just to clarify one thing. Is that 2026 usage of cash on the 777X, so it's about similar to 2025's usage when all is said and done?

Jesus Malave

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

Yeah. That's a good way of looking at it. Perhaps maybe a little bit higher, but in that zone.

Myles Walton

Analyst, Wolfe Research LLC

Okay, perfect. Thank you.

Operator: Your next question comes from the line of Ron Epstein from Bank of America. Your line is open.

Ronald J. Epstein

Analyst, BofA Securities, Inc.

Yeah. Hey. Good morning, everybody. Yeah. So, maybe back on the 777, I'm certain you're going to get bombarded with these. So, apologies for that. But what's driving this now? Like what changed from like

just two, three months ago to reevaluate what's going on with the program? Yeah. So, I guess that's the question. Like what changed to really make the focus on this now?

Robert Kelly Ortberg

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

A

Yeah. So, Ron, first of all, let me reiterate what I said in the prepared remarks. There's no new issues with the airplane itself or the engines, the test program. Ironically, we have more hours and the maturity of this airplane is probably higher than any other airplane we've been through the test program. The issue is solely around getting the certification work complete. We had anticipated getting TIA approval. That's what's needed to actually get cert credit when we fly those particular tests. We have not been able to achieve the certification credit, and that's because we haven't gotten the TIA approval.

So, look, we've taken a step back. We very much underestimated how much work it was going to take for us to get the TIA approvals and for the FAA to have the opportunity to review all the data submissions that are required. So, we've stepped back and we've re-baselined this program to incorporate those learnings, as Jay said. And the philosophy I want here is, I don't want this to be a continuous quarterly issue for us to make sure we have a solid financial estimate here, that we have a high level of confidence that we can get this certification work done.

Now, recognize that some of this is still not in our control. We're working very closely with the FAA. I'm hopeful that there's opportunities for us to improve upon some of this. I think – I've talked to Administrator Bedford, and I think he also agrees that we need to look for ways to streamline the process. But in effect, this is a result of us realizing that the plan we had in place to get the certification approvals just was not realistic going forward.

Ronald J. Epstein

Analyst, BofA Securities, Inc.

Q

And just one clarification, if I may. On the TIA, what's really slowing that down? Is it on the FAA side or is it that there was something that you guys didn't understand about what would be...

Robert Kelly Ortberg

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

A

Yeah. It's a little of both, Ron. I would say it's that this is the first airplane that we've gone through this incremental TIA process like this. And I think there was learning in...

Ronald J. Epstein

Analyst, BofA Securities, Inc.

Q

Yeah.

Robert Kelly Ortberg

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

A

...what analysis and data we had to have complete and submitted to get the TIA approval. So, some of that's for us. And I think it's taken longer as well for the FAA to go through those submittals and get the approval. So, I'm certainly not throwing the FAA under the bus with this. This is a learning collectively for the both of us in terms of what it takes to get through the new process.

And again, as I said, we've tried to do our best to put a conservative estimate here in place that accommodates us continuing having a slower process than what we had originally planned for these TIA approvals. Now, I don't anticipate – because of the maturity of the airplane, once we get the approvals, I think the flight testing should go

reasonably quickly. But again, it's the analysis, the paperwork submittal and the approval process is really the big learning here.

Ronald J. Epstein

Analyst, BofA Securities, Inc.

Got it. Thank you very much.

Q

Robert Kelly Ortberg

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

[indiscernible]

A

Ronald J. Epstein

Analyst, BofA Securities, Inc.

Yeah.

Q

Operator: Your next question comes from the line of Robert Stallard from Vertical Research. Your line is open.

Robert Stallard

Analyst, Vertical Research Partners LLC

Thanks very much. Good morning.

Q

Robert Kelly Ortberg

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

Hey, Rob.

A

Robert Stallard

Analyst, Vertical Research Partners LLC

And welcome back, Jay.

Q

Jesus Malave

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

Thank you, Rob.

A

Robert Stallard

Analyst, Vertical Research Partners LLC

I hate to do bit, but a follow-up on the 777X here. The charges of \$4.9 billion is perhaps larger than was anticipated. So, wondering if you could maybe work through some of the moving parts here. And then, probably for Kelly in conjunction with that, how are you expecting to manage the 777X supply chain given this delay? Thank you.

Q

Jesus Malave

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

All right. Let me start with the magnitude of the charges and build upon the comments that I made during the prepared remarks. With the delay in the certification, we had to revise our production plans on the program with a

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focus on mitigating additional pre-certification airplane builds and provisioning for a higher confidence long-term production plan. That's the primary driver of the charge.

And when you kind of break that down, the schedule delay simply had a broad impact through the elements of the production system. The longer period of performance or holding period, however you want to describe it, combined with a slower ramp rate, it adds substantial carrying cost to the program. It also affected the learning curve with the slower ramp. And even the aircraft that are going to be reworked are also going to be held for a longer period of time, adding cost to them.

So, as we mentioned, we have a higher confidence plan from a schedule and cost perspective on here, so that we've got ourselves protected. If we compare this to other charges, particularly those that we had last year, as I mentioned during my prepared remarks, we're carrying higher provisions for the built aircraft requiring work, the production disruption and the learning curve, all of which are simply better informed by current experience.

So, as you would expect, the team is just not going to sit here and take this lightly and hasn't taken it lightly. They are focused – we're all focused on doing everything we can to improve the long-term productivity on this program, while also working to mitigate the total delay impact to our customers the best we can. But this baseline puts us in that position to be able to not only meet it, but potentially beat it.

Robert Kelly Ortberg

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

A

Yeah. And Rob, let me just talk a little bit about the supply chain. I think the answer is we just have to flow the new revised schedule out to our suppliers. And then, we're going to have to negotiate, on a case-by-case basis, the impact that has to the various suppliers. And depending on the commodity, the impact might be significant or might be fairly insignificant. So, we're going to have work through that. I'll just say that the revised estimate and the charge here contemplated the impact to the supply chain as well.

Robert Stallard

Analyst, Vertical Research Partners LLC

Q

Okay. That's great. Thank you very much.

Operator: Your next question comes from the line of Noah Poponak from Goldman Sachs. Your line is open.

Noah Poponak

Analyst, Goldman Sachs & Co. LLC

Q

Hey. Good morning. Kelly, Jay, could you speak a little bit more about the 737 ramp from here? And I guess, do the remaining months of this year have 42 production units or is there some spacing before we actually see that for any reason? And then, as you go higher, on the one hand, it's not easy and supply chain is still tough. But on the other hand, I think you're intentionally holding inventory for that reason, and it seems like you have a lot of buffer in the stations at 42 to break to 47. Then, I think beyond that, you start to layer in a new line. So, I guess, that six months you've spoken to, Kelly, should we all be assuming that for the 42 to 47 to 52 or is – each of those breaks or is that too aggressive of an assumption?

Robert Kelly Ortberg

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

A

Okay. So, let me start with the first part of the question, which is just when do we get to 42 here for the balance of the year. So, recognize, Noah, when we say we're at a 42 rate, that's a rate that we flow in the factory. Not every

month, depending on the number of days in the month, the number of workdays in the month, would that necessarily equate to a roll-out of 42. Just recognize that for the – we've got the holidays coming up in both November and December.

We are, as we speak, rolling at the 42 rate. So, as you know, we test our supply and our own processes before we actually go to that rate. We do some pre-testing. So, we've gone ahead and we're loading now at the 42 rate. So, I'm planning that we will exit the year very soundly at the 42 a month rate. So, that's our plan, and I think we're in good shape to do that.

As you mentioned then, we'll go to the next would be the 47. I mentioned in the prepared remarks not earlier than six months, because we need time to go to the new rate, demonstrate stability, and then as we did this time, test ourselves at a higher rate. And in many cases, when you test yourselves at the higher rate, there's actions you have to take to go improve and ensure that we're ready to go. So, we don't think we can do that faster than six months.

And I will just reiterate what I said when we started this campaign here a year ago is it's way more impactful for us to move when we're not ready than to hold off and wait till we're ready. And we will not go to the next rate until we show the maturity in the system. I'd much rather be a month late than go a month early in this process. And I think we've clearly demonstrated that if we are deliberate and do the right thing, make sure we're meeting our key metrics, we can actually move faster than we planned.

So, in terms of the follow-on cadence, I think you're right, Noah, in that we've got significant inventory right now, and that's clearly boosting us from going from 38 to 42, will also still help us when we go 42 to 47. But at that point, I think we start to get more, I'll say, aligned with the supply chain in terms of inventory balances and their expectations. So, we'll have to watch that. That'll be – the rates above 47, I think, will be as much on how's our maturity looking, but also how is the supply chain ramping up. We got time to work those things. I don't see anything right now that tells me we can't do that. But that's how I kind of look at that. So, if you are doing – if you're pegging these all in six-month increments, I'd say the first six months are going to be easier than the following rate increases in terms of hitting that six months exactly.

Noah Poponak

Analyst, Goldman Sachs & Co. LLC

Q

Okay. And how will the process with the FAA compare going to 47 and 52 compared to when you did getting to 42?

Robert Kelly Ortberg

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

A

Yeah. We're going to use the exact same process. In fact, when we did the 5 to 7 on the 787, we used the same metrics and the same Capstone Review process that we use just now moving from 38 to 42. I think both sides well understand the process and think it's a good process. So, we just use that same one as well on this mini break of rate eight on the 787. So, I feel pretty good that the process is in place. I don't think getting through that – it might have taken a little bit longer with this first approval with the FAA. But they did a good job in moving pretty quickly. They had to coordinate with a lot of stakeholders as well. So, I don't think the process is going to be an impediment in the future. I think it's more are we ready, is the supply chain ready, and when that happens, then I think we have a good process to go get approval.

Noah Poponak

Analyst, Goldman Sachs & Co. LLC

Thank you.

Q

Operator: Your next question comes from the line of Peter Arment from Baird. Your line is open.

Peter J. Arment

Analyst, Robert W. Baird & Co., Inc.

Hey. Thanks. Good morning, Kelly, and welcome, Jay. Hey, Kelly, maybe could you talk a little bit more about the – what's left for certification on the 737-7 and 737-10? It sounds like you've got a lot of confidence around it. But what are the milestones or the way we should be thinking about what's left here, just given the enormous amount of testing hours and things that you've done here? Thanks.

Q

Robert Kelly Ortberg

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

Yeah. So, we've got – as I mentioned, we've got a significant number of hours of testing on this anti-ice design. So, what we've got to do is go make modifications to the test aircraft, and they're both hardware and software modifications. And then, we go through the process – the certification of those steps with the FAA. It's pretty straightforward. And the anti-ice is still the critical path to cert – is still the critical path for both certifications.

Now, if you take the engine anti-ice out of it, there is still work to be done to complete the certification. Probably a little more work on the 737-10 than the 737-7, but not near the magnitude of what we're experiencing with the 777X program. So, we think it's pretty straightforward to get through the certification of the design. We've got a lot of test data, a lot of analysis that'll help us move quickly through that, and as I said, we're still planning on getting that done here in 2026.

A

Peter J. Arment

Analyst, Robert W. Baird & Co., Inc.

Appreciate it. Thanks, Kelly.

Q

Operator: Your next question comes from the line of Seth Seifman from JPMorgan. Your line is open.

Seth M. Seifman

Analyst, JPMorgan Securities LLC

Hey. Thanks very much, and good morning, everyone. I wanted to ask about the 787. You mentioned the recent Capstone Review and how we can think about kind of the way you went through the 737, the flow of rate increases coming on the 787, and what some of the kind of key things you're watching are there, whether it's internal or whether it's in the supply chain, having to do with structures or engines or anything like that, and then also whether you've kind of burned through some of the concessions there and starting to get to a better place of cash profitability on that program.

Q

Robert Kelly Ortberg

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

A

Yeah. So, the cadence of production increase is a little bit different story than on 737 MAX. Obviously, the – we weren't shut down on 737 MAX. And so, we didn't – or on 787 through the strike. So, we didn't – we don't have the level of inventory that we have on the 737 MAX program. So, our next rate increase will be from this 8, which we should be at 8 by the end of the year, and then we'll move to 10 next year. I do think on 787, the move from 8 to 10 will be more challenging for us with the supply chain, particularly seats.

We're continuing – as I've mentioned in previous calls, we're continuing to struggle with seat certifications. I think that's going to be with us for a little bit longer. We are making progress on that. But I think seats will continue to be a constraining item for us. And then, just the general supply chain on 787, because we don't have the buffer, we want to make sure that we're stable here at 8 a month rate before we go to 10. So, we're planning to do that sometime next year. I'm not going to put a month on that yet. Maybe as we get to some stability at rate eight, we'll fine-tune that.

Seth M. Seifman

Analyst, JPMorgan Securities LLC

Great. Okay, thanks.

Operator: Your next question comes from the line of Sheila Kahyaoglu from Jefferies. Your line is open.

Sheila Kahyaoglu

Analyst, Jefferies LLC

Hi. Good morning, Kelly and Jay. The Q3 free cash flow number was solid, and Jay, you mentioned positive core free cash flow in Q4 pre the DOJ payment. So, curious what BCA rates are underpinning that positive free cash flow. And just albeit a modest Q4 free cash flow exit rate, just a modest number, how do we think about 2026? Is it breakeven? Is it some low to mid single-digit inflow of cash? Is that still doable?

Jesus Malave

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

Okay. Thanks, Sheila. Let me just kind of baseline you on our discussions and our update for 2025. If you recall, last quarter, we talked about a usage of \$3 billion for the full year. As I mentioned in my prepared remarks and what you just indicated as well, Sheila, is that's better by \$500 million, so about \$2.5 billion based on the better performance year-to-date. Let me – what I'll do is I'll bridge you from the third quarter into the fourth quarter, so the \$200 million.

When you go from that number, we expect a nice inflow based on seasonality, particularly at BDS with the tanker award. And so, we would expect an uptick there about – in excess of \$1 billion from BDS. Partially offsetting that is BCA volumes. Right now, we're holding anywhere to – slightly down from the third quarter in terms of deliveries to maybe flat. But more importantly in there, even if we're flat, we will see lower receipts, because we've got kind of just a mix headwind where we're expecting lower 777 deliveries in the fourth quarter. So, that'll be somewhat of a headwind.

The next is interest expense or interest payments. Again, we have a seasonality aspect to it. So, the payments in the fourth quarter will be more similar to what we saw in the second quarter. So, it's about \$900 million-plus in the fourth quarter, and that's a step-up in outflow of about \$600 million. And then finally, we've got the DOJ payment. We've talked that in the past, which is about \$700 million. So, when you reconcile all those items before the potential DOJ payment, you're in a range of positive \$500 million. With the payment, that would swing into a

negative net-net. But again, operationally, we'll see better performance in the fourth quarter relative to the third and a pretty good exit rate as we think about next year.

As I think about next year, look, it's encouraging what we've seen so far. The performance has improved throughout the year. We see that particularly in the free cash flow on an operating basis. But it's early for me to really make a strong kind of call on that right now. I'm still going through the planning process. There's a lot more that I need to get into in terms of the puts and takes on the full year basis for next year, and I'll give you just a lot more color on that in January. But as I mentioned, things are trending favorably and we're bullish on our outlook.

Sheila Kahyaoglu

Analyst, Jefferies LLC

Great. Thank you.

Q

Operator: Your next question comes from the line of Scott Deuschle from Deutsche Bank. Your line is open.

Scott Deuschle

Analyst, Deutsche Bank Securities, Inc.

Hey. Good morning. Yeah. Just to follow up on that last question, Jay, I was wondering if you could share your perspective on this \$10 billion free cash flow target the company has set out there for a while. And just more specifically, is that a target that you're willing to endorse? And if so, do you think the business is on the trajectory to achieve it in the next handful of years?

Q

Jesus Malave

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

Great. Thanks, Scott, for the question. Just maybe taking a step back in the 2.5 months that I've been here, overall, as I mentioned in the prior question, we've made great progress this year. We still have plenty of runway to go as we stabilize the business and complete the development programs. Right now, my observation is the foundation is in place, and that will lead to steady and gradual improvement over the upcoming years, and I expect the financials to follow.

A

Again, just like for next year, it's really a little early for me to comment on a specific long-term framework. But I'm confident in the underlying cash generation capability for us to return to historical levels that you've seen before. You've got a great backlog, and operational excellence will be the key to unlocking our cash flow potential. Over the coming months, I plan on assessing our operating plans and the cash flow drivers to develop the framework, and I look forward to presenting that to you at the appropriate time. But it's just a little early for me to do that right now.

Scott Deuschle

Analyst, Deutsche Bank Securities, Inc.

Thank you.

Q

Operator: Your next question comes from the line of Kristine Liwag from Morgan Stanley. Your line is open.

Kristine Tan Liwag

Analyst, Morgan Stanley & Co. LLC

Q

Hey. Good morning, everyone. Hi, Kelly, and hello again, Jay. Kelly, you mentioned that the Jeppesen deal is closing next quarter. You also received approval from the EU for the Spirit deal two weeks ago. Taking a step back, can you share your thoughts on how think about the Boeing portfolio today, your priorities for M&A, and also any color on the effect of these two items on free cash flow next year?

Robert Kelly Ortberg

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

A

Well, look, I think the two items here that we've got imminently in front of us are our focus from an M&A perspective here right now, getting through the Jeppesen close – we're pretty close on that. I think that's likely going to close a little bit before the Spirit transaction. And as you said, we've got EU approval on Spirit, but we're still waiting for the US approval with Spirit. We don't see any showstoppers here, but we expect to get that done. And then, we're onto the integration phase. We have to de-integrate the Jeppesen business from our digital business, we've got great plans to do that, and then the reintegration of our Spirit business, and that'll come over the next couple of months after we get into the close. So, look, that's our focus right now. I don't have any other areas to point you to in terms of M&A for us right now.

Kristine Tan Liwag

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you.

Operator: Your next question comes from the line of Doug Harned from Bernstein. Your line is open.

Douglas S. Harned

Analyst, Bernstein Institutional Services LLC

Q

Good morning. Thank you. Kelly, at the beginning, you talked a little bit about investment in Charleston. And on the 787 though, our understanding had been that you can really go from 7 to 10 a month in Charleston without that much material CapEx adds, but going to 12 and 14 will require more and an expansion of the facility. So, like when you're looking at Charleston right now, what needs to be done to go to 12 to 14 a month? And then, the investment you're discussing today, is that related to the 10 a month or are you already making steps toward going to those higher rates?

Robert Kelly Ortberg

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

A

Yeah. We're already making steps for the higher rates. You're right, we could probably – if we thought capping at 10 was as far as we go, we would not be investing in expanding Charleston. So, we're going to have a formal groundbreaking. But essentially, what you're going to see, if you've been to Charleston, we're going to double the footprint – the manufacturing footprint. Now, we don't need double, but it also gives us a lot more flexibility for some storage space as well. So, a major expansion of the Charleston facility, and it's all around getting to rates higher than 10. We think that the market demand will allow us to get to rates in the teens, and that's what we're focused on, putting the capital in place, getting the facilities in place. Obviously, if the facilities come online, they'll help us at rate 10, but we don't need that. And I think we're looking at really 2028 before we're really utilizing that expanded facility.

Douglas S. Harned

Analyst, Bernstein Institutional Services LLC

Q

Can you dimension at all the CapEx trajectory you're talking about for this?

Jesus Malave

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

We expect that to increase next year, Doug. Again, I think in the – when we kind of give you the 2026 framework in January, we can provide more color. But there will be some higher CapEx in 2026 related to both this as well as the growth and expansion in St. Louis.

Douglas S. Harned

Analyst, Bernstein Institutional Services LLC

Okay, great. Thank you.

Operator: Your next question comes from the line of Gautam Khanna from TD Cowen. Your line is open.

Gautam Khanna

Analyst, TD Cowen

Yeah. Thanks. Good morning, and welcome, Jay.

Jesus Malave

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

Thank you.

Gautam Khanna

Analyst, TD Cowen

Kelly and Jay, I know you touched on seat certification as a potential constraint on 787 production hikes. I was just wondering, more broadly, if you can talk about where you see the pinch points in the supply chain today and kind of across the programs as you move forward in rate. Where are you most concerned that bottlenecks may emerge? Thank you.

Robert Kelly Ortberg

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

Yeah. So, again, I made a few comments on this already. I think you do need to break down between the 737 supply chain and the 787 or the widebody supply chain, because we have this excessive amount of inventory. So, look, I think in general, I would just comment that the supply chain is doing well. We do have constraints still around seating, but we know what those are. We've got specific actions with the suppliers. And some of that is on Boeing to get the actual seat installations certified on the aircraft. So, we're working through those.

There's nothing else I would highlight. I mean, we have to watch the continued demand on the engines in both the forward fit and the aftermarket and the durability upgrades that are going on in the market. So, that'll be an area that we'll continue to work with GE and CFM on. But there's nothing I would particularly focus on. But this really is one of these things where that could change tomorrow. We have to keep tabs on all of our supply chain. We need all the parts. But I think in general, we're doing well. I think people also are gaining confidence in our ability to meet our production output. So, the fear of people discounting our production in the supply chain, I think, is diminishing going forward as well.

Gautam Khanna

Analyst, TD Cowen

Thank you.

Eric Hill

Vice President-Investor Relations, The Boeing Co.

Rob, time for one more question here.

Operator: Certainly. Your final question comes from the line of Scott Mikus from Melius Research. Your line is open.

Scott Mikus

Analyst, Melius Research LLC

Good morning, Kelly and Jay.

Robert Kelly Ortberg

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

Good morning.

Scott Mikus

Analyst, Melius Research LLC

Jay, you've been at the company for 2.5 months now. Just curious, what are your early observations? What are your priorities? Given that the company will end the year with about \$33 billion of cash after Jeppesen is sold, just how are you thinking about the balance sheet and what you want to do with that cash balance?

Jesus Malave

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

Yeah. Let me then, Scott, kind of work maybe backwards here. On the cash balance sheet, I think with the completion of both transactions, we expect the cash balance to be closer to probably that \$28 billion range. So, high-20s, not as high as \$33 billion. As far as observations, look, I've come in here, there's been a lot of enthusiasm. As I mentioned in my prepared remarks, the team has embraced me with open arms. It's made my transition as seamless as it can be. There's a fair amount that I need to get up to speed on in the company, and again, everyone is helping me do that.

As far as some of the culture changes that we've seen, as Kelly mentioned, I see a lot of enthusiasm. I see a lot of excitement about the recovery that the company's embarked on. People are committed, they're dedicated, and they want to be part of the improvement. So, it's easy to walk in, at least easier for someone like me to walk in cold to an environment like this, where everyone is really operating and working on the same direction.

Overall, in terms of what I need to focus on and my priorities in the short-term, it's really getting up to speed, so I can put myself in a position to be a valued contributor. It's maintaining the focus on fully restoring the health of our balance sheet. It's enabling and driving the planned improvements of our recovery and ensuring that they are sustainable. And finally, it's keeping an eye on the future while maintaining the focus on the short-term and medium-term recovery. So, again, first things first, get up to speed and then contribute and drive us and be a participant in this recovery. And again, we're on a good path here. So, I'm very excited to be here.

Scott Mikus

Analyst, Melius Research LLC

All right. Thank you.

Operator: That completes The Boeing Company's third quarter 2025 earnings conference call. Thank you for joining. You may now disconnect.

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