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The Boeing Co. (BA)

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. Good day, everyone, and welcome to The Boeing Company's Fourth 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'm 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'll 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. Thanks for joining in today's call. As we start this year, we've set the foundation for our turnaround with stronger performance and record-breaking backlogs across our businesses. We haven't fully turned the corner, but we're making real progress and getting back to the Boeing everyone expects of us.

When we spoke a year ago, we were just in the early stages of our four-point plan to stabilize our business, execute on our development programs, change our culture and build a new future for Boeing. Today, our customers and stakeholders are seeing the difference in how we work together to uphold our commitments and deliver high-quality products and services.

Before discussing the work ahead of us and our plan to meet the 2026 goals, I'll first touch on some important accomplishments in the quarter and the year that position us well for moving forward.

In 2025, we methodically increased commercial production, guided by our safety and quality plan. This enabled our team to deliver the most commercial airplanes since 2018. We delivered 600 airplanes and won more than 1,100 commercial orders for the year, making this one of our highest order totals ever, as our portfolio continues to win in the market.

Earlier this month, I joined Alaska Airlines as they announced their largest order ever. This was a clear reminder that our customers place their trust in us with every order, and we must keep earning that trust by delivering safe, high-quality airplanes on time.

To do this, the fundamental changes we've made this past year will serve as a base for continuous improvement as we look to increase commercial production. For example, we've simplified more than 5,100 work instruction documents. These are the instructions that the mechanics and inspectors use each day to do their jobs. These type of activities reduce complexity, support consistent performance, and strengthen factory health.

On 737, production is stabilizing at 42 airplanes per month, and we're continuing to see improvement in the program as its on-time delivery performance has improved threefold compared with the previous year. We also continue to get positive customer feedback on the quality of the airplane.

As we look to move to higher rates, we use the same process as previous rate breaks, monitoring factory health and following our safety and quality plan. For production above 47, we'll add our new North Line in Everett, where facility and tooling investments are now complete, and we're executing a deliberate staffing plan to support production there.

In Charleston, the 787 program continues to progress well and is stabilizing at rate eight. I'm pleased with the operational metrics we're seeing in the factory. As an example, during 2025, the program reduced average rework hours nearly 30%. And going forward, as with the 737, we use the same disciplined processes, including monitoring our KPIs to assess readiness for the next planned rate increase to 10 airplanes per month, which is targeted for later this year. As previously announced, we're also investing in the future, breaking ground on our factory expansion to support higher rate and meet the exceptional demand for the 787.

We also made progress in our Defense business and scored a transformational win to build the U.S. Air Force sixth-generation fighter. Over the past year, we've also focused on reducing the risk profile of our BDS development programs by driving improved performance and leveraging active management to deliver better outcomes for our customer.

In the quarter, our Defense business also hit several key milestones. U.S. Navy's MQ-25 successfully completed its inaugural engine run, moving it closer to first flight. We also delivered the first operational T-7A Red Hawk to the U.S. Air Force at Joint Base San Antonio-Randolph. These milestones are just a few where our programs are progressing and meeting our customer commitment.

Importantly, we also ratified a new five-year labor agreement with our IAM-represented workforce in Saint Louis during this past quarter. Our team there is back to work focusing on delivering and supporting our customers.

Before the year end, we took another important step forward supporting our production stability by completing the acquisition of Spirit AeroSystems. Bringing together our companies reinforces our efforts to improve safety and quality throughout our factories, operations and supply chain.

There's a lot of work ahead of us with an integration of this magnitude, and we have thoughtful, detailed plans in place to help enable a smooth transition for our new teammates, while maintaining continuity for our customers and suppliers.

We also successfully completed the \$10.6 billion Jeppesen sale, solidifying our balance sheet, while retaining essential digital capabilities for our customers. With a streamlined portfolio, our service business is well positioned to support our global commercial and defense customers.

BGS secured Boeing's largest ever commercial component services deal, and our government services business received its highest orders ever in 2025, including a contract with US government in the quarter to support C-17 modernization.

BGS also launched a new unified e-commerce platform, which brings together Boeing's distribution portfolios of products and services into one streamlined digital destination, simplifying how customers and suppliers connect, transact, and grow with the company. Across Commercial, Defense and Services, we built a strong foundation for the year ahead.

And while I'm proud of what we accomplished in 2025, we also know expectations are rising, and we must continue to elevate the performance that we've demonstrated over this past 12 months.

As important, I am pleased with the progress we're making on culture that will ensure these improvements become a critical part of our success and further strengthen trust with our stakeholders. I remain confident in our team and our plan to deliver on the opportunities and address the challenges in front of us in the year ahead, particularly on our development programs.

Past delays to the certification timelines for the new 737 MAX derivatives and the 777-9 have been challenging, but we are making steady progress in performing within our revised schedules. The 737-10 recently gained Type Inspection Authority 2 (sic) [Type Inspection Authorization 2], or TIA 2, to expand flight testing. This final TIA opens up the majority of the certification flight testing, which is focused on validating the airplane's avionics, propulsion, auto-flight capabilities and other airplane functions.

In addition, as we previously shared, we have a final set of design changes to permanently address the engine anti-ice issues on the 737-7 and 737-10. We're following the lead of the FAA as we work to certify the suite of design changes. We still anticipate certification for both the 737-7 and 737-10 in 2026.

On 777-9 in the quarter, we received approval for TIA 3 and continue to perform certification flight testing. TIA-3 is a major phase of testing focused on avionics, environmental control systems, and the auxiliary power unit.

And as I've said before, overall, the aircraft and engine continue to perform well. We have identified a potential durability issue during a recent inspection on the 777X engine, and we're working with GE to better understand that issue and finalize root cause and corrective action.

Importantly, as we work through this issue, we continue our certification flight testing, and we don't expect this to impact our delivery in 2027. Demand for the airplane remains strong, and we remain confident that the 777X will be the next flagship airplane for our global customers.

Moving now to KC-46 tanker, as we came through our quarterly process, we revised cost estimates for elements, including the production support and supply chain, which Jay will cover in more detail.

While it's disappointing to recognize another impact on this program, we are seeing encouraging operational performance trends, which, if sustained, should enable us to meet our customer delivery commitments and set us up well for the next tanker order beyond the current program of record.

You've heard me say you're never done until you're done on any of the development programs, but across defense and commercial, we are making progress, clear-eyed on the work remaining and committed to delivering better performance in the year ahead.

As I finish my prepared remarks this morning, I want to thank all of our employees, including our newest teammates from the former Spirit AeroSystems. From our frontline mechanics to our engineers and our management team, we're all committed to continuous improvement guided by our culture with a sharp focus on safety, quality, and performance to deliver for our customers and other stakeholders.

We know there's more work ahead in 2026, but the strong foundation we're building by stabilizing the business, executing these development programs, building our future, and changing our culture will position us to put our recovery behind us and restore Boeing to the company we all know it can be.

With that, I'll now turn it over to Jay to discuss the results in more detail.

Jesus Malave

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

Thanks, Kelly, and good morning, everyone. Let's start with the total company financial performance for the quarter. Revenue was \$23.9 billion, the highest quarterly total reported since 2018. Revenue was up 57%, primarily driven by improved operational performance across the business, including higher commercial deliveries and defense volume.

Core earnings per share of \$9.92 primarily reflects the \$11.83 gain associated with closing the Digital Aviation Solutions divestiture. Free cash flow was positive \$375 million, slightly higher than the expectations I shared last month, driven by higher commercial deliveries and working capital that improved compared to both the prior year and the prior quarter.

Turning to BCA on the next page, BCA delivered 160 airplanes in the quarter and 600 for the year, the highest annual total since 2018. Revenue of \$11.4 billion and operating margin of negative 5.6%, both improved materially and primarily reflect better operational performance and higher deliveries compared to last year's results that were impacted by the work stoppage.

Results also include impacts associated with acquiring Spirit AeroSystems, which impacted segment margins by roughly 1.5 points in the quarter. BCA booked 336 net orders in the quarter, including 105 737-10; and 5 787-9 airplanes for Alaska Airlines and 65 777-9 airplanes for Emirates.

Importantly, BCA booked 1,173 net orders for the year and backlog ended at a record-setting \$567 billion that includes over 6,100 airplanes, with the 737 and 787 both sold firm into the next decade.

Let's click down to the commercial programs. Starting with the 737 program, BCA delivered 117 airplanes in the quarter and 447 for the year, in line with expectations shared last month. The factory increased the production rate to 42 per month in the quarter, and the program is on course to increase production to 47 later this year. The year ended with one 737-8 built prior to 2023, down five from the prior quarter. And we expect to deliver this final shadow factory airplane in the first quarter.

On the 737-7 and 737-10, inventory levels were stable at approximately 35 airplanes. As Kelly said, we received approval from the FAA in the quarter to begin the final phase of 737-10 certification flight testing and continue to partner closely on the certification path for these programs, including the engine anti-ice solution set.

On the 787, we delivered 27 airplanes in the quarter and 88 for the year. During the quarter, the program completed a successful capstone review and is continuing to make good progress, stabilizing at the new production rate of eight per month. The year ended with approximately five airplanes in inventory that were built prior to 2023, down five from last quarter. We still expect to deliver the remaining airplanes in 2026, which is aligned with our customers' fleet plans.

Importantly, the 787 recorded 395 net orders in 2025. The program's highest annual order total, which highlights the market-leading capabilities that the Dreamliner will continue to deliver to our customers for decades to come.

Finally, on the 777X, as Kelly mentioned, we continue to make progress on 777-9 certification flight testing. 777X inventory spend in 2025 finished at nearly \$3.5 billion, in line with expectations. 777X booked 202 orders in 2025, the second highest annual total since the program's launch, underscoring the trust that our customers have placed in this game-changing widebody family, as well as our team that's building it.

All right, let's shift over to BDS on the next page. BDS delivered 37 aircraft in the quarter, and revenue grew 37% to \$7.4 billion on improved operational performance and higher volume. Operating margin of negative 6.8% improved significantly compared to last year, and also reflects the better operating performance across the business.

This improvement was tempered by \$565 million loss on the KC-46A tanker, which I'll address further in a moment. BDS booked \$15 billion in orders during the quarter, including awards for 15 KC-46A tankers from the U.S. Air Force and 96 Apaches from Poland, both contributing to backlog that grew to a record \$85 billion.

Overall, we continue to make progress stabilizing our fixed price development programs even with the cost updates on a few programs this quarter, including the tanker adjustment. As Kelly mentioned, the tanker

adjustment was driven by higher BCA production support and other allocated costs in the Everett facility, as well as higher estimated supply chain costs, including Spirit.

The added production support costs include keeping higher levels of quality and engineering support in the factory, which are a key part of driving improvement. For example, as compared to the first half of the year, we saw average factory rework levels decrease by 20% in the fourth quarter. So, while these investments are starting to evidence progress, we need to sustain them for longer than previously planned to promote stability.

Across these fixed price development programs, we continue to see benefits from our active management approach in retiring risk and developing win-win opportunities with our customers. We remain focused on delivering these important capabilities and achieved several important milestones in the quarter.

In addition to the highlights Kelly referenced on T-7A and MQ-25, we also partnered with NASA to modify the commercial crew contract to better align our long-term objectives. The remainder of the portfolio continues to benefit from increased demand, supported by the global threat environment.

Performance on these programs continue to reflect the operational improvement that began earlier this year. For example, on the PAC-3 seeker program, over the course of 2025, the team was able to increase output by 33%, enabled by prior investments in capacity and a focus on lean to drive more efficient production.

Overall, the defense portfolio is well positioned for the future, as evidenced by a 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 2% to \$5.2 billion, primarily reflecting improved government volume. Operating margin was abnormally high due to the Digital Aviation Solutions gain.

Adjusting the fourth quarter of 2025 and 2024 for Digital Aviation Solutions, BGS adjusted revenue of \$5.1 billion grew 6%, and adjusted operating margin was 18.6%. On the same basis, both our commercial and government businesses again delivered double-digit margins in the quarter.

BGS is driving a keen focus on continuous improvement. For example, on the C-17 sustainment program, the team achieved an 18% flow reduction over the course of 2025 as a result of nearly 200 discrete projects generated by the team, a key enabler of improved customer satisfaction. BGS also received \$10 billion of orders in the quarter, and an annual high of \$28 billion in 2025. And the business ended the year with a record backlog of \$30 billion.

Shifting over to cash and debt, cash and marketable securities grew to \$29.4 billion, primarily due to \$10.6 billion in proceeds associated with closing the Digital Aviation Solutions transaction, partially offset by debt repayment of \$3 billion associated with the acquisition of Spirit AeroSystems. The debt balance ended at \$54.1 billion, slightly up from last quarter, primarily reflecting the retained Spirit debt.

The company also maintains access to \$10 billion of revolving credit facilities, all of which remain undrawn. And we remain committed to strengthening the balance sheet and supporting our investment-grade rating.

Okay. Let's shift to full year performance on the next page. Full year revenue was up 34% to \$89.5 billion, primarily reflecting the improved operational performance across the business. Core earnings per share of \$1.19

was up significantly, primarily driven by the \$12.47 gain on the Digital Aviation Solutions sale and improved performance.

Excluding the impact of the gain, EPS was up \$9.10 year over year. Free cash flow was at \$1.9 billion usage for the year. This was slightly better than expectations shared last month and improved significantly year-on-year, primarily driven by higher commercial deliveries and improved working capital. Our improving cash flow performance in 2025 provides a solid setup to deliver positive free cash flow for the full year in 2026.

Let me provide some additional context on our free cash flow outlook. As we continue turning the corner in 2026, we expect positive free cash flow of \$1 billion to \$3 billion, aligned with the expectations I shared last month. For clarity, this outlook contemplates an unfavorable impact of roughly \$1 billion in 2026 associated with incorporating Spirit.

Consistent with the profile we have discussed previously, cash flow is expected to grow year over year primarily on higher commercial deliveries, better performance at BDS as that business continues to stabilize and continued steady growth at BGS. This outlook continues to assume significant capital expenditures for future products and growth, particularly in Saint Louis and Charleston.

CapEx ramped up over the second half as we expected, with nearly \$3 billion invested in the business in 2025. These higher investment levels will continue into 2026, and we expect to spend closer to \$4 billion this year, including the incorporation of Spirit.

Within 2026, we expect first quarter free cash flow will be a usage similar to first quarter of 2025, driven by normal seasonality. We expect the first half of 2026 to be a use of cash, with the second half turning positive and accelerating sequentially. As we have discussed, there are a number of impacts to 2026 free cash flow that we expect to be temporary in nature and improve over time.

Let me add a bit of color on each category and highlight the actions required to work through them. As I just covered, we expect 2026 free cash flow to be between \$1 billion and \$3 billion. Part of where we end up in that range may be influenced by the realized impact of these issues. The most significant impacts are related to the delayed certification and first delivery on the 777X program as well as the prior delivery delays on the 737 and 787 programs.

On 777X, regarding net cash burn, with first delivery planned for 2027, our production system expenditures will be much higher than the pre-delivery payments we expect. PDPs for 777X are lower than they otherwise would be, given customers have been paying into a schedule that previously assumed first delivery in 2026.

2026 is planned to be a higher use than 2025, but we expect the net cash use to improve over the next few years before turning positive in 2029. Our focus here remains on progressing through flight testing with the FAA. Additionally, and just as importantly, we are making sure the production and delivery system is ready to ramp up to include working through built airplanes that will undergo a systematic change incorporation program.

Regarding the 737 and 787, there are two issues, both driven by previous delivery delays. The first is customer considerations, and the second is excess advances. To be clear, customer considerations for prior delays are not diminishing the pricing levels we are applying to new business. Indeed, we are seeking to better manage delay exposure in new contracts with tighter underwriting standards.

We expect the impact of these items to improve over the next few years and our path to resolve the impacts of both customer considerations and excess advances is all about production stability and continuous improvement in on-time delivery for our BCA customers.

Partially offsetting these negative impacts on 737 and 787 is the plan to methodically work down selected excess part inventory and complete the final deliveries of previously built 737s and 787s. As we have said, with 737 moving to higher rates, we will address excess inventory on a commodity-by-commodity basis in order to preserve stability across the supply chain and production system.

The next category of legacy issues we have discussed is the cash impact of running off prior BDS charges. Since 2022, there have been significant charges across the five fixed price development programs. We expect sequential improvement from 2025 to 2026 and gradual improvements thereafter.

Obviously, this is predicated on successfully completing these programs without taking additional charges and leveraging the active management playbook to continue to de-risk these programs.

As the tanker charge this quarter highlights, there remains risk on these programs even if the envelope of risk has been significantly reduced over the last year. Rounding it out, we have the in-year impact of the expected DOJ payment sliding from 2025 to 2026, in addition to the two-year spike in CapEx in 2026 and 2027, supporting growth and a stable production system.

Our focus as a leadership team will be on closely managing these investments to drive budget and schedule performance. Adjusting for these impacts would result in high-single digits 2026 free cash flow and highlights the strong underlying cash generation potential of our business.

Accordingly, we continue to believe the \$10 billion free cash flow mark is very attainable, including impacts of the Spirit acquisition, which aligns with my remarks last month.

Okay. Summing it all up, a strong foundation was set in 2025, and we're focused on elevating our performance in 2026 and delivering on the long-term potential of this business.

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.

Q

Robert Kelly Ortberg

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

Good morning.

A

Myles Walton

Analyst, Wolfe Research LLC

A lot of detail there, Jay, within the context of the cash flow. So, maybe I'll just start there and....

Q

Robert Kelly Ortberg

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

Myles, I'm afraid we've lost you. Operator, can you?

A

Myles Walton

Analyst, Wolfe Research LLC

Can you hear me now?

Q

Robert Kelly Ortberg

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

Yes.

A

Myles Walton

Analyst, Wolfe Research LLC

Yeah. Okay. Great.

Q

Robert Kelly Ortberg

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

Please start over your question.

A

Myles Walton

Analyst, Wolfe Research LLC

Yeah. Apologies. So, Jay, a lot of color on the cash flow building blocks to get to that high-single-digit X bad guy. Could you just clarify the excess advances in customer considerations, the quantum of those, and then the duration by which they normalize? Is that 2027, 2028, or further out?

Q

Jesus Malave

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

A

Okay. As I mentioned, Myles, again, the total overall quantum goes from low-single digit to high-single digit. So, we know that in the total. I'm not going to give individual breakout on each specific impact, but I'll give you a little bit more of a directional color.

What I can tell you is, is the excess advances coming in from 2025 to 2026, as well as the considerations, at least in 2026, they're generally close to each other, so almost the same impacts. The excess advances over time actually will burn down quicker than what we expect on the consideration. So, that will take a little bit longer to burn down on the 737 and 787 considerations.

Again, when you think about this and take a step back, it's pretty much what I said on the prepared remarks, burning this down all is about the production rates and getting us to the higher production rates over time.

One other thing on 777X, even though you didn't ask me, I colored that as well. And again, that'll take us a few years. Key thing there is, while it is a higher cash burn this year, it'll improve over time with it turning positive in 2029. Similarly with BDS, that's actually coming down and improving from 2026 over 2025, and that will burn down over time as well.

So, again, it's all predicated on our improvement plans. It's predicated upon our delivery plans. We've got a very good line of sight, which is why I walked you through all this detail. But as things potentially change, these could change as well. And so, we'll give you more color. 2026 is a big, big year for us as Kelly mentioned, we got to get through our certification programs. We also have our rate ramp increases as well. As we get the learnings and get informed by those events, that'll give us a little bit more ability to really zone in on specific quantification, as well as the timing of these. But hopefully this works for you for now and then we'll give you more color in the future.

Myles Walton

Analyst, Wolfe Research LLC

Q

Okay. Thanks for the detail.

Jesus Malave

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

A

Okay.

Operator: Your next question comes from the line of John Godyn from Citi. Your line is open.

John Godyn

Analyst, Citigroup Global Markets, Inc.

Q

Hey, guys. Thanks for taking my question. I also wanted to follow up on free cash flow. The conversation, I think, is really focused on normalized free cash flow a few years out. The \$10 billion number, Jay, that's not one that you created. And I just wanted to – as you spend more and more time thinking about this, I wanted to just give you a chance to revisit that.

You mentioned a lot of moving parts at the end of the prepared remarks, but needless to say, if high-single digit is like an adjusted starting point at the end of 2026, with the benefit of substantially higher production rates if the

FAA allows, it stands to reason that the normalized free cash flow figures now could be much higher, many billions higher than \$10 billion. I know there's a lot there, but I'd love your take. Thanks.

Jesus Malave

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

Thanks, John. Well, let me just start saying first things first, and the first order of business is getting ourselves to this \$10 billion, which I believe we are absolutely on the right track.

You're right, John, I mentioned – I think the term I actually used was very attainable in December and I'm repeating that again today. I went through this in the fourth quarter and I'm very comfortable with our ability to achieve \$10 billion. Again, it's a little bit of a repeatable sequence of events. But we have to get through the certification programs. We have to ramp up on our BCA production rates. We need to see the improving performance at BDS related to our margin profile as well as burning off the prior charges, and then continued performance at BGS.

Again, on an adjusted basis, when you look at BGS this past year, they delivered 6% organic growth as well as 18%-plus margins. We expect that to continue as well and be a contributor to cash flow. So, if you're asking me, can we be above \$10 billion, I think the potential of our cash flow supports to be above \$10 billion. But first things first, let's get to \$10 billion, and we'll talk about how we go from there.

John Godyn

Analyst, Citigroup Global Markets, Inc.

Good perspective, Jay.

Jesus Malave

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

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

Good morning. Thank you.

Jesus Malave

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

Morning.

Robert Kelly Ortberg

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

Hey, Doug.

Douglas S. Harned

Analyst, Bernstein Institutional Services LLC

Hi. When you look at the production ramps that you're focused on, I'd like to understand a little bit more about where you see the bottlenecks when you're going to 47 to 52 on 737 when you're getting to 10 and then ultimately to 12 and 14. I mean what are the hardest breaks to get to? And what are the biggest challenges?

And I wanted to highlight one because if I look at back in 2018, when the rate increase was going to 52, Spirit had some very significant issues getting there. And so, perhaps, you could also address what you may be doing to ensure you don't have those kinds of issues again with Spirit?

Robert Kelly Ortberg

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

A

Yeah, Doug, let me start and break that down. Let's start with the 737 MAX program. As you know, we've gone from rate 38 to 42 as we said. Just to give you a little bit of color, that's actually gone really well. The KPIs look really good. We achieved that effective rate in November and December on the 737 line. Now, recognize that November and December are heavy holiday months. So, now we'll be coming into more wholesome full months and we need to continue to see stability. But so far, so good. And as I said, the good news is the KPIs still look good. So, no deterioration there.

Supply chain on that ramp, not a big issue for us right now. And we projected that. As you know, we've got a lot of inventory there. And I actually don't think supply chain is going to be a big challenge for us in the next rate ramp from 42 to 47. But that's where we start to normalize with the supply base in terms of burning off that excess inventory.

And as we've said, going from 47 then to 52, that will be where we'll have to see improved performance from the supply chain, and we've got time, we're working that diligently with the supply chain.

Right now, nothing says we can't do that, but a lot of work yet ahead of us. And again, I think it will be a tougher rate ramp to go from 47 to 52 than, say, it was to go from 38 to 42 because of that inventory level.

You mentioned Spirit, so I'll address that right now. You're right in that Spirit, we're going to need to continue to invest in the capacity growth from Spirit. I think this is one of the big thesis and underwrites why we made the acquisition, so that we can guide that ramp and help them move forward.

I think if they had continued in a distressed environment, I think that risk would have been significantly higher than our ability to go manage that. But that, like the rest of the supply chain, moving to that rate, Spirit has some work to do. And we've got a plan to go accomplish that.

If I switch to 787, as you know, we don't have the large inventory levels there on 787. That is more normalized with the supply chain. And we're working to stabilize at this rate, 8, now, and our plan, as we said, is to go to rate 10 here in the next year. There's no particular supply chain constraint that I see there.

We still are dealing with seat issues. That's less of a constraint to our production output, but more of an issue with deliveries. And so, particularly for airlines that are taking a new seat configuration that requires a new certification baseline, those have typically been tough to get through the cert programs, both with EASA and the FAA. And so, we're still working through that. But that's no change from what we said before. I think that's going to be with us for a little while going forward.

So, I think the top level story here is that we've got these rate increases in front of us, the 42 to 47, will stabilize here at 42. We use the same process we used to move to 42 to move to 47. We'll have a rate review with the FAA, and then we'll go ahead and increase that rate. And the same is true on 787 as we go to 10.

Now, longer term, as you know, we've invested both in the expansion of another line on the 737 MAX, up at – in Everett. And I commented on that in my prepared remarks. So, capital's all in place. We're going through the process of training up the people. And that's really important as we move past the 47 rate that we have that line up and running. And then, likewise, to move past 10 a month rate on 787, we believe we need to have additional capacity in Charleston. And we've made a major capital investment, and kicked that off for groundbreaking here last year. So, our plan's in place. We're working it. I think in general, we're going to see supply chain harmony has to happen in that 47 to 52 rate. We'll continue to work that with the suppliers.

Douglas S. Harned

Analyst, Bernstein Institutional Services LLC

Q

Very good. Thank you.

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

Sheila Kahyaoglu

Analyst, Jefferies LLC

Q

Good morning, Kelly, Jay and Eric. Maybe if we could just talk about the momentum in Renton is very clear. How do we think about BCA margins? Jay, you mentioned Spirit is about \$1 billion and the comment about delays not affecting pricing going forward potentially as much and the \$10 billion future free cash flow state. So, how do we think about 737 and 787 cash margins in the near term? How much they're depressed longer term as well and then relative to history?

Jesus Malave

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

A

Thank you, Sheila. And you're right. Right now, 737, 787 cash margins are depressed. And that's reflected in our free cash flow. We do assume and expect, and given what's in the backlog, that those will improve over time to support these cash flow types of numbers that we're talking about.

The Spirit impact itself, correct in terms of the cash flow impact of \$1 billion negative this year. And we've looked at that and we've played out their impact and their contribution to our cash margins in 737 and 787 program and forecasted that out. And we don't believe, over time, that that's going to materially impact what we believe and what we need to deliver on these types of cash flows. So, over time, their – Spirit's performance will get better. That will be reflected in the financials through just productivity, through synergies and higher quality and delivery performance as Kelly mentioned.

We do have what we would expect, over that time period as well, is a boost from pricing. And so, we haven't really focused on that as much. But that will provide a boost to our margins in the out years as well. And so, that is what gives us the confidence that what we've seen here at Spirit, what we're absorbing in Spirit doesn't really alter what we're expecting in these out years.

Sheila Kahyaoglu

Analyst, Jefferies LLC

Q

Got it. Thank you.

Jesus Malave

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

Thanks.

A

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 Jay. Hey, Jay, just maybe sticking with BCA, the BCA team had a really strong delivery year in 2025. I think you mentioned 447 MAXs and you had 88 787 deliveries. And with the rate breaks that we're seeing this year, maybe you could just level set us on 2026 delivery expectations for both the MAX and the 787 programs. And also just maybe any cadence that we should expect first half versus second half. Thanks.

Q

Jesus Malave

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

Sure. Thanks, Peter. So, let me start with the 737. Our expectation for deliveries on that program is around 500 aircraft. And if you look at it, if you compare this year to last year, last year, in the 447 that we delivered, we delivered around 55 aircraft out of inventory. So, our production rollouts are going to significantly improve this year. As I mentioned in my prepared remarks, we've only got one left carryover going in. So, our production performance and rollouts is going to increase substantially.

A

When you do the math, as you indicated, Peter, in terms of just taking a look at an assumption for rate breaks, you might get into around, call it, 530 aircraft or so. What we're going to be doing in this production build is building around 30 aircraft on the 737-10. Those will not be delivered in 2026. They'll be delivered in 2027 upon certification. And so, that would bridge between a higher expectation in 500.

As far as the 787, a little bit simpler there. We're expecting around anywhere between 90 to 100 aircraft. And that will be dependent upon really our production rollouts. Again just like 737, we had about 20 aircraft that came out of inventory, that we delivered in 2026. And so, the production rollout system will be the primary source of our deliveries again here in 2026. So, very similar type of approach there.

Overall, we expect BCA deliveries to be up close to or approximately 10% all in. And so, again, that will be driven and led by the 737 and 787 programs. I hope that gives you the clarity you need.

Peter J. Arment

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

Yeah, that was very clear. Thanks, Jay.

Q

Jesus Malave

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

Thanks.

A

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

Seth M. Seifman

Analyst, JPMorgan Securities LLC

Q

Hey, thanks very much and good morning, everyone. Maybe if you could talk a little bit more about defense. We saw a charge there for the first time in 2025, but it sounds like it's something that can perhaps help in the future. Maybe you could talk a little bit about how KC-46 to the extent that you see it turning the corner, how is it turning the corner?

And then moving beyond that, the state of BDS and maybe how you prepare for some of these production increases that the Defense Department is looking for? Should we think about a multi-year contract for Boeing on PAC-3 seekers? And how do we think about the investment associated with that?

Robert Kelly Ortberg

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

A

Yeah. Good question. So, first of all, let me just say that the charge we took on the tanker in this quarter doesn't really reflect at all on any of the other BDS programs. It's a discrete charge against that particular program. And in fact, the predominance of the charge is increased cost on the actual 767 commercial airplane production, as Jay outlined.

And look, we took a look at the program. It is taking us more resources to make the deliveries. We delivered 14 tankers in 2025, and we are planning to deliver 19 in 2026. And we made the conscious decision that we needed to keep resources at a higher level to assure that we make those deliveries on time.

As you know, the Department of War is super focused on us, first of all, making investments to support growth and also ensuring that we're delivering on time. And so, we took that decision, albeit a big gulp to have to take a charge here on the tanker program. I think it will pay off in dividends with us in terms of allowing us to make sure we meet deliveries, the 19 deliveries next year.

The other thing I'll just lay out is, as you know, the Air Force has made a decision to go sole source for the follow-on tanker contracts. We will be pricing that in the fall timeframe according to the current schedule. So, we are laser-focused on making sure we understand the cost base of that airplane.

Obviously, this has been a bad contract for the last decade, this existing contract. And as we enter into a new opportunity where we get to reprice, we want to make sure that we, as Jay has said, underwrite that contract to ensure it's a fair contract and we can make money on that.

As I look at the broader question about increasing in rate or increasing an investment from the executive order and the Department of War, look, we've invested ahead of contract on F-47. I think it was a key part of our win strategy, and I think the department clearly recognizes that we went out at risk and made significant investments.

We have also invested in the PAC-3 capital to increase the PAC-3 production line. I suspect we will get to a multi-year similar to what you've seen elsewhere with the government on the PAC -3 contract. So, we're in discussions now with the Air Force on that. So, I don't see a big step-up in CapEx relative to that multi-year PAC-3 because, for the most part, we've made the major investments already going forward in terms of CapEx. The rest, finishing the F-47 investment is probably our major capital investment here going forward in our defense portfolio.

Seth M. Seifman

Analyst, JPMorgan Securities LLC

Q

Great. Thank you very much.

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, guys.

Jesus Malave

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

Good morning.

Ronald J. Epstein

Analyst, BofA Securities, Inc.

Kelly, a broader, bigger picture question for you. We can nail down on some of the financial details with Eric after the call. But – so, you've been at the company now for well over a year, doing God's work, running around, fixing things. But here's the question.

It's an effective duopoly with you guys and Airbus. I mean, there's some folks on the fringe, but it's really the two of you guys. And it seems like on a very fundamental level that it's just not a very profitable industry.

It seems like everybody else is making money on planes, the guys doing seats, faucets, engines, aftermarket parts, even nowadays even airlines, but it just seems like building airplanes isn't that profitable. And you've been on both sides of this, right? So, you're at an OE now and you were on the supply side.

Robert Kelly Ortberg

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

Yeah.

Ronald J. Epstein

Analyst, BofA Securities, Inc.

Can that change and, like, on a future airplane, can that change? Like, what has to change to like really make this industry shine?

Robert Kelly Ortberg

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

Well, look, I think, as you point out, I have been on both sides of this, so I know how you can make really good margin in this aerospace market. And I see how you can not make very good margin in the aerospace market. And I think the fundamental is we have to get a handle on what risks we're taking and understand the risks. And I think building an airplane is not an easy task. There's significant risks, and we'll continue to take the risk.

The issue that I think we've got to improve upon is how we manage ourselves through those risks and how we enter into contracts associated with knowing that we've got these risks out there. So, concurrency, how we price things, what damages we accept, how we do that, I think, are all opportunities for us to improve. And I think a new airplane program gives us that opportunity.

For the most part, there's not much we can do about what we've got at hand other than fix our performance. And that's what we're doing day in, day out. I really can't change the structure of the aftermarket and OE construct, it is what it is. I think this is a big part of the discussion, and our strategy going forward for next airplane is, where is the value? Where is the value chain? What do we do? What do we partner to do? And how do we assure that we're participating? There's a lot of value in this commercial aerospace market. You're right. We should participate in that value.

So, that's a lot of work for us to do strategically. I don't see any impediment to do it, but we got to understand the risks we're taking when we take them and make sure we've got plans to manage those risks. And if they go unmitigated, then you end up with situations like we're in where we don't – we're not sharing in the profitability of the overall market. That would be my take.

Ronald J. Epstein

Analyst, BofA Securities, Inc.

Got it, yeah, yeah. Thank you.

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

Jesus Malave

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

Good morning.

A

Robert Kelly Ortberg

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

Hey, Rob.

A

Robert Stallard

Analyst, Vertical Research Partners LLC

Kelly, again a strategic sort of question for you. Given the recent geopolitical volatility, are you worried about a return of tariffs risk at BCA this year, and similarly on the defense side of the business, a longer-term shift in Europe to more local procurement?

Q

Robert Kelly Ortberg

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

Yeah, Rob, I wouldn't say worried, it's something I have to – we have to continue to watch as we saw last year, this is super dynamic, right? It could change tomorrow. But I think if you step back from all the dynamics day in, day out, look, I think the – at least the US administration fully understands the importance of commercial aerospace to the economy, to the US economy. They've been very supportive. And we've worked through what initially looked like some pretty hairy tariff environments to resulting in pretty good outcomes. So, I think we'll be able to continue to focus on that. And again, I think this administration is fully supportive of this industry. It's not going to do things that cause us a major harm.

A

Having said that, as we saw last year, we were shut down for a little while in deliveries into China. That got resolved, and we got the deliveries done. We do have about the same number of deliveries this year into China as we had last year. So, we got to watch these trade barriers. Certainly, we have a lot of deliveries into Europe.

So, watching how that whole negotiation plays out to ensure that we don't get in a tit for tat environment on commercial airplanes, something we're going to have to just continue to work. But again, I'll just say the administration has been accessible to us, has listened to our concerns when we've had them. And I think we've ended up with pretty good outcomes so far.

Robert Stallard

Analyst, Vertical Research Partners LLC

Okay. Thank you very much.

Q

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

Hey. Good morning. Thanks, everyone. Jay, I know you're not quantifying the pieces of the free cash bridge you just gave back to normalized, but I wanted to try to ask, is the total of those pieces greater or less than \$7 billion? Because you have commented on most of those in the past, and if I take the midpoint of \$1 billion to \$3 billion of \$2 billion and add all those back, it seems like more than high single. So, I don't know if you're netting out some positives or if I'm just missing something.

Q

And then, what is BCA cash? If you exclude the abnormalities and you were just – basically just 737 and 787 price/cost, is that generating cash in your 2026 or is that closer to breakeven?

Jesus Malave

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

So, Noah, let me just go back to your first question here on these items. Again, you're talking in that range going from low single to high single, call it, \$6 billion to \$7 billion in the aggregate. Don't forget, in my prepared remarks, what I talked about was the benefit of excess inventory coming down over time. So, that is a mitigator.

A

The only thing I'd say is, the DOJ payment is a one-time event that occurred here in – occurring here in 2026. And that's just doesn't repeat and it's not something that draws down in any way. So, that's the best way to look at it in the aggregate between that \$6 billion and \$7 billion.

As far as BCA cash, look, what I'll tell you there is we continue to expect that that's going to improve, the cash margins are going to improve on our programs. As I said previously and it's a key enabler to our cash flow at getting to a \$10 billion. And I think as it becomes necessary or we have the visibility, we'll give you more there. But I think I'm going to stop here giving you with the directionally what it needs to be.

Noah Poponak

Analyst, Goldman Sachs & Co. LLC

Okay. Thank you.

Q

Jesus Malave

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

All right.

A

Eric Hill

Vice President-Investor Relations, The Boeing Co.

Time for one more analyst question.

A

Operator: And your final question today comes from the line of Gavin Parsons from UBS. Your line is open.

Gavin Parsons

Analyst, UBS Securities LLC

Thank you. Good morning.

Q

Robert Kelly Ortberg

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

Hi, Gavin.

A

Gavin Parsons

Analyst, UBS Securities LLC

Jay, I think you're restricted from looking at all of BDS previously. So, have you been able to get under the hood of all those programs at this point?

Q

Jesus Malave

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

Yeah. Let me just talk about – I mean, I just – as you're right, I was restricted through the end of the year and I started here in January doing reviews with BDS. And I think I need to put some context in there because, again, I think there's some expectation that I'm doing some kind of an outside-the-process EAC deep dives that it circumvents the processes that we have already in place. And I'm not doing that.

A

What I am doing is really reviews with our programs as well as my first reviews, where we're just with the BDS business in the aggregate. And it's really focused on three things. One is there's just a strategic element to it, one is an operational element, and then the third is a financial element. And to just give you a little color about that is, as I look at program to program, it's trying to understand – make sure I understand the capabilities being delivered, developed for our customer, understanding the relevance of that capability today and what that means in the future just strategically.

Looking at our current backlog and our delivery profile and how that fits, our customers' capability requirements and whether or not we're meeting that mark operationally, looking at program status, things that are we on track schedule wise, things that don't necessarily translate directly into our financial but think about earned value-type metrics. And just so understanding, get myself base-lined on the programs where they are strategically, where they are operationally, and of course, a review of EACs, but more in the context of, again, baselining what needs to happen, what are our key assumptions in those, what are the risks, what are the opportunities, how do we realize the opportunities and how do we mitigate the risk?

So, I'd call it a little bit higher level than some type of EAC deep dive. To the extent that something pops up in a review then we will follow up with that. And I would expect that to occur here – continue to occur throughout this quarter, as well as the rest of the year. And that will basically convert and transition over to the normal reviews that we do, the team does with Kelly and the rest of the leadership team.

So, it's more of a holistic view. If there's anything on a specific EAC or anything like that, that will be handled through the regular EAC process and going from there. So, just to give you a little bit of color in terms of how I'm approaching this, and so far it's been a great experience. The team is doing a great job. As Kelly mentioned in his remarks, they're improving each and every day. And again, they're heavily focused on driving to the customer requirements and meeting their schedule and budget requirements. So, a good start on my BDS indoctrination.

Gavin Parsons

Analyst, UBS Securities LLC

Appreciate it.

Q

Jesus Malave

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

Thank you.

A

Operator: And that completes The Boeing Company's fourth quarter 2025 earnings conference call. Thank you for joining.

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