28-Jul-2026

The Boeing Co. (BA)

Q2 2026 Earnings Call

CORPORATE PARTICIPANTS

Eric Hill
Vice President-Investor Relations, The Boeing Co.

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

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

OTHER PARTICIPANTS

Seth M. Seifman
Analyst, JPMorgan Securities LLC

Douglas S. Harned
Analyst, Bernstein Institutional Services LLC

Robert Stallard
Analyst, Vertical Research Partners LLC

Peter J. Arment
Analyst, Robert W. Baird & Co., Inc.

Myles Walton
Analyst, Wolfe Research LLC

David Strauss
Analyst, Wells Fargo Securities LLC

Sheila Kahyaoglu
Analyst, Jefferies LLC

Kristine Tan Liwag
Analyst, Morgan Stanley & Co. LLC

John Godyn
Analyst, Citigroup Global Markets, Inc.

Ronald J. Epstein
Analyst, BofA Securities, Inc.

Richard Safran
Analyst, Seaport Research Partners

MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. Good day, everyone, and welcome to The Boeing Company's Second Quarter 2026 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 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. Thanks for joining in today's call. Before we get started, I want to express our sincere condolences to the families and loved ones of the eight dedicated aircrew whose lives were lost in US Air Force B-52 accident in June. Our hearts remain heavy for the lives lost, including two incredible Boeing colleagues who worked side by side with our customer on the program. We continue to provide technical assistance to the investigation, and we're supporting the Air Force in every way we can. Now, let's shift our focus to the second quarter. We're halfway through the year, and I'm very pleased with our progress as we execute on our 2026 plan. With the continued focus on safety and quality, our teams are increasing production and delivering at levels we have not seen since 2018.

Our commercial certification programs, the key focus for us this year, remain on plan, and I'm proud of our team's dedication to complete the certification work, as well as how we have continued to work collaboratively with our regulators. Earlier this month, the FAA authorized Boeing to resume issuing airworthiness certificates for all 737 MAX and 787 airplanes. We worked hard to build this trust from the FAA, and we take this responsibility very seriously. Safety will continue to lead the way in everything we do. In Defense & Space, we continue to address risks in the portfolio while increasing output to meet today's mission and invest in the capabilities for our future fight. Our service business has seen robust growth despite macro uncertainty, and we continue to win favor with our customers every day. We are strengthening the trust with our supply chain through increased transparency and strong demonstrated performance. This positions us to deliver higher volumes and respond quickly when challenges arise.

All of this progress is set against a backdrop of a record backlog and culture change that continues to take hold and improve the way we work together. We know there's more work to do and remain clear-eyed about managing the risks in front of us. But the momentum that we've built in the first half of this year is setting us up for more dependable performance as we execute the second half. Let's now take a closer look at our businesses, and we'll start with Commercial Airplanes. As we said all year long, completing the certification work on our development programs is one of our biggest goals. We continue to make a lot of progress consistent with our plan. In fact, on 737-7, testing is done and we expect to receive an amended type cert from the FAA very soon. On 737-10, we recently completed our final test flight and expect certification following the 737-7.

These certifications pave the way for both airplane variants to start deliveries in 2027, and I'm confident these newest members of the 737 MAX family will deliver on the promise of greater efficiency and more capability for our customers. On the 777-9, we remain on plan for first delivery in 2027. In June, we received approval from the FAA for the next phase of the certification flight test called TIA 4B. This unlocked the largest remaining portion of the flight testing, and we've currently completed more than 55% of the certification flight testing and expect our accelerated pace to continue progressing this summer. In addition to certification flight testing under the phased TIAs, we expect approval to start ETOPS testing later this year. Turning now to the BCA production programs. On 737, we're now ramping to 47 airplanes per month after a successful capstone review in May and expect factory rollouts to reach 47 per month this summer.

Just as with our previous rate brakes on the program, we're closely monitoring our key performance indicators in the factory. And so far, early results are within our expectations, driven by the fundamental improvements we made to factory health. And in Wichita, our integration is going well as teams continue to meet targeted reduction in quality defects before shipping fuselages to the final assembly. Earlier this month, we began low-rate MAX production on our North Line, which enables us to reach our next planned rate break of 52 per month. I was with the team in Everett just after the first fuselage loaded into our new production line, and I can tell you they are ready and energized to build 737s. Our Everett team will be guided by the same safety and quality plan that has been successful in Renton, and the low-rate production will include certification of that new line. In Charleston, on the 787 program, we've now stabilized at eight airplanes per month.

We did take the decision to temporarily slow production systems for several days in April to allow portions of the supply chain to recover. As we said before, we're guided by our safety and quality plan and will only move production forward when the system and our supply chain are ready. And we'll continue to work with GE on the engine delivery recovery this summer, which will be important for our rate 10 timing. Across the commercial market, we continue to see exceptional demand and market conditions as evidenced by our record backlog of more than 6,200 airplanes and a market outlook of nearly 44,000 new aircraft over the next 20 years. Let's now shift to BDS where we're making progress and staying focused on disciplined execution to strengthen performance, meeting customer commitments, and making deliberate investments in our programs. During the quarter, we achieved Milestone C for both the T-7 and the MQ-25 programs, securing approval to begin low-rate initial production.

For the T-7, as an outcome of our active management efforts, we're delivering a production-ready configuration that further reduces risks and accelerates future deliveries. We also recently reached a memorandum of agreement with the US Air Force which strengthens KC-46A mission readiness and allows us to partner on the Remote Vision System 2.0 retrofit to get these capability upgrades faster into the full fleet. In fact, we recently completed a very successful first phase of flight testing on the RVS 2.0 upgrade. One of our fixed-price development programs where we have seen cost growth is the VC-25B. As we disclosed this morning, we've made the decision to add significant resources to support the build and test schedule on VC-25B. We have also aligned with the Air Force on moving from an FAA to a military certification basis. These additional resources will also help mitigate potential risks during certification and flight tests.

Since this program is in a reach-forward loss, these additional investments resulted in a $280 million charge during the quarter. Now while the charge is disappointing, we recognize how critical schedule performance is to our customer, and we are investing accordingly to maintain our commitment to deliver this airplane in 2028. This shouldn't overshadow all the meaningful progress we're making to reduce the risk across our defense portfolio, and we are in much better shape than we were two years ago. Like in our Commercial business, the demand signal on our Defense & Space products remains very strong, with notable increased demand in missiles and munitions and secure communication satellites programs. We continue to do a good job in improving our underwriting of new contracts and being selective on the programs we bid.

Finally, in BGS where our service team continues to deliver strong results against the backdrop of a robust aftermarket. So far, we've not seen a material impact in the commercial service business from the conflict in the Middle East, and the government service business has seen incremental demand to support ongoing operation. In closing, the momentum we're seeing across these three businesses reflect the steady work our teams are doing every day to strengthen safety, quality, and stability. And I want to thank all of our employees for elevating our performance and helping deliver another improving quarter. As you may know, we've been in early contract negotiations with our Puget Sound Engineering Union, SPEEA, ahead of the current contract expiration this October. We began these discussions early because we wanted to work towards an agreement that supports our employees and their families, creates greater clarity for our business, and helps us stay focused on the progress we're making.

And so far, the tone of those talks have been respectful and productive. Looking ahead, I'm encouraged by the broader momentum we're building across Boeing as we move into the second half of the year. We had a great Farnborough Airshow last week. Customers and suppliers I spoke with have renewed confidence in our team, products, and ability to deliver on time with higher quality. The work we've done together over the last two years is making a difference, and our team is ready to meet the rising expectations. We have a stronger foundation to build upon. Our operations are more stable, and we're ramping up production to deliver on our record $715 billion backlog. We're on track to be free cash flow-positive for the year. And most importantly, we're building trust with all of our stakeholders.

So now, I'll turn the call over to Jay for our second quarter results in more detail before we take on the questions.

Jesus Malave

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

Thanks, Kelly, and good morning, everyone. Starting with consolidated financial results for the quarter, revenue of $24.6 billion was up 8% driven by solid growth across all three segments, including higher commercial deliveries and strong defense volume. The revenue impacts from the Spirit acquisition and Digital Aviation Solutions divestiture in 2025 largely offset each other. Operating margin increased to 0.6%. Core earnings per share improved to a loss of $0.76, primarily reflecting higher segment earnings and lower corporate expense, partially offset by the VC-25B program loss. Free cash flow was positive $631 million, higher than expectations I shared last quarter based on favorable receipt timing. Compared to prior year, free cash flow improved due to higher commercial deliveries and customer receipts, partially offset by planned CapEx increases as we continue to make progress on our growth investments in St. Louis and Charleston.

Turning to BCA on the next page, BCA again made solid progress in its production performance by delivering 171 airplanes in the quarter, the highest quarterly total since 2018. Revenue of $11.8 billion was up 8% on the higher deliveries and favorable mix. Operating margin of negative 2.7% improved compared to last year primarily driven by increased delivery volume and mix. In the quarter, we also recognized other favorable adjustments of about 150 basis points. Excluding those adjustments, profitability improvement was in line with our expectations.

Backlog continued to grow and remains at a record level of $597 billion, including over 6,200 airplanes. Clicking down on commercial program performance and starting with the 737, we delivered 129 airplanes in the quarter and remain on track to deliver 500 airplanes this year. Kelly highlighted the certification progress we have made on the 737-10, and we will continue to ramp up 737-10 production in the second half of the year.

Turning to the 787, we delivered 25 airplanes, including 13 in June, and remain on track to deliver 90 to 100 airplanes this year. As Kelly mentioned, during the quarter we stabilized production at eight per month. At the end of the quarter, we also made important progress on seat certification. In June, Riyadh Air took delivery of its first 787 Dreamliners, airplanes that were previously built but awaiting seat certification. Finally, on 777X, we continue to make steady progress on certification as Kelly noted, and we remain on track for first delivery in 2027. Regarding the previously discussed engine durability issue, GE is finalizing the modifications with the FAA and remains confident in their root cause analysis and solution. They have already incorporated the change into their production system, and engine deliveries are expected to resume in the third quarter. We continue to manage the entire production system for increased rates.

Supply chain readiness, including engines, remains a key factor in our production and delivery plans next year. Shifting over to BDS on the next page. BDS delivered 35 aircraft in the quarter. Revenue increased 13% to $7.5 billion primarily driven by higher volume, including growth on classified programs, missiles and weapons, and KC-46A tanker. Spirit contributed approximately $130 million to sales in the quarter or about 2 points of growth. Operating margin was negative 0.2% which reflects the $280 million loss on the VC-25B program. BDS booked $7 billion in orders during the quarter and backlog remains strong at $85 billion. Excluding the impact of the VC-25B adjustment, BDS operating margin was 3.5% in the quarter, reflecting better operating performance across the rest of the business and in line with our expectations for steady margin improvement.

Further progress will come from completing fixed-price development programs that currently dilute margins and from executing our sizable backlog, which carries attractive margins that will accelerate improvement. I'm confident that the BDS team is on the right track, and we remain confident in the path to return to high single-digit operating margins by the end of the decade. Now moving to Global Services on the next page. BGS continued to perform well and again delivered strong financial results in the quarter. Revenue was up 1% to $5.3 billion. Excluding the impact of Digital Aviation Solutions divestiture, revenue was up 8% year-over-year. Operating margin of 18.1% was down from the prior year, primarily related to the impacts of the Digital Aviation Solutions divestiture, as well as higher costs and less favorable mix. Both commercial and government businesses delivered double-digit margins in the quarter. Operationally, the BGS team continues to drive process improvement across the business.

For example, on the P-8 modification program in Jacksonville, we have reduced flow time by 44%, demonstrating the impact of our process and training initiatives. BGS received $5 billion of orders and ended the quarter with a backlog of $33 billion. Shifting over to cash and debt, cash and marketable securities ended at $20 billion, primarily reflecting debt repayments, partially offset by cash flow generated in the quarter. The debt balance ended at $45.9 billion, down $1.3 billion in the quarter and $8.2 billion year-to-date on the pay-down of maturing debt, consistent with our debt reduction plans. We also maintain access to credit facilities of $10 billion, all of which remain undrawn, and we remain committed to strengthening the balance sheet and supporting our investment grade rating. Regarding free cash flow, we remain on track to achieve our outlook of $1 billion to $3 billion. First half performance came in better than expected, driven by favorable receipt timing within the year.

Note that the $700 million DOJ payment planned for the second half of 2026 is expected to be paid in the third quarter. Factoring in that impact, we expect third quarter free cash flow to be positive and in the low-hundreds of millions of dollars. Overall, the improved cash profile gives us confidence in the outlook for the year. Beyond 2026 and consistent with what we have discussed previously, free cash flow is expected to grow, primarily driven by higher commercial deliveries, steady improvements at BDS and continued growth at BGS. We continue to view the $10 billion free cash flow figure as very attainable, with significant growth beyond that into the next decade, as we execute on our record backlog and benefit from continued strong market demand. Okay. Summing it all up, a strong first half with steady progress against our plan, resulting in a more balanced cash flow profile. We remain focused on continuing that momentum and building sustained free cash flow growth.

With that, let's open up the line 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 Seth Seifman from JPMorganChase. Your line is open.

Seth M. Seifman
Analyst, JPMorgan Securities LLC

Q

Hey. Thanks very much, and good morning, everyone. Jay, maybe we'll start off where you finished. I think the cash flow trajectory then for the rest of the year implies a pretty strong Q4 and offsetting some headwind in Q3. So, maybe if you could talk about some of the moving pieces there. And then with regard to the color that you gave about the out years, if there was anything that you could say about the shape of that curve going forward. I know you've talked a little bit in the past about 2027 still seeing some of the lingering pricing and concession that are attached to 737s and 787s.

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

A

Sure. Thanks, Seth, and good morning. Thank you for the question. You're right. If you kind of just do the math and back into the fourth quarter, that would imply a pretty strong fourth quarter. Just to kind of give you the moving pieces and the elements of the back half free cash flow, it's something that's consistent with what we've talked about before. It consists of rising and improving delivery rates on the BCA programs, both the 737 and the 787, given the guides that we have related to deliveries. It also includes the improvements at BDS. So, really kind of where we are at BDS. As I mentioned, we're at 3.5% excluding the VC-25B charge. We continue that performance, and we also have seasonable – or seasonal cash receipts related to advances. As you know, we typically get the KC-46 advance in the fourth quarter. We would expect that to occur again.

So it's pretty much [ph] delivering out on the rest of the guide that we have for the year, which will drive that cash flow in the back half of the year. We feel pretty confident at the midpoint. If you were to ask me, given that you're better – or stronger year-to-date, what would it take to be higher than that, it really comes back to deliveries. If we're able to overdrive on our deliveries at BCA, then that could result in a better number. But right now, we're pretty – feel pretty good, if not very good about where we are at the midpoint for the year. And as I mentioned in my prepared remarks, the better profile, more balanced profile in the year sets us up well to deliver on this guidance. As far as future years, look, we still have a plenty of things to work on here in 2026 and complete the balance of the year. That'll help inform where we go in 2027, so we need the benefit of time and completion of these milestones in the back half of the year.

The building blocks of out-year free cash flow are really no different than what we've talked about: improving and growing BCA deliveries, performance at BDS, and continued profitability improvement there, as well as continued growth at BGS. I think the timing of these are things that we continue to work through, and I think we'll be able to give you better clarity around that in time. For now, we just kicked off our planning cycle. And so I'd like to go through that, get the benefit of that information before we start talking about specificity there. But again, as I mentioned in my prepared remarks, we're confident in the $10 billion figure. We're confident that we're going to get there and we're on the right track. Everything that you saw here in the second quarter positions us well to continue to drive better performance and start delivering on this free cash flow [ph] growth.

Seth M. Seifman
Analyst, JPMorgan Securities 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. This is going to be two parts on the 737. But you're at rate 47, going to 52 next year. And Kelly, you've talked about going to 57 and potentially 63 a month. And I guess first, at what point do you expect the supply chain challenges to become more difficult as you go through those rate breaks? And then on margins, I mean, you should see margin help from deliveries of 737-10s and presumably some better pricing on more recent orders, but you're going to need to work through late penalties and supply chain risks. So just trying to understand what's the path back on 737 margin levels to get to something like we saw back in 2018.

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

A

Okay. Doug, let me – this is Kelly. Let me take the rate increase part of the question, and then I'll let Jay talk about the margin improvement. So you're right, we're in the process of moving to 47. That's all within our plan. One thing I'll just note is we also – with the Renton Line, we'll be going through a period here this summer where we'll be stabilizing at rate 47 in Renton, and then bringing on the production line in Everett which we want to have producing to move to the rate 52. Right now, I would not point to you any supply chain constraints relative to moving to rate 52. I think from 52 to 57 is where we'll start to see more balance in our inventory levels where the supply chain is going to need to be performing quite well. But I think right now, there's nothing I would point that says there's anything I'm overly concerned about. In our internal shops, it's working on wings. Wings tends to be the area that we need to see improvement as we move up in rate.

We've got flow improvements in place, and so far that looks pretty good. So I'd just say let's watch how we do at rate 47. That'll inform rate 52. And like we've said all along, we'll go when we're ready. I just also would say that I think it's going to get harder as we go from 52 to 57 and then beyond that. We'll just have to see how well we're all collectively doing and how stable the production system is. But look, we're on our plan. Our plan's working. We're going to continue to execute in the same way we have as we've moved from 38 to 47.

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

A

Doug, just on the program cash margins, there's really no change to what we've talked about before. And certainly today, we're at depressed levels, slightly above breakeven [ph] with both 737 and 787, and that's largely due to these pricing drags that I talked and walked you through in January. It does take some time for those to fully dissipate, and the benefit of our delivery cadence will drive that and dictate [ph] that as those diminish. We'll also get the benefit of – as we increase rates, just the benefit of fixed cost absorption on our costs. And in addition, we will see better-priced delivery of the backlog. In addition to that, we also are compounded by the fact that we'll have better mix. And so all those taken together will drive us to margins that will approximate, on the 737, what they were in 2018 by the end of the decade. And we expect on the 787 that we'll actually surpass what they were in 2018 by the end of the decade as well.

And what I'll tell you there as well is that there's runway beyond that. As we go beyond the decade, there's even room for those to continue to improve, and that's because of what's in the backlog. The beauty of our backlog is that it's visible. And we've talked about this. I think the team talked about this, I think, very clearly at the airshow. It's all about execution for us, and we're all in this together. And if we can execute on these rate increases and deliver on our commitments to our customers, then the cash flow is going to follow.

Douglas S. Harned
Analyst, Bernstein Institutional Services LLC

Q

Very good. Thank you.

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

Q

Thanks so much. Good morning.

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

A

Good morning, Rob.

Robert Stallard
Analyst, Vertical Research Partners LLC

Q

Kelly, on the 787, I was wondering if you could clarify what's going on with engines, because GE says there's not a problem with engines. But it clearly seems like, from your perspective, there is. And also on the 787, have we now turned the corner on these seat certification delays?

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

A

Yeah. Let me take the last part of the question first. We're not through all of the seat certifications that we have. I think the Riyadh Air was the last, what I'll say, large quantity where we had a large quantity of aircraft tied to a individual seat cert. But the seat certifications are going to be with us for the balance of the year. And so, that may make our deliveries a little bit lumpy. I will say that the seat certifications really aren't impacting our ability to roll out airplanes. So it's really getting the certification paperwork complete, so we can make the deliveries. So we're going to still be battling with that. I can't claim victory yet as we work through the balance of the year. In terms of engine deliveries for 787, we have fallen behind deliveries in the first half of the year. We have a corrective action plan, a recovery plan that we're working with GE. We did, as I mentioned, pause – several pause days in the production line to allow supply chain to catch up here.

But it's important that we do see the improved recovery on engines to allow us to move to rate 10. So that's something that we're working closely with GE to make sure we achieve that, and I think they're pretty confident in their ability to achieve the recovery plan.

Robert Stallard
Analyst, Vertical Research Partners LLC

Q

That's great. Thanks so much.

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.

Q

Yeah. Thanks. Good morning, Kelly, Jay, Eric. Hey, Kelly, you've been in the role now as CEO for two years and you've made just an absolute ton of progress on many fronts. So, congrats on that. But sometimes, labor relations get overlooked on Wall Street, and you're currently just starting negotiations, as you mentioned, with SPEEA. How would you frame up the risks there and how would you kind of describe the labor side of things shaping up overall at BCA? Thanks, Kelly.

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

A

Yeah. Well, as we said – or I said in my prepared remarks, we started negotiation early to try to avoid any kind of a work stoppage associated with the negotiation. And we're in the middle of that. I think it'd be inappropriate for me to predict where that's going to go at this particular time. I'll just say that we're keenly focused on it. We spent a lot of time with our workforce here. So I'm very hopeful that we'll get to an agreement and just keep on with our momentum. You can expect that to play out here between now and the October timeframe. So hopefully, we can get that done a little bit earlier than that, so we don't get up to a milestone where we've got critical issues. I will also say that as we manage this, we're looking very hard at what we would do, should we have a work stoppage, and what plans we can put in place. I hope that's not the case. I don't expect that to be the case. But we're planning accordingly, as you can imagine.

So we'll just have to wait and see how that all plays out, Peter. It takes two to tango in these, and we're certainly on our side trying to do our best to circumvent any kind of work stoppage.

Peter J. Arment
Analyst, Robert W. Baird & Co., Inc.

Q

Appreciate it.

Operator: Your next question comes from the line of Myles Walton from Wolfe Research. Your line is open.

Myles Walton
Analyst, Wolfe Research LLC

Q

Thanks. Good morning. Hey, Kelly, on the 777X program, you mentioned 55% of the flight tests being complete. And I guess on the surface, that seems a little low if the full program flight test is going to be completed by year-end. So, maybe walk us through how those step functions work. And can you just confirm, are you concluded with Phase 3? Is there any parallelness to Phase 3 that's ongoing or are we just in Phase 4? Thanks.

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

A

So, Myles, look, 55% is pretty good. Remember that we pre-dry run most of these flight tests. So, what we're talking about is actually the certification credit. We are going to see accelerated – I mean, we were at 50% just not too long ago. We're already at 55%. So every day, we're flying these aircraft and ticking off the test program. One advantage or accelerator will help is we have a common test and evaluation engineering team that runs these flight test programs. And so, now that we're complete with the 737, both the two variants, in the flight test arena, we'll be able to apply some resources to speed up the completion of the 777 program. Now in terms of the TIAs, we're predominantly [ph] working on TIA. I don't actually know if we're complete on all of the TIA 3. It doesn't really matter. They're all being ticked off.

The one thing I will also say is we are seeing some incremental adds to the TIA 4A for activities that were planned to be in TIA 5, which is all fine. It's just that the scope of these TIAs is a little bit of a moving target. The important thing is we just keep achieving the milestones and the flights, and we have multiple aircraft in the air almost all day every day. So we're making good progress here. I wouldn't be overly concerned with the 55% complete. That'll accelerate pretty quickly here.

Myles Walton
Analyst, Wolfe Research LLC

Q

All right. Thank you.

Operator: Your next question comes from the line of David Strauss from Wells Fargo. Your line is open.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

Thanks. Good morning. Kelly, wanted to follow...

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

A

Good morning.

David Strauss
Analyst, Wells Fargo Securities LLC

Q

Wanted to follow up on the 777X. If you could just update us on change incorp, kind of how you're thinking about that. There was some news out there about you scrapping an early airplane. One of your customers said they don't want to take early airplanes. Just if you could update us there. And then, Jay, could you – within that free cash flow range for the year, what are you assuming kind of for net working capital for the full year? I think year-to-date, you've burnt like $500 million or so. What do you have kind of baked in for working capital for the year? Thanks.

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

A

Okay. Let me start with change incorp. So, really no change to our plan. When we took the last EAC charge, the whole change incorp scope was contemplated when we did that. Yeah. I'm not going to negotiate contract changes with our customer here in public. We've got a plan. There are some earlier change incorp aircraft that clearly have more work to be done than others. But again, that was contemplated when we did our EAC update. So we'll work with the customers here on which aircraft delivery and the configuration of those aircraft. It shouldn't impact any of our EAC activity, at least as we see it right now.

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

On your question, David, I would expect from here the balance of the year for working capital to be a net source of cash. We expect – in addition to the increased deliveries, we also expect an uptick in [ph] advances. I talked about the BDS advances, and we still have some order activity, as well as the scheduled PDPs at BCA. So, I would expect that to be a source.

David Strauss
Analyst, Wells Fargo Securities LLC
Q

Thank you.

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

Yeah.

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

Sheila Kahyaoglu
Analyst, Jefferies LLC
Q

Thank you, and good morning, Kelly and Jay. Solid performance on BDS with core margins of 3.5%, Jay, as you mentioned. Maybe how do we think about profitability from here? And if you could just update us on the fixed-price programs, perhaps in order of risk would be appreciated. Thank you.

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

Yeah. Sheila, on BDS profitability, as I mentioned – maybe just look at 2026. As I mentioned just first in the prepared remarks, 3.5% in the second quarter. I would expect the balance of the year to be pretty much in the same zone there. So on a full year basis, including the VC-25B charge, we're in the range of about 2.5% for the year. We would expect that, again, sequentially each year from here on out to continue to improve. I don't have a specific forecast for you. Again, that's something that we'll probably lay out a little bit more as we get into the formal planning season. But I would expect there to be improvement – margin expansion each year sequentially throughout the rest of the decade as we approach and reach this high single-digit number. And again, the roadmap again is very similar to what we've said. It's delivering out on some of these contracts and kind of taking those headwinds away.

It's also going into phases, different phases of existing programs whereby the pricing is better on those contracts as well. And then just in the backlog, we've got just better-priced backlog as well similar to BCA. So taking all those things together with the benefit of the execution that we're seeing at BDS are the building blocks to this improved margin profile. And as I mentioned, and I have mentioned before, pretty confident in our ability to be able to deliver that.

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

Yeah. And Sheila, in terms of the risk of the fixed-price programs going forward, look, I think we've made really good progress with our customers here as we've looked at the estimate to complete on those. And I would say don't fall off your chair, but KC-46 feels very low-risk for the EACs going forward. I think we've done a really a good job finally on that project, and we're getting to the end of the production, the fixed-price production that we have and we'll be repricing new lots going forward. So I think we've got KC-46 well in hand. MQ and T-7, we've just got to get through the completion of the flight test program. So we have those normal risks. I wouldn't highlight anything in particular. I think that we've got those risks identified and we're managing those within the EAC. The one program we have work yet to do with the customer on is Commercial Crew or the Starliner program.

As NASA is re-planning their launch sequence, that will have some impact to when we're actually doing the launch. The redesign of the Starliner deficiencies is going quite well, and we're feeling pretty good about that. But we've got to work with NASA to align on [ph] how the launches are going to be, both the crewed and uncrewed launches going forward. I don't at this time anticipate that's going to create a cost problem for us, but we do have some uncertainty here that we've got to work with NASA to get that put to bed and we are working with them right now.

Sheila Kahyaoglu
Analyst, Jefferies LLC

Q

Great. Thank you.

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

Good morning, everyone. At Farnborough last week, one of the recurring themes from the propulsion supply chain was that engine manufacturers and their suppliers continue to see a gap between existing capacity and the production rates targeted by both you and the other large airframer across the pond. I guess, Kelly, you mentioned that you're comfortable going to 52 per month for the 737 without significant supply chain constraints. First, how much of your comfort is based on the existing inventory of engines that you have on hand versus the pace of deliveries that you're receiving from your supplier? And also second, do you anticipate Boeing will play a more active role, whether through advance payments, capital supports or other mechanisms to help suppliers expand capacity and achieve your long-term production rate targets?

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

A

So, look, on the rate 47 and rate 52, I am comforted partially by our inventory but also by the engine deliveries that we're receiving from CFM. So both of those are sufficient to meet our demand going forward. Where we still have work to do is as we get to the higher rates, 57, 63. Those continue to be areas that we're working with the supply chain. And look, we'll work – if we find constraints that are capital-driven constraints, we'll continue to work with our suppliers to do that. In many cases, these are Tier 2 or Tier 3 suppliers, so those are areas that the engine manufacturers are, in fact, actively working with their supply chain. But we'll work that as the rates increase and constraints show themselves. But right now, I think we've got a solid plan through 57 and more work to do after that.

Kristine Tan Liwag
Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you.

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. We've talked a bit about BCA and what that looks like through the end of the decade for obvious reasons. But I was hoping that you guys could just paint the picture and illustrate the impact and contribution from BDS and BGS, which we kind of rarely talk about. What do those businesses look like when we look out four or so years?

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

A

Well, John, first starting with BDS, a lot of their cash flow improvement will track with their profitability improvement as well, and they'll get back to – once you get to the end of the decade into delivering, I'll just say, maybe low-single-digit-billions of dollars type of contribution. BGS is already delivering solid free cash flow to us. So it's just a matter of staying the course with them and continuing to grow with the demand that we see both on the commercial market side as well as on the government sustainment side. And so I don't think BGS will be a huge incremental contributor. They'll be some contributor, but most of the cash flow benefits will be at BCA with all the reasons and all the other factors I talked about before and BDS in terms of its improvement path.

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.

Q

Hey. Good morning, guys. Kelly, one of the things we haven't really talked about much, at least on this call, is your thoughts around a new airplane innovation. And on the call, I think, maybe last quarter or two quarters ago, we talked a little bit about profitability in the business. I'm still kind of surprised that profitability isn't better for the aircraft industry writ large, including Boeing. So, I mean, is the key to getting more profitability in this industry innovating? Meaning, when I look at the 737, largely – granted there's been some upgrades to it over the years, but it's an airframe that was born the same year I was, 1967 it went into service, right? And when I look at the engine producers, they've been steadily innovating over the last 50 years, granted 787 had some innovation in terms of materials. But how are you thinking about that? Is the key to profitability for Boeing in the future innovation?

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

A

Yeah. So let me just first say there's no change in our thoughts or strategy relative to new airplane. And I've talked about this before that both the markets, technology and we need to be ready to do that, and we're working real hard on all three of those, as you can imagine. Relative to the profitability mix, look, we're going to improve profitability on the existing products. But the actual share of the overall aerospace profitability is kind of embedded in the supply chain architecture, and we're not going to change that on the existing airplanes. It kind of is what it is. So it points to the next airplane as the opportunity to change that. And I can tell you that we're spending a good deal of time looking at where the value is in the aircraft going forward and how do we participate in the value chain maybe differently than what you've classically expected us to do. And so, that's all a part of our strategy here that will play out when the market is ready for a new airplane.

Ronald J. Epstein
Analyst, BofA Securities, Inc.

Q

And can I follow up?

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

A

Yeah.

Ronald J. Epstein
Analyst, BofA Securities, Inc.

Q

Does that require more vertical integration or – I mean, how do you think about it, right?

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

A

I think it could require a little more vertical integration. I don't think a massive amount. I think it could require different kind of business partnerships, different type of ventures, certainly a different level of engagement with our supply chain depending on the commodity. So I don't think it's going to be any one area. I think it's going to be, depending on the commodity, you're going to see different business relationships, different business models going forward than you've traditionally seen in the past.

Ronald J. Epstein
Analyst, BofA Securities, Inc.

Q

Got it, got it.

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

A

And I think those models should be win-wins for our supply chain and for us, because they also would like to see some different business models as we go forward on a new airplane.

Ronald J. Epstein
Analyst, BofA Securities, Inc.

Q

Got it, got it. Thank you.

Eric Hill
Vice President-Investor Relations, The Boeing Co.

A

Operator, we have time for one more analyst question.

Operator: Certainly. Your final question comes from the line of Richard Safran from Seaport Research Partners. Your line is open.

Richard Safran
Analyst, Seaport Research Partners

Q

Thanks very much. Kelly, Jay, Eric, good morning. Listen, I thought you could expand on your opening remarks about Wichita. You've had Spirit for a while now. It's integral to your rate ramp. So, I thought maybe you could talk about how the integration's been going, how that's tracked against initial expectations, and if there's any issues that maybe you'd care to highlight. Thanks.

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

A

Yeah. No specific issues. I'd say overall, like I said in the prepared remarks, the integration is going as expected. We are seeing continuous improvement in the quality of the fuselages that are coming out of Wichita and coming into the final assembly line, so that's good. I don't see any challenges here with the near-term rate breaks associated with the Wichita business. We do have a massive effort, as you can imagine, going through the integration process, getting our safety and quality plan consistent across our entire business. Those are key focus areas for right now. But, look, we were just in – I was just in Wichita with some of the local politicians, and we pledged a $1 billion investment over the next several years in both people and capital to improve the facility, to address under-facilitized areas to support the ramps going forward. We still have some work to do in Wichita for the higher 737 rate ramps, as well as the higher 787 rate ramps.

But we've got plans in place and we're executing those plans. So far so good. It's a really good team. They're energetic. And I will tell you they're really, really happy to be back a part of Boeing, and I think it helps them see their future much clearer. So, we're on track here. We got a lot of work to do, but I'm pretty pleased so far.

Richard Safran
Analyst, Seaport Research Partners

Q

Thanks very much.

Operator: That completes The Boeing Company's second quarter 2026 earnings conference call. Thank you for joining.