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Deutsche Bank Global Industrials and Materials Summit
MANAGEMENT DISCUSSION SECTION

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

Great. I think we'll go ahead and get started. So, welcome. This is towards the end of day one of A&D track. My name is Myles Walton. I'm the aerospace and defense analyst here at Deutsche Bank. And with us today, we're pleased to have with us Boeing, hometown, Chicago here. And presenting for the company, Leanne Caret, who's the newly named President and CEO of Boeing Defense, Space & Security. So, it's a pleasure to have you with us, ma'am.

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

Thank you.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

Thanks so much for joining us.
QUESTION AND ANSWER SECTION

Myles Alexander Walton
Deutsche Bank Securities, Inc.

Q

In terms of just setting the stage, it would be a Q&A and interactive. There are no slides to necessarily show other than the forward-looking statements to cover everyone in the room. And so with that, Leanne, thanks again for coming. Could you maybe characterize for us how you're looking at the defense spending landscape domestically but also with 40% of your sales internationally, how that is also looking for you? Sort of high level, how it changed and how you think it's going to change one way or the other over the next few years?

Leanne Caret
President & Chief Executive Officer, Boeing Defense, Space & Security

A

Yeah. It's a very interesting environment. You're starting to see an increased demand if you look at the U.S. government budget roughly 2.2% over the next five years and we have a lot of folks who are pretty excited about that. I still view that as flat to modest growth. Clearly, that we're continuing to see the effects of the geopolitical environment. We're continuing to see tensions in the Middle East and in the South Asia and it's driving different behaviors both within the U.S. as well as internationally. And so from a Boeing position, where we are positioned with our rotorcraft business, with our fighter business, with our services business, there's all opportunities to continue to advance in those areas. I'm not seeing a direct impact in terms of increased backlog this year as a result of that, but I do think in an opportunity to stabilize our backlog and as we look to the future to take advantage of that and grow the business.

Myles Alexander Walton
Deutsche Bank Securities, Inc.

Q

Okay. And from an international vis-à-vis domestic, how would you put those two in different characterizations? Compare and contrast what you're seeing in those two markets.

Leanne Caret
President & Chief Executive Officer, Boeing Defense, Space & Security

A

Within the U.S., we're continuing to see the debate in terms of how the government wants to spend its money. Clearly, as they move into new administration, we'll see also the outcome of that. I don't think any one of us can forget what that means for us. Well, we continue to see there is from a U.S. perspective, services that have ageing aircraft. We are focused on the need to do some replacement that they have put on hold for a number of years. But even in doing so, they're still facing extremely tight fiscal constraints. And so, how do they do that in the most affordable way and ensure that they have the reliability and availability they need as they continue to migrate those products in over the long haul.

On the international side, what I'm continuing to see, and I'm out quite a bit doing the different roles I've had over the past couple of decades, is continued desire to be as aligned to the U.S. as possible. So, when there are U.S. products and services that are out there, you're going to see many of these customers who want to be part of that family of products and services. But in terms of the scale and the size that they can buy from a fleet perspective, it's not as significant. But also, they don't necessarily have all the infrastructure to be able to maintain, upgrade, and sustain them over time. And so that, from a services perspective where we have an advantage to really look at where we have that global presence and we have the installed base, how do we bring a lot of what we've done in the U.S. to those countries to help them make certain they're as efficient as possible.
Myles Alexander Walton
Deutsche Bank Securities, Inc.

And do you think that the election outcome has a material impact, not domestically but on the international front as it relates to those allies and friends who want to be closer to us through buying our products? Is there a positive and negative to that?

Leanne Caret
President & Chief Executive Officer, Boeing Defense, Space & Security

I can’t – no, none of us can speak to it. I just came back from Singapore. I was at the Shangri-La Dialogue this past weekend where we were focused – where the conversation revolved around Southeast Asia and the different environmental conditions that all the ministries of defense are facing. There are just so many different variables playing into their decision-making process. And like the U.S., they also have some significant budgetary constraints where they are trying to balance what they’re doing from a social perspective and social programs as well as from a different perspective.

Myles Alexander Walton
Deutsche Bank Securities, Inc.

There’s just two specific ones on international, the Vietnam opening of exportability of weapons and then the Canadians’ decision to push out the F-35 decision until the next decade opening the door to more F-18 buys in the near term. Can you talk about those two as may be opportunities?

Leanne Caret
President & Chief Executive Officer, Boeing Defense, Space & Security

Yeah. Vietnam – I actually had the opportunity to meet with part of the Vietnam contingency while I was in Singapore, and they’re very excited about what it means to have the arms embargo lifted. But part of it is figuring out to them what does that mean, there’s still going to be State Department approvals and requirements that need to go through. They’re also a country that has to figure out fiscally what they can afford and what they can’t afford. So I do believe that there's opportunities there. In terms of the timing, I think it’s going to – we’re all going to need to be patient to understand those impacts.

With regard to Canada, we welcome the opportunity to put the Super up in a competition. I continue to believe it’s a great aircraft with great capabilities. And we’ll let that customer work through its process, and if they determine that it’s going to be open for competition, we’ll be all-in to compete.

Myles Alexander Walton
Deutsche Bank Securities, Inc.

Okay. Well, let’s stay on the fighter enterprise for a second. So you have the F-15, the F-18. What is the current outlook for those two platforms in the medium term?

Leanne Caret
President & Chief Executive Officer, Boeing Defense, Space & Security

So in the short term, we see demand signals that continue to indicate that we’ll be producing both the F-15 and the F-18 through the early 2020. What I’m equally if not more excited about is how we take the opportunity to modernize those existing aircraft that are out there both for the U.S. as well as for other countries and modernize them for tomorrow’s fight. I mean, this is all about keeping these assets that are going to be flying into the 2040s and keeping them relevant, and relevant means addressing aging aircraft issues where they have corrosion.
because of the types of operations and the number of hours that they've had to fly over the past few decades and the number of conflicts they've had, as well as how are they being outfitted from an avionics perspective and from a weapons perspective.

And I really try to bring folks back to a Chinook story when I talk about our fighter business, because if you look at the history of the Chinook program, it went into service during the Vietnam War. And by everyone’s – history books will show that it was at the near brink of being out of production how many different times over the course of the last 50 years, including as late as in the early 2000s when we produced less than 10 aircraft in the entire year. Yet you look at the demand for the Chinooks today and what advantage that is, the focus we had on modernizing and upgrading it and continuing to evolve the technology so that we were ready to win the next opportunity presented itself.

From a fighter perspective, I see the same thing occurring not only from a service light enhancement program that addresses the corrosion, addresses aging aircraft issues, but the modernization aspect so that when the next fighter competition is, and there will be another one at some point in the future, we have the capabilities, the talent, and the expertise to compete.

Myles Alexander Walton
Deutsche Bank Securities, Inc.

So there's a nasty rumor in D.C. that the F-22 may be getting resuscitated.

Leanne Caret
President & Chief Executive Officer, Boeing Defense, Space & Security

I'm getting some e-mails on that.

Myles Alexander Walton
Deutsche Bank Securities, Inc.

And you're a primary supplier on the program when it was being produced. What is the thinking and probability important...

Leanne Caret
President & Chief Executive Officer, Boeing Defense, Space & Security

I am waiting to hear. Yeah, I'll defer to the customer to give us an indication on that one.

Myles Alexander Walton
Deutsche Bank Securities, Inc.

Okay. All right. Let's stay then still in the fixed wing market. So the trainer is an opportunity on the horizon that you're, I'm sure, going to be eagerly awaiting competing for – Z-Bar, J-STARS. Talk about those in terms of timeline import to you. And also put into context, and we'll get to it in a minute, but how you would go to bid on those contracts. I think people want you to win things, but they want you to win them profitably. And so, as you look at competitions like those, how are you going to market?

Leanne Caret
President & Chief Executive Officer, Boeing Defense, Space & Security

I think, I've started, if you don't mind, Myles, it was kind of what I shared with our team and I shared it in the investors conference back in May that as I look to the future of Boeing Defense, I want to make certain that we have clarity around where we want to have a leadership role from a market position and where we want to align
our investment dollars. As you all know we spend roughly $1 billion a year in R&D on the defense side and we want to make certain to your point that we're spending in a way that adds value from a company perspective to our shareholders. And those six markets are on our commercial derivatives. Obviously J-STARS fits well into that niche. You'll also hear autonomous as one of my six focus areas, and that's where – it's now called MT-25, has been – it had several names as of late. That is the official designation now. Fits into that space.

But then you also have our rotorcraft business. We talked a little bit about that and extending those lines. We have human space exploration, satellite business, and then our services business. And the fighter, actually, I was thinking about, really fits well in that service space as you think going forward. But there are several campaigns that I view as a can-win and that clearly very much want to win. T-X is one of those MT-25, the J-STARS recap, and GBSD which by itself many folks still think about it dwarfs all of those others in terms of size and scale. Now, that also will require the government to decide. The conversation's running, nuclear triads versus the dyad and all of that. But clearly, the conversation is such that we need some of those defensive mechanisms.

When we look at how we're going to bid, I want to – my focus is to bid to win but do it in a way that is going to bring profitability to the company. We've been very clear. I think you all heard Dennis Muilenburg say it just last week, how we are targeting increasing our margins going forward. You've seen on the defense side over the past five years they've continued to show growth in that area, and we continue to do that going forward. And that's really based on two things. First off is affordability in general, making certain we structure the business the way both from our overheads or benefits, our facilities, in a way that really gives us that advantage there.

Secondly, through productivity and efficiencies. I gave an example not too long ago where based on how we've been able to take lessons learned from commercial and then fold them into our defense business, we've been able to reduce the average unit purchase price of a PA by 30% over the last five years.

And then finally, it's through business models. And I think that's a lot of what folks haven't talked about as much, is what does an innovative business model look like? How do you add in service elements to it that will allow you to take advantage of the tail of the acquisition? Because as you all know as well as I do, when you look at a total value of a weapons system, 30% is upfront with the acquisition of the asset itself. 70% of it is spent on support and sustainability over the decade. And so how do we take advantage of that? And those are the considerations we'll be making in each of those campaigns.

Myles Alexander Walton
Deutsche Bank Securities, Inc.

Okay. And the one that it's kind of clear is that would drop into your backlog this year, the presidential aircraft recap because the source solution has already been determined and it's just, I guess, a matter of Ts and Cs to get it under contract.

Leanne Caret
President & Chief Executive Officer, Boeing Defense, Space & Security

Yeah. I spent 10 years of my career supporting the Special Air Mission slate, of which the president's airplane is one of them, and it is definitely an honor and a privilege to support that aircraft. The contract structure is in line with the development type program. We are working through trade studies with the U.S. Air Force right now, and we look forward to supporting that program.

Myles Alexander Walton
Deutsche Bank Securities, Inc.

Is the situation, though – I think they make the decision on placing the order through a milestone this year.
Leanne Caret  
*President & Chief Executive Officer, Boeing Defense, Space & Security*

Yeah. They are looking at – right now, they are looking through their formal process about the procurement of the aircraft, and that’s how they have their money programmed right now.

Myles Alexander Walton  
*Deutsche Bank Securities, Inc.*

Okay. And so to caveat this to – we talked about it obliquely, but bidding things profitably, how has the bid process changed since something like the KC-46, which was a strategic investment, you kind of knew that you were skating on the edge when you bid it most likely? Maybe you didn’t know you were skating over the edge, but you knew you’re skating on the edge. Have you changed the process, the risk hurdles, the gating process? What have you learned from the KC-46 process that’s beating into lessons learned for the new competitions?

Leanne Caret  
*President & Chief Executive Officer, Boeing Defense, Space & Security*

I’m not going to say our bid process has changed. We were very aware of the bid we made on KC-46. We are very focused on the fact that we recognize it’s a franchise program that’s going to be in service for decades with, I’d say, 400 aircraft. Clearly, all those things that are going to generate long-term profitability for us collectively.

What we’re continuing to look for is understand how we are bidding in terms of the full life cycle. And so one of the areas of opportunity we always have, especially as we deal with defense contracts, is so many times, the evaluation is focused on the instant contract and the instant price, and that support piece doesn’t come along with it. And so more the opportunities where we can look at holistic solutions where we can bring both the aircraft with the vehicle itself [indiscernible] (15:28) as well as a support element, that changes the conversation dramatically, and I think it’s a real opportunity for us.

Myles Alexander Walton  
*Deutsche Bank Securities, Inc.*

So in a sense where the KC-46 – and Dennis has talked about this over the entire life cycle, obviously have access to the tail of that in logistics. And that’s where the payoffs is from a total program perspective. But I imagine you still have learned some of the lessons are in the systems engineering or the demand [indiscernible] (16:00).

Leanne Caret  
*President & Chief Executive Officer, Boeing Defense, Space & Security*

Yeah. So, in terms of the execution of the program – so that’s for sure the execution of the program, which isn’t as much about the business case or the model – the business model. It is the U.S. Air Force’s top priority. It is my top priority. I spend literally time every day on KC-46, and it’s not time sitting 2,000 miles away calling and making questions. I am routinely in sales, and in fact, I’m there Friday again where we’re out on the floor, we’re talking, and making sure we understand. I grew up around air planes. I run shop floors before. So the ability to be out there and really see firsthand where the challenges and issues are, I think, one of the key differences from when we bid and start executing KC-46 to where we are today with the startup from our development organization.

And with all confidence, I believe that we’re better off on tanker today because of the development organization and the fact that we established that last year and put that mechanism in place. And there’s been a lot of conversation. We’ve seen all of the media. I know there’s been a lot of debate about what was known, when and where. Because of the way we’ve organized, that is why when we made the decision after a test that the software solution wouldn’t work that we could pivot instantly to a hardware solution because from a development
organization perspective, we were operating down two paths. We didn't spend a lot of time talking about the two paths, but it allowed us to be proactive. And our customer was with every step of the way to make sure that they understood that as well.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

So, that external investors, as we see, there's a few milestones that moved on the KC-46, to stay on that for a second.

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

Definitely.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

One was the milestone fees. It goes to August. The other is the delivery of equipped aircraft and then the third is the RAA formal contractual piece. And so as external investors were trying to calculate and understand what the implications are financially of all that. If I think about those three pieces, is the biggest piece solving — implementing the hardware fix in the near term in the two-month period of time?

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

So, getting their hardware fix test — so again, we still have 80% of flight test still to do and we've been clear on that. We will be flying the aircraft in the July timeframe. Again, what we have remaining to do to prove out the boom is flying the 17, flying the F-16 and then flying the A-10. We'll give that data as — Air Force actually conduct those test with us and then they'll do the data and it all prepares for milestone fee and the decision to go into production, how that production categorization is defined.

From a financial impact, we are in a process of assessing what those impacts are of implementing that solution as well we shared before changing corporation because we are going to have 18 — beyond 18 aircraft built of next summer and we're going to be nailing the change of corporation. We've always talked about the modifications to the Boom that will need to be done there. It's not rebuilding an entire Boom but there will be modifications required to the Boom. And so that will be incorporated as part of that.

We've also talked from a cash perspective. We're not looking at cash to be impacted this year. The timing support the decisions, support the timing based on what we know today. But we do need to complete our financial assessment.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

Got it. Okay. And I think Dennis also said that within your growth from the cash flow this year to next year is also not derailed by this...

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

Correct.
Myles Alexander Walton  
Deutsche Bank Securities, Inc.

Okay. So you come from the services...

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

It’s been...

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

...most recently.

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

Yeah, most recently. Yes.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

Most recently. And so talk about that’s the business that has actually grown through sequestration. It’s performance has been as if sequestration didn’t exist and the down cycle [indiscernible] (20:03)

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

Despite everything we thought, too, really.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

So talk about the trajectory and the ability of that momentum to continue both on a top line and from a margin perspective.

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

I'm real passionate about the services business. Then, it goes back to that point of conversation that when you look at the lifecycle of a weapons system, 30% of the cost is associated with the initial purchase of the aircraft or the vehicle, and most times, more attention is spent on that than is spent on the whole tail end of it.

Many years back, we made a decision to stand up as a separate services business focusing on customer understanding and customer intimacy in terms of how do we give them the best access, the best availability and the best support that they need in order to maintain their fleet especially recognizing that operational and support budgets always are under pressure.

And so when we look at what we’ve been able to achieve, this has been successful, mildly taking advantage of the installed presence we have around the globe from just pure-play Boeing but we’ve also been able to move off Boeing platforms into other areas where we can apply the same techniques whether it’s modernizing and upgrading or it’s providing parts support or some sort of predictive data management set that allows us to help our customers manage their fleets.
And that's really what allowed us to grow that business and you've seen that specifically as we've set up Boeing Defense Australia, Boeing Defense UK, Saudi Arabia, and then as we go forward, in India.

On the side, we also have the opportunity with those business models because these are customers who don't have necessarily all that infrastructure. And so, we have the ability to get truly paid for performance based on terms that we set up. And when we perform better than those stated goals, we can get upside and all that, and that's been great.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

Q Well, that's an area that seems like a perennial upside. So, I think it's six years in a row you've beat your initial margin guidance in GSS by 150 basis points, on average.

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

A Well, that's just fascinating.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

Q And it looked like you're tracking ahead again this year. So, what is it that won't prevent this year from looking like the last six years in terms of this being kind of an offsetting function to some of the risk retirements and the other [indiscernible] (22:31)

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

A I'm not going to – obviously, I'm not going to talk forward-looking guidance. That wouldn't be appropriate. What I would say is that this continues to be a business where we can be innovative not only in our business models, but we really have been extremely aggressive in our cost – affordability initiatives. And we continue to see, really, just great performance out of this area of the business.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

Q So, the affordability [indiscernible] (22:57) So I'm going to try and ask it a different way. So, the affordability initiative, last year, the business talked about $5.1 billion of cost savings achieved with another $1 billion to go within the GDS defense business [indiscernible] (23:18)

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

A Right.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

Q How much progress are you making towards that $1 billion of incremental savings, and...
Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

We actually achieved $6 billion of savings over the last five years. So, we have surpassed all of our expectations on market-based affordability. And for those of you all who’ve been following, you know that’s a combination of what we’ve done on partnering for success in terms of taking advantage and coming up with win-wins with our supply base. In addition to that, it’s really been about optimizing the workforce, optimizing our benefit packages.

And in the services side, that’s an area where customers can afford to pay high-end engineering and development rates. You’re looking at a certain service level, and so we are able to tailor those mixes to that customer segment.

I’ve been extremely aggressive. Part of this dates back to my time as CFO. We’ve had great success to date. My belief is that we can continue to push forward those affordability efforts, and there’s more to be gained and we’ll continue to do so.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

So to put your business in context of the whole Boeing thesis as a stock, right now, a big piece of that thesis is tied to cash flow. And the cash flow of the entire company, obviously Boeing Defense is a big contributor to it. If you look at your cash contribution, your business’ cash contribution the last few years and the next few years, is that a stable contributor, and how would you classify its cash conversion versus the rest of the business?

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

We convert cash to earnings pretty consistently, and we have – so as you look at our earnings projection, that gives you a good leading indicator on our cash. Clearly, as the C-17 line has ended, well, we have one aircraft that will look at delivery next year.

That has – clearly there’s been – some of the cash has come from there, and we’ll see some adjustments there. But at the same time, we’ll see the KC-46 program ramping up. So, I don’t see a fundamentally different profile going forward. We’ll still convert pretty much one-for-one with earnings, and so I think we’re pretty consistent.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

Okay. Good. Men space or human space. My wife would kill me.

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

We’ll say it’s [indiscernible] (25:32) I’m turning a bit red, just so you know. Is this video cammed?

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

I don’t know.

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

Oh, I did not know that. [indiscernible] (25:43)
Myles Alexander Walton  
*Deutsche Bank Securities, Inc.*

All right. So, back to the...

Leanne Caret  
*President & Chief Executive Officer, Boeing Defense, Space & Security*

[indiscernible] (25:48)

Myles Alexander Walton  
*Deutsche Bank Securities, Inc.*

Thank you. Space. So ULA, they've a little fear that SpaceX actually going to take over the world. And the ULA is obviously not a big piece of your earnings stream but space in general is an area that you could do a lot more and you obviously have the presence on SOS. You have the presence on commercial crew and you have obviously a stake in ULA and its future as it relates to Vulcan...

Leanne Caret  
*President & Chief Executive Officer, Boeing Defense, Space & Security*

Yeah.

Myles Alexander Walton  
*Deutsche Bank Securities, Inc.*

...and what happens there. Talk about that in its totality with particular emphasis on I think on where it makes most important to you, which I imagine is in the SOS and the commercial crew.

Leanne Caret  
*President & Chief Executive Officer, Boeing Defense, Space & Security*

My folks actually met at the ship plants in New Orleans, Louisiana on the satellite program and I was actually — I grew up, born on Florida, Kennedy Space Center. And I was actually at Kennedy Space Center yesterday with the commercial crew program. Space, it is such an inspirational topic and what's really most exciting is that we're actually talking about it again because for a number of years you have heard a lot about it. It's a challenging area because you have on one hand the requirement and the absolute no fail mission where you're going to provide safe, reliable access that is assured with an emphasis on safe.

At the same time, it is an exclusive proposition. So how do you break news when the popular rooms (27:27) of the day? How do you break the cost curve to do it in a way that it totally disrupts and transforms that business. We're on a journey together. I think SpaceX is right in the middle of that with us. We're all looking for how we do it, and we all bring something a little bit different to the game. I think they are doing a great job in terms of how they're looking at it from a cost perspective. I think we're doing a great job in terms of how do we continue to ensure its assured and it's safe. And so, it's that reconciliation and that migration of those two elements.

I think what I'm most excited about is it does present a lot of opportunities forward. And the U.S. as well as the rest of the world is going to decide how much spending they're going to actually put aside it because there continues to be a fight year after year as you know. Also, it isn't as if those funding lines are just secured and [indiscernible] (28:18) going after them. They usually see some impacts, and then there's [indiscernible] (28:23) restore them. And so, that always makes it challenging. But we, the Boeing Company, have to continue to disrupt
ourselves in terms of how we're going to provide that no-fail element of it and do it in a remarkably affordable way, and we're working our way through that.

Myles Alexander Walton  
Debeane Bank Securities, Inc.

Q So, when you lump your station as well as commercial crew into a bucket, about how much of NSS is it?

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

A You're going to ask me for a number. I don't have a number off the top of my head, and the gentleman with the cue card who should be standing at the back of the room is not.

Myles Alexander Walton  
Debeane Bank Securities, Inc.

Q So, from a perspective of trajectory from here, is it about a low to mid single-digit growth?

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

A Yeah. I mean, in terms of growth rate, yeah. I mean, we're not talking double-digit growth rate. And again, I think a lot of that is as a result of how it's being funded. I think there are some general conversations about is this going to end up becoming more of a commercial play as it goes forward more so than a traditional NASA play.

Myles Alexander Walton  
Debeane Bank Securities, Inc.

Q Sure. And would you – I think you're still thinking – Starliner?

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

A Starliner, commercial – yeah.

Myles Alexander Walton  
Debeane Bank Securities, Inc.

Q Starliner will be first?

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

A Yeah. That is my – not only my desire, my intent. And that we do it at the right way. And sometimes, doing it the right way means you need to go slow to go fast. And so making certain that we've taken our lessons learned and we've put a commercial crew within our development organization and really make certain that we’re doing the holistic systems engineering to your earlier point upfront to make sure that we can deliver on that commitment.

Myles Alexander Walton  
Debeane Bank Securities, Inc.

Q Okay. And then, the ULA, and your role as JC's partner. And what do you think is the future there? What your commitment is? What your requirements are for the Vulcan and the new launcher that will be required to complete?
Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

There is – I don't know if any, that's not interested in having a U.S. rocket. The discussion around the use of Russian rockets, where everybody is aligned. We promise we don't have a U.S. rocket right now at the right size. That makes it the most affordable and economical for our nation and so, giving us the time to bridge to that continues to be part of the conversation that's had.

And aside to that, it's how you – how did ULA become cost effective from a price for launch. And that is something that that team is totally focused on. And we've been seeing great progress on that to-date. And they [indiscernible] (30:59) they understand what's needed and they're going after it full-court.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

And from a CapEx requirements front or development dollars required from Boeing to inject into the joint venture? Is that something that will show up on the radar?

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

There – we'll continue to invest as appropriate based on the business case as it manifests.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

And the $900 million a year that you do spend in R&D across the business. What's the trajectory of that? Is it a flat outlook relative to flat sales?

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

It's really stable. Even through – even during the downturn, as you look, we're a $30 billion company and we have been for a period of time. We have never shied away from our investment dollars. I think it's one of the reasons why we've been able to stay the course through some fairly challenging times from a budget perspective. And we're going – we don't have any intentions of changing that course significantly going forward.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

Okay. And may be the last line would be around the programs in the rotorcraft market that are mature, seeming like they kind of run like clockwork, another business that you ramped.

Leanne Caret  
President & Chief Executive Officer, Boeing Defense, Space & Security

That's a great business, too.

Myles Alexander Walton  
Deutsche Bank Securities, Inc.

So think – help us think about what the outlook is for rotorcraft. Is that a stable piece of the business?
Leanne Caret  
*President & Chief Executive Officer, Boeing Defense, Space & Security*

Yeah, absolutely.

Myles Alexander Walton  
*Deutsche Bank Securities, Inc.*

Is there an opportunity, pluses or minuses that you can [indiscernible] (32:25)

Leanne Caret  
*President & Chief Executive Officer, Boeing Defense, Space & Security*

One of the things that I learned running that business is — and in around the world to the U.S. really to our fighters and bombers as being the iconic aircraft that are military uses. If you look at the UK, if you look at other nations, the rotorcraft, the Chinook fleet license is their iconic asset of choice. And as the conflicts continue whether it's in the Middle East, whether it's in the — wherever it happens in the Asia Pacific, you're going to still continue to find that need for that type of capability.

And I really like to share a story as it relates — because I think it talks a little bit about me as a leader and why what we do is so important. I received a phone call one day at the office a few years back from a mother. It was really odd because not many of us get phone calls from moms at work. And she called to thank us for building the Chinook and I asked during the course of the conversation why the call because it's a bit out of the ordinary. And she said, my son was a ground troop, and he was involved in an IED incident, and the majority of his team was killed. He was critically wounded, and a Chinook got him out, and then he got into a field hospital and then eventually he came home to Walter Reed on a C-17. And it's not a plug per se for the Chinook or the C-17, but she said, he came home for Christmas because of what you all do.

And that's part of this defense base, and what we do is our contribution to the fight is really not determined purely by our proximity to the fight. We do meaningful work. The assets we're building, the assets that we're supporting, provides value to the war fighters and to all of us that are sitting here in this room today. And so I think the aircraft fleet will continue to show its dominance because of that very need.

Myles Alexander Walton  
*Deutsche Bank Securities, Inc.*

Okay. Well, I'm not going to top the story, the mother calling about her son. So I think we'll probably come to a conclusion there.

Leanne Caret  
*President & Chief Executive Officer, Boeing Defense, Space & Security*

Well, thank you for the time. I appreciate it. I think you caused me to lose my voice. Thank you very much.