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CORPORATE PARTICIPANTS

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Gregory D. Smith  

MANAGEMENT DISCUSSION SECTION

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

Okay. Thanks, everyone, for joining us. My name is Peter Arment, I'm the Senior Aerospace, Defense Analyst here at Baird. We're delighted to have The Boeing Company here with us and particularly Greg Smith. He's someone I've known a long time. He's the Chief Financial Officer and Executive Vice President of Enterprise Performance and Strategy at Boeing. He's been involved in aerospace for several decades and looking forward to having a little chat with him.

So with that – and I know Boeing has a few slides just to touch upon. And we'll go through that. All set?

Gregory D. Smith  

Forward looking statement has been accomplished.

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


Gregory D. Smith  

Good morning. Well, thanks for having us.

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

Thanks. Thanks for being here. We really appreciate it.

Gregory D. Smith  

My pleasure. My pleasure.
QUESTION AND ANSWER SECTION

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

Q

Probably helpful for us just for you to kind of – at a high level kind of – after Q3 kind of level set, as how you’re thinking about positioning as we go into next year?

Gregory D. Smith

A

Yeah. Yeah.

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

Q

Just from the big piece of the business.

Gregory D. Smith

A

Yeah. Well, I mean maybe I'll just kind of start with a little bit on the market. And again nothing’s really changed from Q3. But market continues to be pretty robust. I mean when you look at the traffic and the traffic projections going forward, they remain healthy.

Certainly when you look long term, it's a 41,000 aircraft market over the next 20 years. So it really gets to, do you have the right products and services in place to win in that marketplace and compete to win on every campaign? And we feel pretty good about the products we’ve got in place and the enhancements we’ve made to our products like the 737, bringing the MAX 7, 8, 9, and now the 10 in place, the same with the 787. And of course the 777X coming on board here soon.

And then of course on the defense side, certainly seeing good support on our defense products. I think this definitely is once again an environment where it's all about highly capable, affordable, reliable products and services, and demonstrating that day-in and day-out and making the right investments.

And as you know, we’ve made some – the right investments in that business. And we'll continue to make significant investments in there to compete to win, not just domestically, but globally, because the demand internationally continues to be strong.

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

Q

Right.

Gregory D. Smith

A

And then of course services.
Peter J. Arment  
**Analyst, Robert W. Baird & Co., Inc.**

Right.

Gregory D. Smith  
**CFO & EVP-Enterprise Performance & Strategy, The Boeing Co.**

We just broke out our services business, a $2.6 trillion market. We have 7% share on one side of our business and 9% on the other. And this is certainly a new emphasis for us.

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

Right.

Gregory D. Smith  
**CFO & EVP-Enterprise Performance & Strategy, The Boeing Co.**

To put this at the forefront of our objectives and to establish that business and really being the – bring the best of Boeing together between the space, defense and security capabilities around services along with commercial. And to serve our customers better, what I think will ultimately drive more value to them and to us at the end of the day.

And we're pretty excited about again looking at that marketplace and what we think we can do and how we can compete to win in that market. And getting that established last quarter.

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

Right.

Gregory D. Smith  
**CFO & EVP-Enterprise Performance & Strategy, The Boeing Co.**

And reporting it for the first time. So we're just getting started there. But we got a lot of initiatives in place to drive growth and to drive efficiency.

There's a lot of efficiency opportunity there, as we look at the back – I'll say, kind of back-offices between, whether it's the training centers of those two separate business now together, parts and logistics and inventorying of parts and warehousing, bringing those together. On the digital offerings and which we have been I think off to a great start. And if you step back and you think about, we know these products better than anybody.

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

Right.

Gregory D. Smith  
**CFO & EVP-Enterprise Performance & Strategy, The Boeing Co.**

We designed them, we invested in them, and we know the capability of those products. So really bringing that to the marketplace and helping our customers operate their fleets more efficiently again I think is a win-win.
So that's kind of what we're focused on, I'll say, at kind of on – at the highest level. Certainly productivity.

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

Right.

Gregory D. Smith  

Big steps forward in productivity, resetting the bar on productivity. Looking outside top-quartile industrial really can – getting our teams to strive to a whole different level of performance. And where do we have inefficiencies and how do we capture them? Whether it's on products, in the services, and when I say that in our factories, supply chain.

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

Right.

Gregory D. Smith  

As you know through Partnering for Success. But even functionally, looking at functions across the company completely different. How those functions delivering services? Are they best in class? Do we have centers of excellence? How do we do that? All with a keen eye towards winning...

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

Yeah.

Gregory D. Smith  

...day-in, day-out. Winning in the marketplace, winning with our stakeholders in Wall Street, driving value, reinvesting that back in the company, returning cash to shareholders, et cetera. That's the model.

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

And let's – on the services piece, let's touch upon that.

Gregory D. Smith  

Yeah.

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

Just because it's the newest piece that we've been able to kind of see on an individual basis. When you look at that, the parts, the MRO, the data analytics, you kind of talked about the training services.
Gregory D. Smith  

Yeah.

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

I mean is it still the parts is the biggest opportunity? And how quickly do you think that we start to see that?

Gregory D. Smith  

Yeah. Look, I think there’s opportunity across the board. Certainly parts is one of the bigger portions of that services segment, it’s about 40% to 50% of our offering is in parts. And then about another 40% in repair, overhaul, and maintenance, and the balance being digital and training. So I would not tell you there’s a shortage of opportunity on any of them.

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

Right.

Gregory D. Smith  

I think there’s opportunity across the board. But it’s a different way to go to the market. It’s again at the front of some of these campaigns and really demonstrating to our customers that we can bring a better level of service, better value, as One Boeing, and bring our capabilities to the marketplace, again at the forefront, and continuing to demonstrate that. So we’ve got some great examples of doing that in the company.

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

Right.

Gregory D. Smith  

Whether it’s C-17 performance-based logistics or complete global services agreements we’ve got on the commercial side. And really, I’ll say, kind of building upon those and winning the market.

So I’d say again, across the board there’s opportunity to grow, there’s opportunities from an efficiency. But it’s people waking up every single day, thinking, breathing, eating, sleeping, services...
...into our customer. Every single day and doing that as One Boeing and bringing the best of Boeing to the marketplace. And that's the, I'll say, more enhanced focus that we've got going on today.

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

And how should investors – how should we look at this? And track like how successful you're going to be? Is it just based on the growth? I mean we know the defense side is going to be lumpy.

Gregory D. Smith  

Yeah.

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

To judge kind of how you're doing, because there's a lot of different facets of it.

Gregory D. Smith  

Yeah, and you're right. I mean this is a portfolio that's obviously not a couple programs. These are thousands of contracts.

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

Right.

Gregory D. Smith  

To your point, so it's going to be the growth. I would say watch the top line growth tied to that. There will be again some key wins in there.

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

Right.

Gregory D. Smith  

But just keeping in mind that a services win that goes over 15 years, versus a campaign on a platform is different. And so it's a big broad diverse portfolio. But again you look at that market share, it's about capturing more of that share.
Gregory D. Smith

So watching the share, watching the growth. And us, I'll, say reaching our – reaching the opportunities that we put in front of us, the growth opportunities, and enhancing those and getting those to the bottom line.

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

Because there's so many different pieces of it, is this more of a growth story versus a margin expansion story? Or you think it's both?

Gregory D. Smith

I think it's both. I mean certainly we got to grow and grow profitably.

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

Right.

Gregory D. Smith

And do that efficiently. But we're not pulling on one lever. And so it's all around.

And when I say efficiency, it's margin, but it's also from a working capital perspective. And overall, kind of, I'll say, cash management and how we're managing the inventory. How we're turning that inventory.

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

Right.

Gregory D. Smith

How we're leveraging our buys across the enterprise, not just in spares and then in the supply chain and then in the platform businesses.

So if you look at that kind of integrated scorecard, it is exactly as I described. It's integrated. So it's not just one lever, it's multiple.

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

Right.

Gregory D. Smith

That need to all happen collectively and bring the value back to the company and to the customers.
Peter J. Arment  
Analyst, Robert W. Baird & Co., Inc.

Got it. Let's switch over to kind of the commercial side a little bit on BCA.

Gregory D. Smith  

Yeah.

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

So you've talked about being kind of in very attractive positions on where the 737 MAX is in terms of customers, the back – where the backlog sits. Maybe you could just update us, your thoughts there on how that 10% to 15% of deliveries is going to be? MAX this year and how that program is going? And what you're seeing from a customer perspective?

Gregory D. Smith  

Yeah. Look, I think bringing the MAX into the line, the learnings off of bringing the 787-9 smoothly into the production system while you're building the 787-8 and going up in rate. Taking those lessons learned and taking that team and embedding them with the 787. And now bringing that over to the MAX.

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

Right.

Gregory D. Smith  

So making an investment in that separate line, running the MAX down the line, while you're continuing to deliver NGs at a record production rate.

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

Right.

Gregory D. Smith  

And working out any bugs that may be in the system, in the supply chain to keep – again keep the risk – minimize the risk, and drive the efficiency. They've done a great job. So now we're integrating those lines already.

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

Two lines, right?

Gregory D. Smith  
Yeah. Integrating those lines together. And that should give you confidence again in the production system. That means that, hey, we got the flow times down, the cycling is efficient, and the crew cycling, tool cycling, whatever that may be, is happening more efficiently. So good job.

To your point now it's the rate ramp on MAX.

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

Right.

Gregory D. Smith  

We've delivered over 30 MAX airplanes so far this year. And we've got a heavy, heavy fourth quarter, so we know by tail number what needs to get done by when. And the supply chain is a key element of that, ensuring that we get these things delivered on time between now and the end of the year. So it's a big quarter for us.

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

Right.

Gregory D. Smith  

But off to a good start.

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

Fantastic. Another one that's -- I think that is get -- and it caught us a little bit by surprise but was on the 787 to [ph] go up in hiring rate (11:30).

Gregory D. Smith  

Yeah.

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

It just points to the success of that program. And I think where there's still opportunities for you to add to the backlog. Talk just a little bit about kind of that decision to go to 14 planes a month? And I think -- yeah.

Gregory D. Smith  

No, it's a great question, because it's a big decision...
Gregory D. Smith  

...for a company when we make these rate increases. And it's very disciplined. And I think when you look at the over – I think we're over 25 rate increases if you looked up back to kind of the 2011 timeframe.

That efficiency in that decision making and discipline around supply and demand, same application when we were looking at going and firming up going to 14, which includes the entire supply chain, our own efficiency, what capital we need when. And then ultimately, the marketplace.

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

Right.

Gregory D. Smith  

Is the marketplace strong enough to support the 14 a month. All of that came together and gave us the confidence to be able to go up to 14.

And I think again it's another signal of the strength of that product in the marketplace. And I think as 787-10 gets out in the market and gets operating, it's going to be a phenomenal machine.

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

Right.

Gregory D. Smith  

That I think will again draw more demand.

But again I think it goes to – if there's 150 – close to 150 new city pairs that have been created by the 787. And the efficiency of the 787 compared to what it was replacing or what's available competitively is compelling. And I think the backlog represents that.

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

Right.

Gregory D. Smith  

We're over 600 deliveries on the 787...

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

Incredible.
Gregory D. Smith  
...which is incredible.

Peter J. Arment  
Analyst, Robert W. Baird & Co., Inc.  
700 in backlog roughly?

Gregory D. Smith  
Yeah, 700 in backlog and we got a lot of active campaigns. Now we got to bring them home.

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

Gregory D. Smith  
But there’s strong demand for the aircraft. And again I think it just goes to the effect of what that airplane is actually bringing to the market.

Peter J. Arment  
Analyst, Robert W. Baird & Co., Inc.  
And will the mix ultimately be when you get out to the out years, the 787-9 and 787-10 kind of be fairly even?

Gregory D. Smith  
Yeah.

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

Gregory D. Smith  
Yeah. I mean there will be – it’ll be – definitely be more 787-9s than 787-10s in the mix...

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

Gregory D. Smith  
...than there will 787-8s. And certainly the 787-9 this year is a significant portion of the deliveries.
Peter J. Arment  
Analyst, Robert W. Baird & Co., Inc.

Right.

Gregory D. Smith  

Compared to what it was two years ago. So that rate ramp, getting the 787-9. And then bringing that 787-10 in as you look – go into Charleston, which we were just there not that long ago, very smooth introduction into the production system. But the commonality of building...

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

Right.

Gregory D. Smith  

...a 787-9 versus a 787-10 is key. So you get out on the floor, talk to the people, watch how the airplane’s cycling as it moves through the production.

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

What is that commonality now? Is it up...

Gregory D. Smith  

Over 90%.

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

Over 90%?

Gregory D. Smith  

Yeah, almost 95% common.

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

[indiscernible] (14:29)

Gregory D. Smith  

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

Hybrid.

Gregory D. Smith  

Yeah. Yeah. More enhanced airplane brings more capability, more seats and – but getting that into the production is key – back to your productivity question, is key in that. So that’s going well and it’s going great in flight tests. So now the key is getting that up in rate, getting that mix richer to 787-10s.

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

So these are the more mature programs. But some of the ones that you talked about, you have 777X coming down...

Gregory D. Smith  

Yeah.

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

...on the development pipeline. It seems to be – sounds like progressing very well. But maybe you can give us a little update of your thoughts there? And then dovetail that into thinking about what gets debated every day, is about when Boeing talks about the middle of the market, et cetera, and what that does for development? And how you're approaching that?

Gregory D. Smith  

Sure, yeah. Yeah. Look, 777X is – to your point, it's approaching that – it's becoming reality. So we're putting parts on tools.

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

Right.

Gregory D. Smith  

And we're building the spar right now. And we'll begin to build the wing. And so we've reached that point of production. And that'll be the first static airplane that we'll put into the test phase. And off to a good start, off to a good start. But certainly to your point, from an operating rhythm perspective, getting more and more visibility.
And ensuring we understand what the risks are. How do we mitigate them? And again how do you bring the best of Boeing together when we do have whatever challenges we have? And understanding where we've got opportunities. And anytime we have an opportunity to build some buffer...

Right.

...we'll build buffer in there. So again off to a good start, but you're right. It's at that critical point now where it's becoming real. It's exciting. Certainly when you walk the factories and see the investment we've made in the capital and in the people. And then watching how we've leveraged technology like the wing for example.

Right. Yeah.

Leveraging the capability and the techniques off of the 787 and now applying them on 777. So no new invention. Different size obviously. But that capability and building off of the lessons learned and building off the strength of that knowledge base and bringing it onto the 777. That's exciting to kind of [ph] see that now. (16:48)

How do you feel about the 777 bridge, just kind of as you kind of work into that?

Yeah. It's better certainly.

Yeah.

The team's done a great job of selling into that bridge. Again I think it goes a lot to the – what that airplane brings to the market. There's certainly – freight has better this year.
Gregory D. Smith

Which has created more demand on the 777. So we're in a much better position than we were a year ago. And having said that, we keep a close eye on it and make sure that we got everybody focused on closing that bridge. But it's 90% sold out in 2019. And so slot by slot, we've got sales campaigns in work. And we're feeling more comfortable about filling that bridge.

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

That's great.

Gregory D. Smith

Yeah.

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

And then just on the middle of the market discussion.

Gregory D. Smith

Yeah.

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

How you're thinking about that in terms – kind of that gated process that you guys have, the very rigid process you go through?

Gregory D. Smith

Yeah. I mean, look, it is very rigid and very disciplined.

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

Right.

Gregory D. Smith

And rightly so. We see a market opportunity. So and we see a market opportunity that's pretty significant. And so we're in active discussions with our customers to see, is that a market that's attractive to them? Is that capability they need? What kind of efficiency of a product would they need? What kind of a size of a product? And so on. And what could we offer in a kind of 2024, 2025 timeframe? And how would that meet their needs? Certainly part of meeting their needs is the pricing that would have to go with that.
Peter J. Arment  
Analyst, Robert W. Baird & Co., Inc.

Right.

Gregory D. Smith  

And then our cost structure. So we're in the phase right now of really getting deep and on the market, on further discussions. We're in discussions with over 50 customers on exactly where this would fit in their fleet? What would it do? What do they need? When do they need it? And then can we make the business case all come together and be efficient? And can we ensure that we've got an R&D profile that we don't have any concurrent risk?

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

Right.

Gregory D. Smith  

Which is key in that. And so making all that work. And if we make all that work, then you're fine.

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

Maybe like to talk about the R&D being more of a stable profile?

Gregory D. Smith  

Yeah.

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

Before you gain that efficiency?

Gregory D. Smith  

Exactly.

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

So that would kind of kick in after the 777.

Gregory D. Smith  

Yeah. Yeah. And you and I talked about this before, but about five years, six years ago, we went on this initiative to really de-risk [ph] decade (19:18), de-risk the portfolio. And this is part of it, is concurrent R&D and how to bring these products into the market and meet the needs competitively.
Peter J. Arment
Analyst, Robert W. Baird & Co., Inc.
Right.

Gregory D. Smith
And from the customer's perspective to not have too much concurrency. Labor stability, getting labor agreements, long term labor agreements in place. Capping the pension.

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

Gregory D. Smith
These are some of the things that we were trying to do to de-risk the portfolio. And we still got some work to do obviously on the development program side. But I think the risk profile you see today versus what you saw five years, six years ago, significant difference.

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

Gregory D. Smith
Doesn't say there isn't risk in the business. But I think it's much more understood. Nowhere near at the level it was. And so that – just keeping that discipline in place.

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

Gregory D. Smith
And continuously looking for opportunities to de-risk is in the mindset and also in the DNA of the leadership team, is capturing opportunities.

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

Gregory D. Smith
Winning in the market, and how do you continuously de-risk whatever, whether it's bringing technology onboard or any other parts of the portfolio.
So on that productivity, this question or discussion earlier was on how you’re thinking about BCA margins kind of going forward? You had aspirational targets out there.

They’re real targets. But now that services is separated, can this still be a double digit margin business?

Yeah. I mean we’re still targeting kind of a mid-teens business and laying out the path to get there. Obviously there’s cost structure and initiatives that we’ve got in place. And I would say the productivity targets that we put in place for ourselves are the same ones we have out in the supply chain.

And so working with the suppliers on Partnering for Success. But at the end of the day, it’s – the objective again, higher margin, but it’s winning in the marketplace.

And bringing more value back to the customer, to The Boeing Company, reinvesting and competing to win going forward, and returning cash to shareholders. Again not easily done.
It sounds simple, but it's not. But I think it's the right focus. And I think it served us well up to this point. And continuing to have that kind of framework in place going forward, I think will continue to serve all of our stakeholder well.

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

Let's talk about that cash generation, which has been very impressive. I mean that is tremendous progression in the last few years. And you've been buying back a lot of stock and returning that to shareholders. How are you thinking about just that ability to continue to increase free cash flow year over year or cash from operations? And kind of some of the puts and takes, the way you're looking at it?

Gregory D. Smith  

Yeah. I mean, look, as you look — as you — if you kind of look forward in executing on this backlog, executing on the rate increases, we see an opportunity to continue to grow cash flow. That goes — again tied to the backlog and executing on that. The efficiency and the productivity initiatives and targets we've put in place, combined with working capital. So how are we more efficient with our working capital, inventory, payables, receivables? Obviously the biggest opportunity in there being the inventory.

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

Right.

Gregory D. Smith  

So again making that real in our factories. So making it real for people that are on the 737 line and talking about flow days.

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

Right.

Gregory D. Smith  

And equating those to dollars. That take a day of flow out, that equals $50 million. That makes it real for people. And we're incentivized that way. We changed the incentive program.

So One Boeing score, free cash, earnings, revenue. That free cash element is 50% of everybody's incentive up and down the organization. So again that's — means on the forefront of the scorecard as well.

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

Yeah.

Gregory D. Smith  
So I think we've got great opportunity. There's a lot of moving pieces.

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

Yeah.

Gregory D. Smith

We got 777 inventory building.

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

Right.

Gregory D. Smith

Which will be headwind, but we have 737 rates going up. We have 787 rates going up. But having said that, we've got a lot of things in work and feel good about a profile that we can continue to grow that and be efficient with how we use that capital.

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

And you wanted to be competitive on returning cash to shareholders, not just from a buyback but also a dividend perspective?

Gregory D. Smith

Yes.

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

What are your thoughts about just kind of – is it a payout ratio? Or how do you look at where – in terms of where you want to return cash to shareholders?

Gregory D. Smith

Yeah. I mean we – I'd say we look at it from multiple angles.

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

Right.
We look at it as a payout ratio to earnings, payout to cash flow, our dividend yield. And it's all about back to competing to win.

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

Right.

Gregory D. Smith  

So we want to be competitive. We want to be competitive. And I think certainly the dividend is another sign to everyone the confidence we have in the market.

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

Right.

Gregory D. Smith  

And the confidence we have in our ability to execute in that market. And to your point, we've increased the dividend 190%.

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

Right.

Gregory D. Smith  

Over the last I guess about five years. And we're now at that level of competing.

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

Right.

Gregory D. Smith  

And so we're going to continue to maintain that discipline. But have a keen eye on the risks and the opportunities as we look at the business going forward.

So you'll see a similar, I'll say, methodology and approach to doing that that you saw last year and the year before.

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

Got it. With that I think we're out of time.
Gregory D. Smith  

Okay.

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

So I want thank Greg...

Gregory D. Smith  

Thanks, Peter. Yeah.

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

...for attending and appreciate everyone.

Gregory D. Smith  

Thank you.

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

Appreciate it.