

Boeing CFO warns of slow deliveries, negative cash flow

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Virginia: Boeing will burn rather than generate cash in 2024 and deliveries will not increase in the second quarter, the company's finance chief said on Thursday (May 23), as the U.S. planemaker grapples with a crisis that is pinching production of its strongest-selling aircraft.

CFO Brian West told the Wolfe Research Global Transportation and Industrials Conference that he expects Boeing's full-year free cash flow to be negative, due partly to the delays in deliveries, compared with March's outlook for positive cash generation in the low single-digit billions.

The remarks on the negative cash flow caused Boeing's shares to fall 7.6pc to close at \$172.21 on Thursday. The comments add to the company's problems as production challenges and delayed deliveries to China have weakened a modest 2024 outlook upheld by Boeing just

weeks earlier.

"We were already expecting this year would be below our financial expectations for the rating and this is incrementally worse," said Ben Tsocanos, airlines director at S&P Global Ratings.

Boeing's jet production has slowed dramatically in the face of increased scrutiny from regulators, airlines and lawmakers following a January incident when a door plug blew off an Alaska Airlines jetliner while in mid-air.

West confirmed a media story on Wednesday (May 22) that said plane deliveries to China were delayed in recent weeks due to a Chinese regulatory review of batteries powering the cockpit voice recorder.

The U.S. planemaker said in a statement on Wednesday it is working with Chinese customers on the timing of their deliveries as the Civil Aviation Administration of China completes its review of batteries contained within the 25-hour cockpit voice recorder.

Commercial jet deliveries will not step up in the second quarter compared with the first three months of the year, West said, adding that "we have frustrated and disappointed" customers due to the supply chain and production issues.

"If you're on the inside, you're seeing progress," West said, but also said "everyone wishes it would go faster."

As a result of the factory disruptions and delivery delays to China, Boeing sees second-quarter cash burn in line, or "possibly a little worse" than the \$3.9 billion used in the first quarter, he said.

By contrast, West told analysts in April he expected that use of free cash in the second quarter would be sizeable but an improvement over the first three months of the year. Analysts on average were previously expecting the company to use \$1.9 billion of cash in the second quarter, according to LSEG data.

"How did things change so quickly?" added one portfolio manager who holds Boeing stock, on condition of anonymity.

Boeing stock has fallen nearly 32% so far this year, as of Thursday's close.

Boeing 737 MAX jetliner production fell as low as single digits in April, Reuters reported, well below the U.S. Federal Aviation Administration cap of 38 jets a month as workers slow the assembly line outside Seattle to complete outstanding work.

The Jan. 5 Alaska Airlines incident, which occurred on a new jetliner, prompted U.S. aviation regulators to curb the company's production levels until Boeing starts to address safety issues. The company is overhauling its manufacturing practices, and it is also searching for a new chief executive after current CEO Dave Calhoun agreed to leave by year-end.

In addition, the U.S. Justice Department intends to decide by July 7 whether to prosecute Boeing for violating an agreement that shielded it from prosecution stemming from jet crashes in 2018 and 2019.

The FAA has imposed a May 30 deadline for the planemaker to hand over a 90-day report that would address "systemic quality-control issues." FAA Administrator Mike Whitaker said on Thursday that Boeing faces a "long road" to address safety issues.

Boeing is currently in negotiations to acquire 737 MAX fuselage supplier Spirit AeroSystems. West said a Spirit deal is possible in the second quarter, but that the deal is large and complex, and should not be rushed.

Boeing spun off Spirit in 2005, and the company now derives a portion of its revenue from Boeing rival Airbus , which wants compensation for taking on some of Spirit's operations.

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