

Boeing hit by new concerns of scrutiny slowing deliveries

- A Monitor Desk Report

Date: 17 January, 2024



Virginia: Boeing Co. shares extended their 2024 rout after analysts and a key customer voiced concerns that scrutiny of planemaker's manufacturing since a January 5 near-disaster with a 737 Max 9 could ripple through to aircraft deliveries.

The US planemaker fell 7.4pc, for the worst performance among the members of the Dow Jones Industrial average. The drop brought Boeing's year-to-date slide to around 23pc - also the biggest on the Dow - following the incident on Alaska Airlines Flight 1282.

Spirit AeroSystems Holdings Inc., which builds most of the 737 Max frame, tumbled 7pc and has lost 21pc this year. Markets resumed trading on Tuesday following the three-day holiday weekend to honor civil rights leader Martin Luther King Jr.

Analysts at Wells Fargo cut their rating on Boeing to equal-weight from overweight, citing an increased risk that regulatory checks into the company's manufacturing quality will drag on deliveries "- particularly the inventory of hundreds of already-built Max.

Similar concerns were voiced separately by Ryanair Holdings Plc Chief Executive Officer Michael O'Leary - one of the biggest customers for the 737 Max "- at an event in London.

"I think the risk is that there will be further delivery delays, that Boeing management will get distracted in Seattle or there'll be new processes or something," O'Leary said in an interview.

The Federal Aviation Administration has grounded most Max 9 jets, a measure it intends to keep in place until extensive inspections are complete. The air-safety agency is investigating manufacturing practices at Boeing in the wake of the accident, when a door-sized fuselage panel tore off of the Alaska Airlines flight shortly after takeoff.

The FAA also said it will increase monitoring of so-called "in-service events" on the Max 9, and plans to audit Boeing's production line as well as those of its suppliers.

"Given BA's recent track record, and greater incentive for FAA to find problems, we think the odds of a clean audit are low," Wells Fargo's Matthew Akers wrote in a note to clients.

The intense scrutiny into quality controls at Boeing and Spirit "could pressure production increases" that the planemaker had planned this year for the Max, said Ron Epstein, an analyst with Bank of America. This could weigh on cash margins on a jet family that's critical source of profit, he said. Epstein lowered his target price on Boeing stock to \$255 from \$275, Tuesday, citing "increased near-term risks and waning investor appetite."

Boeing is stepping up its own internal inspections, and will grant customers more access to its factories, commercial chief Stan Deal told employees in a memo released on Monday.

O'Leary said he was doubling Ryanair engineering staff onsite at Boeing's factory in Washington and at Spirit's campus in Wichita, Kansas.

