

Boeing nearing pact to buy back Spirit Aero

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Washington: Boeing is nearing a deal to buy back Spirit AeroSystems after its former subsidiary made substantial progress in separate talks with Airbus over a transatlantic breakup of the struggling supplier, people familiar with the matter said.

Boeing initiated talks earlier this year to buy back the Wichita, Kansas-based supplier it spun off in 2005, seeking to stabilize a key part of the supply chain for its strongest-selling jet following a mid-air blow out on a new 737 MAX in January. However, talks hit a stumbling block over Spirit's work for Airbus, with the European group threatening to block any deal that involved Boeing building parts for its newest models.

Boeing and Airbus have broadly succeeded in dividing Spirit's programs into work that Boeing will take back, along with work that the planemaker's European rival Airbus will take.

There is also a third category of programs that may be sold or dealt with separately, said one of the sources.

The exact timing of the deal is unclear, but the sources said it could come within days or weeks, barring last-minute snags.

All of the sources spoke on condition of anonymity due to the sensitivity of the talks.

Airbus, which has been widely seen as the main stumbling block to a deal, is seeing "good progress" in talks with Spirit, a source familiar with the matter said. A second source said a deal over Spirit's Airbus-related assets was more likely than not before Airbus' mid-year earnings in July.

Boeing declined comment. Spirit spokesman Joe Buccino did not comment specifically on the talks, saying, "our focus remains on providing the highest quality products for our customers." Boeing has said it is buying back Spirit to secure safety and quality in its plants, after blaming Spirit for sending incomplete or faulty parts to its factories.

But several industry sources said the Jan. 5 blowout also rekindled Boeing's earlier interest in buying back the company because of concerns over Spirit's financial and industrial resilience as well as the need to invest in digital production systems.

Spirit posted a net loss of \$617 million and burned through \$444 million in the first quarter, far more than analysts had expected.

Spirit Aero shares were up 4.1 per cent in after-hours trading on Thursday.

In April, Airbus CEO Guillaume Faury told Reuters it was "not unlikely" that Airbus would take over Spirit's operations for the A350, its premier long-haul jet whose upper mid-fuselage is made in Kinston, North Carolina, and the small A220, whose wings are made at a Spirit plant in Belfast, Northern Ireland.

Airbus and Boeing had been working to overcome hangups on inventory costs and the value of contracts, two sources said.

An Airbus spokesperson said the company is in discussions "with Spirit

AeroSystems to protect the sourcing of our programmes and to define a more sustainable way forward, both operationally and financially, for the various Airbus work packages that Spirit AeroSystems is responsible for today."

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