Boeing unveils $19b share sale plan

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Virginia, USA: Boeing Co has initiated a nearly $19 billion share sale to strengthen its finances amid ongoing strikes, production issues, and a reputational challenge.

Without new equity, the aircraft maker has said it faces its credit rating being reduced to junk status.

Some 90 million common shares and US$5 billion worth of depositary shares will be offered, said the company.

The common-share portion alone would total just under $14 billion, based on Friday’s closing price of $155.01. That would be the largest U.S. share sale since SoftBank Group Corp. sold part of its stake in T-Mobile U.S. Inc. in 2020, data compiled by Bloomberg show.

Boeing’s shares closed down 2.8pc at $150.69 each on Monday in New York. The stock has declined roughly 42pc this year, the second worst performance in the Dow Jones Industrial Average.

With overallotments, the fundraising total could rise to about $21.8 billion, based on Bloomberg calculations.

The infusion of funds would clear one of new Chief Executive Officer Kelly Ortberg’s most urgent tasks. He is grappling with a balance sheet strained by years of turmoil and the fallout from a strike, now in its seventh week, that is crippling manufacturing of the company’s main cash cow, the 737 Max jetliner. Boeing needs the capital infusion to maintain its investment-grade rating and fund its production ramp-up once the walkout ends.

The company is on pace to use around $4 billion in cash during the fourth quarter, which would bring its free-cash outflow to around $14 billion for the year. The planemaker expects to continue burning cash through the first half of next year as it restarts its airplane factories, including the assembly lines for its cash-cow 737 Max jetliner.

Boeing factory workers voted last week to reject the company’s latest contract offer, which included a wage increase of 35% spread over four years. The company plans to cut its workforce by about 10%, Ortberg said in a memo to employees Oct. 11.

The company on Oct. 23 received clearance from the U.S. Securities and Exchange Commission to sell as much as $25 billion of equity and debt. Boeing also has a separate new credit agreement in place for $10 billion, giving it “additional short-term access to liquidity as we navigate through a challenging environment.”

Ortberg is also considering options to streamline Boeing’s broad portfolio. He has launched a review of its businesses that the CEO expects to conclude by year-end. The company is weighing options for the future of its troubled Starliner space capsule program as part of the review, Bloomberg News has reported.

As part of the offering, the depositary shares will represent a 1/20th interest in newly issued mandatory convertible preferred stock that will convert in October 2027, or earlier, based on a pre-determined formula, according to the statement.

The three-year convertibles are being marketed with a dividend of 6pc to 6.5pc, and a 17.5pc to 22.5pc conversion premium, according to terms seen by Bloomberg News. The deal is expected to price on Monday after the market closes, the terms show.

The underwriters have the option for an added 13.5 million common shares and $750 million in depositary shares to cover overallotments, the statement shows.

PJT Partners is acting as Boeing’s financial adviser for the offerings, according to the statement.

Goldman Sachs, BofA Securities, Citigroup and J.P. Morgan are acting as the lead joint bookrunning managers, while Wells Fargo Securities, BNP Paribas, Deutsche Bank Securities, Mizuho, Morgan Stanley, RBC Capital Markets and SMBC Nikko are acting as joint bookrunning managers.

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