

Boeing reins in spending amid 737 MAX, coronavirus crises

March 11 2020, by John Biers



Shares of Boeing tumbled as the company reported dozens of plane cancellations as a clouded travel outlook due to coronavirus adds to the woes surrounding the 737 MAX

Boeing will suspend most hiring and overtime pay as it works to

conserve cash in the face of twin crises over the 737 MAX and a massive slowdown in travel due to coronavirus, the company said Wednesday.

Shares of Boeing plunged more than 18 percent in another bruising day for Wall Street as the company announced the belt-tightening measures after disclosing dozens of MAX plane cancelations.

In addition, sources confirmed the aviation giant already essentially tapped a \$13 billion loan package finalized just last month.

"It's critical for any company to preserve cash in challenging periods," Boeing Chief Executive David Calhoun wrote in a message to workers.

He announced the company would limit travel and bar overtime except in "critical" cases, and pause new hiring pending a review.

"The year ahead is shaping up to be as challenging for our business as any in the recent past," said the message co-signed by Chief Financial Officer Greg Smith.

"On top of the work of safely returning the 737 MAX to service and the financial impact of the pause in MAX production, we're now facing a global economic disruption generated by the COVID-19 coronavirus."

The announcement came as Boeing reported 43 cancelations for the MAX in 2020 as of the end of February in a monthly update on its website.

The company also experienced a big drop in plane deliveries, which stood at 30 at the end of February, compared with 95 in the year-ago period.

The MAX has been grounded for the past year after two crashes that killed 346 people, spawning numerous lawsuits and investigations.

The anemic orders suggest another rough year for Boeing financials after the company in 2019 suffered its first annual loss in more than two decades.

Boeing last month reached agreement with a consortium of large banks for a \$13 billion two-year credit agreement to finance its activities.

Sources confirmed to AFP a Bloomberg report that it planned to draw down all of the funds as early as this week.

Coronavirus hit

Boeing has said it expects the MAX to receive regulatory approval to return to the skies at mid-year, but that would come at a highly uncertain time for airlines.

Carriers around the world have canceled thousands of flights as the coronavirus effectively shuts down key markets like China and Italy and chills air travel more broadly.

United Airlines President Scott Kirby said Tuesday at an investor conference that net bookings to Asia and Europe over the last few days are "now down 100 percent."

The company has developed contingency plans in case revenue falls 70 percent in April, a scenario it does not expect.

"Based in part on what our experts have told us, as testing expands in the US, many more cases are likely to turn up in many more communities around the country," Kirby said. "As such, we're planning for domestic

bookings to deteriorate further in the weeks to come."

"We're obviously planning for scenarios that are probably worse than any of you have in your model, we think it will actually be better than that, but it's better to plan aggressively," Kirby added.

Shares of Boeing plunged 18.2 percent to \$189.15 Wednesday, the biggest drag on the Dow, which fell almost six percent on another bleak day on Wall Street.

The White House is working on a stimulus package that could include help for the travel industry and to American consumers, but no details have been announced yet.

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Citation: Boeing reins in spending amid 737 MAX, coronavirus crises (2020, March 11)
retrieved 27 April 2024 from
<https://techxplore.com/news/2020-03-boeing-max-cancelations.html>

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