

Boeing shares surge despite Q2 loss as it boosts plane production

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Boeing reported a quarterly loss but lifted production rates on key commercial plane models.

Boeing shares rallied Wednesday after the aerospace giant reported a smaller-than-expected loss, announced production rate increases on key

commercial jets and described supply chain problems as moderating somewhat.

The US aerospace company reported a \$149 million second-quarter loss following delays and cost issues in its defense and space program.

But a jump in plane deliveries boosted quarterly revenues to \$19.8 billion, up 18 percent from the year-ago level and above analyst expectations.

Boeing announced production rate increases on both the 737 MAX and 787 Dreamliner, two popular commercial jets that have struggled with factory and supply chain issues in recent years. Boeing also reaffirmed its projections for 2023 free cash flow, a benchmark closely watched by investors.

Chief Executive Dave Calhoun pointed to "steady progress" in the aerospace giant's turnaround, describing demand as strong, according to the company's press release.

In an interview on CNBC, Calhoun described the supply chain difficulties as "settling down" as he reviewed the ramp-up planned for the best-selling jets and reviewed a number of major contracts with carriers in India, Saudi Arabia and elsewhere.

As airlines have announced major new orders in response to robust travel demand following COVID-19 lockdowns, both Boeing and Airbus have described supplier shortfalls and delays as a key constraint on the industry.

Calhoun offered a somewhat more upbeat appraisal Wednesday as he mapped out the plan to increase production of the 737 MAX to 38 a month from 31 a month.

"Suppliers have been working diligently to sort of settle down and eliminate the constraints, and slowly and steadily we're seeing fewer and fewer concerns," Calhoun told CNBC, adding that the company plans to boost output to 50 per month down the road.

Later on a conference call with analysts, Calhoun characterized supply chain issues as still the "most significant" challenge facing the company, but said "it's steadily getting better."

In the second quarter, Boeing notched a 12 percent increase in commercial plane deliveries.

However, the commercial program still experienced a quarterly loss due to "abnormal costs and period expenses, including research and development."

The company's defense, space and security business also experienced an operating loss, hit by delays in the Starliner spacecraft and increased costs connected to the T-7A jet trainer program.

The second quarter marked the 15th straight operational loss in Boeing's commercial division, although the business is moving closer to breakeven, said Peter McNally of research firm Third Bridge.

"The overall outlook is unchanged," McNally said in a note, adding that the commercial division results are "encouraging, particularly in light of the ongoing supply chain challenges."

"Boeing's execution has improved, and it will need to continue on this path to turn the corner on sustained profitability."

Shares jumped 6.7 percent to \$228.55 shortly after midday.

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