

Boeing loses \$1.6 billion on fewer deliveries of airliners and higher costs for Air Force One

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Boeing 737 Max airplanes sit parked in a storage lot, Monday, April 26, 2021, near Boeing Field in Seattle. Boeing reports earnings on Wednesday, Oct. 25, 2023. Credit: AP Photo/Ted S. Warren

Boeing reported a \$1.64 billion loss for the third quarter as it delivered fewer of its best-selling but problem-plagued 737 Max airliner and sunk more money into building two new Air Force One presidential jets.

The aircraft maker on Wednesday lowered its forecast of 737 production to between 375 and 400 planes this year, down from a previous estimate of 400 to 450.

The loss was wider than Wall Street expected. Boeing has lost money every year since 2018 and has been profitable in only one of its last nine quarters as it struggles with problems in aircraft and defense programs.

"These are disappointing results in the quarter and the year to date," Chief Financial Officer Brian West said on a call with analysts. "This performance is below our expectations, and we acknowledge that we aren't as far along in this recovery as we expected to be."

West said the company's fourth-quarter profit margin will be better than the third quarter's minus-6%, but will still be negative.

Boeing's long slide began with two deadly crashes involving the 737 Max in late 2018 and early 2019. Even after overhauling a system implicated in those crashes, production and deliveries of the plane have been slowed as Boeing has dealt with several manufacturing flaws.

Most recently, Boeing and supplier Spirit AeroSystems have set out to inspect and do additional work to fix poorly drilled holes in a pressure-sealing section of the planes.

Last week, Boeing announced it would give Spirit \$100 million to retool its operations and pay Spirit an extra \$455 million over two years for parts used in the 787 Dreamliner. The deal calls for Boeing to recover some of that with \$265 million in price cuts starting in 2026.

In its government work, Boeing reported a \$482 million loss on its contract with the Air Force to build two new presidential jets because of higher estimated manufacturing costs.

CEO David Calhoun said the setbacks won't affect performance of the planes, but that "any unplanned hurdles can introduce unrecoverable cost" in fixed-price contracts like the one Boeing agreed to for Air Force One.

"At the end of the day, we have two airplanes to build. We're getting past these hurdles and are committed to delivering two exceptional airplanes," he said.

The company also lost \$315 million on a satellite contract.

Excluding special items Boeing, based in Arlington, Virginia, lost \$3.26 per share in the quarter. Analysts expected a loss of \$3.18 per share, according to a FactSet survey of analysts.

Revenue rose 13% to \$18.10 billion, topping analysts' forecast of \$18.01 billion.

Cowen analyst Cai von Rumohr called it a "messy" quarter for the aircraft maker, but said investor reaction would be muted. He said the scaled-back forecast for 737 deliveries was not a surprise because problems with the aft pressure bulkhead on the planes were already known.

The company delivered 105 commercial planes in the quarter, down from 112 a year earlier, as it struggled with problems that slowed production of the 737 Max passenger jet. Deliveries of 737s slipped to 70 from 88 in the same period last year, but deliveries of 787 Dreamliners rose.

Calhoun said the company is still on track to meet long-term financial goals, including free cash flow of \$3 billion to \$5 billion this year and \$10 billion by 2026. He said the company is working to stabilize its supply chain and steadily increase aircraft production rates.

In a note to employees, Calhoun said demand for Boeing planes remains strong.

"That demand will underpin our recovery, but it's on us to perform," he said. "I have heard those outside our company wondering if we've lost a step. I view it as quite the opposite."

Shares of The Boeing Co. rose 2% in midday trading.

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