



BOEING CEO TO INVESTORS: DON'T WORRY, EVERYTHING'S UNDER CONTROL

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Boeing Co.'s stock price hit a new 52-week low last week following a report that the program accounting method Boeing has been using to account for the 787 Dreamliner was being scrutinized by the U.S. Securities and Exchange Commission (SEC). Other recent issues include a cut to the production rate of the company's current version of the 777 dual-engine, twin-aisle plane, and the company's deliberations on what, if anything, to do to address demand for a so-called middle-of-the-market passenger plane.

At a conference in Miami Beach Wednesday, CEO Dennis Muilenburg addressed all three issues. When Boeing reported fourth-quarter results in late January, the company announced that it would cut its production rate on the 777 from 8.3 per month to 7.0 per month beginning later this year. The 777 is a cash cow for Boeing, and Muilenburg said that 2016 production of it is completely sold out and at the new production rate 2017 production is 80% sold out, and also that the

company has “a dozen campaigns underway” to boost that total.

That’s fine, but the new 777X is not scheduled for delivery until 2020, and that leaves Boeing with some gaps in its changeover to the new plane.

Muilenburg did not comment directly on the reported SEC investigation but did defend the program accounting method Boeing uses to spread the costs of developing its 787 over sales of the planes. He said it is a procedure that Boeing has “used for decades” and that the company is “very confident” in its accounting methods.

Bloomberg also reported that Boeing continues to consider options for a “the midrange market dominated by Airbus’s largest narrow-body jet, the A321. [These options] include a new design, a “so-called stretch of the 737” and doing nothing. This so-called middle-of-the-market plane is generally defined as an aircraft that will carry 225 to 250 passengers with a range of 5,000 nautical miles. Boeing’s 757 defined and dominated this market.

Boeing’s shares trade up about 3.4% Wednesday afternoon, in a 52-week range of \$102.10 to \$158.83.

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