BOEING REPORTS FOURTH-QUARTER RESULTS AND PROVIDES 2016 GUIDANCE

News / Finance, Manufacturer

Fourth-Quarter 2015

Core EPS (non-GAAP)* of $1.60 on revenue of $23.6 billion; GAAP EPS of $1.51
Strong operating cash flow of $3.1 billion on solid core operating performance
Full Year 2015

Record revenue of $96.1 billion on record commercial deliveries
Operating cash flow increased to $9.4 billion; strong liquidity of $12.1 billion in cash and marketable securities
Backlog remains strong at $489 billion, including $83 billion of net orders during the year
Outlook for 2016

2016 Core EPS* guidance of between $8.15 and $8.35; GAAP EPS guidance of between $8.45 and $8.65
Revenue guidance of between $93 and $95 billion reflects commercial deliveries of between 740 and 745
Reaffirming planned production rate increases over the next several years
Operating cash flow guidance of approximately $10 billion

The Boeing Company [NYSE: BA] reported fourth-quarter revenue of $23.6 billion and core earnings per share (Non-GAAP)* of $1.60 (Table 1). Fourth quarter 2015 results reflect the

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previously announced $569 million after-tax charge ($0.84 per share) on the 747 program as a result of a slow recovery in the air cargo market which was partially offset by solid core operating performance across the company. GAAP earnings per share was $1.51.

Revenue rose 6 percent in the full year to a record $96.1 billion reflecting record commercial deliveries. Core earnings per share (Non-GAAP)* totaled $7.72 for the full year, reflecting the KC-46 Tanker (2Q) and 747 program (4Q) charges ($1.61 per share) partially offset by strong core operating performance across the company. GAAP earnings per share totaled $7.44 for the full year.

Core earnings per share (non-GAAP)* guidance for 2016 is set at between $8.15 and $8.35, whileGAAP earnings per share is established at between $8.45 and $8.65. Revenue guidance is between $93 and $95 billion, including commercial deliveries of between 740 and 745. Operating cash flow is expected to be approximately $10 billion.

“Building on our foundation of solid core operating performance and customer focus, Boeing extended its leadership of the aerospace industry in 2015 with record deliveries and revenues in commercial airplanes, and solid sales and healthy margins in our defense and space business. We also generated significant cash flow to fuel investments in innovation and our people, and provide compelling returns to our shareholders,” said Boeing President and Chief Executive Officer Dennis Muilenburg. “With clear strategies and strong positions in our markets, a large and diverse order backlog worth nearly $500 billion, and multiple additional production rate increases planned yet this decade, we are well positioned for profitable growth and higher cash flow as we move into our second century in business.”

“Our priorities for 2016 and beyond are to build on our existing strengths to deliver on current plans and commitments, and to stretch beyond them by accelerating progress on key enterprise growth and productivity initiatives, investing in our team, and creating more value and opportunity for our customers, shareholders and employees,” Muilenburg said.

Operating cash flow in the quarter was $3.1 billion, reflecting commercial airplane production rates, solid core operating performance and the timing of receipts and expenditures in the prior period (Table 2). During the quarter, the company repurchased 5 million shares for $0.8 billion and paid $0.6 billion in dividends. For the full year, the company repurchased 47 million shares for $6.8 billion and paid $2.5 billion in dividends. Based on strong cash generation and outlook, in December, the board of directors raised the share repurchase authorization to $14 billion, replacing the authorization approved in 2014 of which $5.3 billion was remaining, and increased the quarterly dividend 20 percent. Share repurchases under the new authorization are expected to be made over the next two to three years.

Cash and investments in marketable securities totaled $12.1 billion, up from $9.9 billion at the beginning of the quarter, primarily due to the timing of cash flows. Debt was $10.0 billion, up from $9.0 billion at the beginning of the quarter, primarily due to the issuance of new debt (Table 3).

Total company backlog at quarter-end was $489 billion, up from $485 billion at the beginning of the quarter, and included net orders for the quarter of $28 billion. Net orders for the full year totaled $83 billion.

Segment Results

Commercial Airplanes

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Commercial Airplanes fourth-quarter revenue decreased slightly to $16.1 billion on lower delivery volume (Table 4). Fourth-quarter operating margin was 3.5 percent, reflecting the previously announced $885 million pre-tax charge on the 747 program and higher R&D partially offset by strong performance on production programs.

During the quarter, Commercial Airplanes won orders for 203 737 MAX airplanes. The 737 program has captured nearly 3,100 orders for the 737 MAX since launch. Also during the quarter, the company completed detailed design for the 787-10 Dreamliner, final systems definition on the 777X, and rolled out the first 737 MAX airplane.

Commercial Airplanes booked 321 net orders during the quarter and 768 net orders in 2015. Backlog remains strong with nearly 5,800 airplanes valued at $432 billion.

Defense, Space & Security

During the first quarter of 2015, certain programs were realigned between Boeing Military Aircraft and Global Services & Support.

Defense, Space & Security's fourth-quarter revenue was $7.8 billion with an operating margin of 12.4 percent (Table 5).

Boeing Military Aircraft (BMA) fourth-quarter revenue increased to $3.2 billion and operating margin increased to 13.7 percent, reflecting higher volume and delivery mix. During the quarter, BMA was awarded a contract for 15 EA-18G Growlers and Japan selected the KC-46 tanker to meet their tanker requirement.

Network & Space Systems (N&SS) fourth-quarter revenue was $2.0 billion, reflecting lower satellite volume. Operating margin was 8.3 percent, reflecting lower performance on a development program. During the quarter, NASA awarded Boeing its second commercial contract for a human spaceflight mission as part of the existing Commercial Crew contract.

Global Services & Support (GS&S) fourth-quarter revenue increased to $2.6 billion, reflecting the timing of Airborne Surveillance, Command and Control deliveries. Operating margin was 13.8 percent reflecting program mix. During the quarter, GS&S delivered the final AEW&C aircraft to Turkey.

Backlog at Defense, Space & Security was $58 billion, of which 40 percent represents orders from international customers.

Additional Financial Information

At quarter-end, Boeing Capital's net portfolio balance was $3.4 billion, unchanged from the beginning of the quarter. Unallocated items and eliminations revenue totaled $408 million at quarter end, up from $112 million in the same period of the prior year, primarily due to the timing of eliminations for intercompany aircraft deliveries. Total pension expense for the fourth quarter was $529 million, down from $772 million in the same period of the prior year. The company's income tax expense was $73 million in the quarter, compared to $464 million in the same period of the prior year.

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