



The Boeing Company

Boeing's Turnaround: Now Boarding

Boeing's turnaround just hit two major milestones in its Q3 2025 report: a return to positive free cash flow and the FAA's approval to raise its 737 MAX production rate to 42/month. These critical events, achieved despite a large 777X charge, validate our thesis that new leadership and stabilizing quality control will finally allow Boeing to convert its massive \$636B backlog into sustained cash flow. **We initiate \$BA with a BUY rating and a 12-month price target of \$263.**

Thesis Point 1 In 2019, the FAA stripped Boeing of the authority to issue its own airworthiness certifications for the 737 MAX, and again in 2022 for the 787. The FAA has since been closely monitoring Boeing's production and quality control, ensuring that safety standards are the top priority. As a result of this oversight, on September 29, 2025, the FAA reinstated Boeing to resume this certification authority on a limited, alternating-week basis. This is a huge signal, as it directly emphasizes the FAA's growing trust and confidence in Boeing's improved processes and production quality. After stabilizing production at 38 per month during Q3 2025, the FAA gave its joint agreement in October 2025 to raise the production cap to 42 per month. This is a game-changer because it directly affects the number one issue for Boeing: the ability to deliver planes at scale. Boeing is hopeful to have this rise again to 47 per month by early 2026. This conversion ability is already demonstrating growth, as the firm's recent monthly delivery numbers are showcasing an increasing capability to work through the nearly decade-long backlog and convert it into cash. When you have a roughly \$636 billion backlog, every plane delivered is like a paycheck coming in.

Thesis Point 2 Recently, Boeing has made a large number of leadership changes, including multiple board and C-suite individuals. Some of the most notable examples are CEO Dave Calhoun stepping down at the end of 2024 and being replaced by Kelly Ortberg, who has publicly stated that he is committed to a "fundamental culture change" and has made keeping production stable and building high-quality planes a top priority. Along with this, a notable mention is Boeing bringing on a new CFO, Jesus "Jay" Malave, who was the former CFO of Boeing's major defense competitor, Lockheed Martin. In the past, Boeing's culture was seen as prioritizing production time and limiting costs, which led to the issues we have seen. Going forward, especially under this new leadership, if they can successfully rebuild trust and improve operations, the market will begin to restore its confidence in Boeing

Thesis Point 3 The current market demand for aircraft is exponential. Global air travel is rebounding, and consumers are eager to see the world, which is driving a high demand and new orders for aircraft from various airlines. Airlines are also looking to replace their older model planes with newer, more fuel-efficient options, like the 737 MAX and 787. This is backed by Boeing's backlog of nearly 6,000 commercial planes, which is valued at roughly \$636 billion. Of course, competitor Airbus is also benefiting from this surge in demand, but given the unique position of this duopoly, even though Boeing has had problems in recent years, airlines have an extremely limited number of choices for new commercial airplanes, keeping a strong demand alive. The current travel market, the large backlog, and the competitive advantage that a normal company would not have essentially guarantee that Boeing will continue to grow as long as they can deliver the planes.

Company Overview The Boeing Company is one of the largest aerospace companies in the world. Founded in 1916, Boeing has been a major player in the industry for over a century. The company operates in three main segments. First, Commercial Airplanes (BCA) is the heart of Boeing, and the most publicly visible part of its operations. This segment designs, builds, and sells commercial aircraft like the 737 MAX and 787 Dreamliner. The single-aisle 737 MAX line is the financial backbone of the BCA segment, consistently accounting for roughly three-quarters of all commercial airplane deliveries and a significant portion of Boeing's total revenue. The BCA segment's performance is closely tied to the health of the global airline



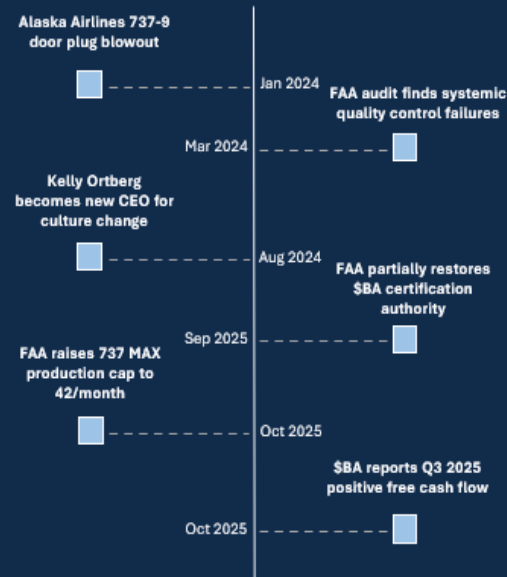
BOEING

TICKER:	BA
RATING:	BUY
PRICE:	\$203.29
PRICE TARGET	\$263
MARKET CAP:	\$161,598/m
52-W RANGE:	\$128.88 - \$242.69
FWD P/E:	69.5x
IMPLIED UPSIDE:	29.76%

1 Year Price History



Recent Events Timeline



industry, which is currently seeing high demand and has led to a large backlog of orders. Second, Defense, Space & Security (BDS) provides a more diverse and stable revenue stream by producing things like satellites and military equipment. BDS competes with other well-known companies like Lockheed Martin and Northrop Grumman. Third, Global Services (BGS) includes servicing, maintenance, and training for both commercial and military clients. This provides a stable and high-margin stream of revenue for the company.

Boeing has been a long-time industry leader, but the company has faced significant setbacks in recent years. These include the 737 MAX crisis, the mid-flight door plug blowout on a 737-9 MAX, and subsequent production delays. These challenges have allowed rival Airbus to gain an advantage and take some market share. In response, Boeing has prioritized quality and safety over production speed, a shift that shows a commitment to operational stability and rebuilding trust with regulators and customers. The company's financial recovery is a key focus, and its ability to overcome production delays and a poor public reputation is critical. Despite these issues, Boeing has a massive, multi-year total company backlog valued at \$636 billion, which includes over 5,900 commercial airplanes. This huge backlog is a key driver for future revenue. The company's Q3 2025 earnings, released October 29th, validate this thesis despite a headline net loss. Revenue grew to \$23.3 billion, but the company posted a net loss of \$5.4 billion. This loss, however, was driven almost entirely by a one-time \$4.9 billion pre-tax charge on the 777X program, which is facing further certification delays. More importantly, Boeing achieved positive free cash flow of \$0.2 billion for the quarter, a critical financial turning point that demonstrates its ability to convert the backlog into cash.

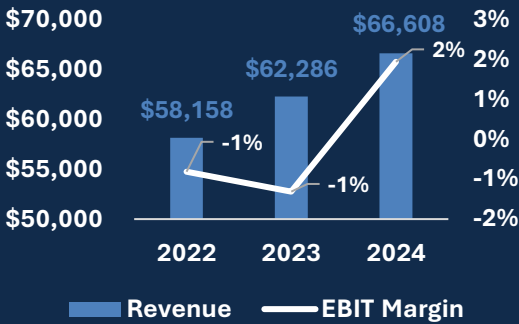
Risk 1 The investment thesis essentially relies on the ability to convert the order backlog into cash flows, which was just validated by the FAA's October 2025 approval to raise the cap from 38 to 42 aircrafts per month for the 737 MAX. The FAA's audit, which came to an end in March 2024, identified systemic failure to meet compliance across Boeing's facilities, which included multiple failures in quality procedures. The primary risk is now the failure to sustain the quality improvements which are mandated by the audit as production volume scales to this new rate. Failure to completely carry out and complete the FAA's required action plan, or the news of any new high profile quality failures, would be detrimental. The FAA could immediately re-impose restrictions or abandon the idea of approval for rate hikes towards the 47/month target. This uncertainty regarding operations would then threaten trust amongst regulators, limit delivery volume, and cease the conversion of the backlog into FCF, delaying the necessary financial turning point.

Risk 2 While the Commercial Airplanes (BCA) segment receives the most scrutiny, the Defense, Space and Security (BDS) segment carries financial risks due to fixed price development contracts that were inherited from prior strategies. In these contracts, Boeing agrees to a final, fixed price for military programs, which means that Boeing will have to take on any budget excesses. This is a probable scenario in development projects, historically this has required Boeing to take on billions of dollars in charges due to unexpected delays and cost of inflation. Additional charges on these contracts represent a major financial liability, requiring a large, unexpected cash outlay and using essential capital and management focus needed for the BCA turnaround.

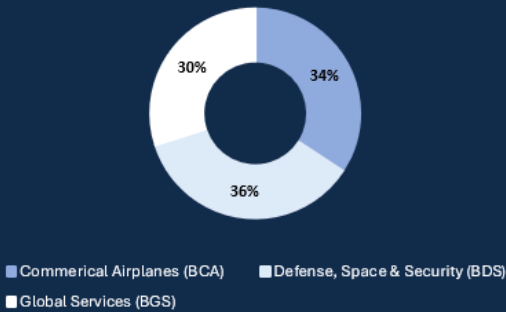
Risk 3 Boeing's well-known quality control issues are strongly connected with its primary fuselage supplier, Spirit AeroSystems (SPR), which has faced significant quality failures. To minimize the external risk of being supplied by Spirit, Boeing is pursuing a complex acquisition of Spirit. The primary risk present is the failure of ability to coordinate two historically challenging quality cultures and successfully engage Spirit Aerosystems, a historically distressed company that reported a \$2.14 billion net loss in 2024 due to lower production rates and existing program issues. Failure to successfully integrate the Wichita facility, which produces the 737 fuselage, could simply transfer the risk of continuing defects from an external supplier to an internal operational failure, further constraining the 737 MAX program's output.

Catalysts Near-term catalysts center on operational stabilization and aggressive conversion of the \$636 billion backlog into revenue, which will directly drive the stock price towards our current target price of \$263. The recent achievement of the FAA's approval to increase the 737 MAX output to 42 jets per month is a key indicator of regulatory confidence. The stocks

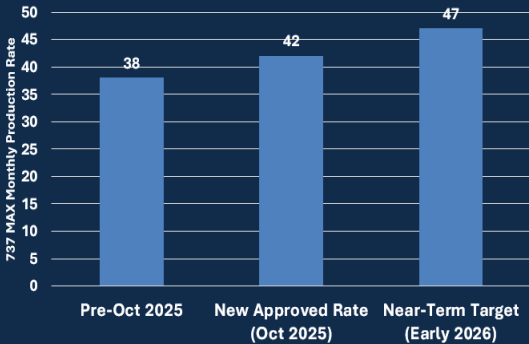
EBIT Margin with Annual Revenue



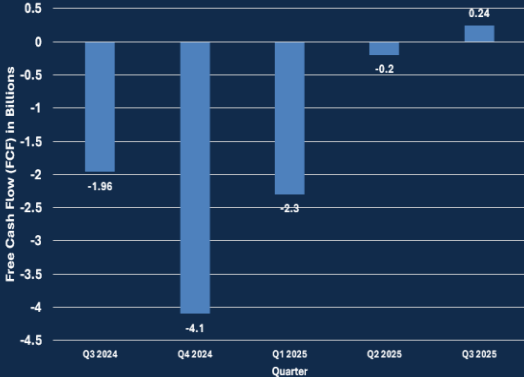
Revenue Segments



737 MAX Production Rate Increase



Boeing's Quarterly FCF



alignment with our price target will be driven by two primary, quantifiable triggers: First, regulatory confirmation that Boeing can successfully push the 737 MAX production rate beyond the new 42 per month limit towards 47 a month. This is a critical operational step necessary to justify the aggressive 30% Commercial Airplanes (BCA) revenue growth projected in our 2026 Street/Case DCF scenario. Second, Boeing achieved this shift to positive free cash flow in Q3 2025, reporting \$0.2 billion. The next catalyst will be sustaining this positive FCF generation, which is the ultimate financial validation of the new leadership, demonstrating efficient backlog conversion and a notable improvement in negative net working capital currently assumed by our 2025 projections. Secondary catalysts include the successful closing and immediate operational stability of Spirit AeroSystems, which is now expected by year-end 2025, resolving the main supply chain restriction, and the finalization of major internal orders, which secures long term volume growth and mitigates geopolitical exposure.

Valuation

DCF Analysis (\$mm)							
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/30/2028	12/30/2029	12/31/2030
Revenue	77,794	86,750	101,242	116,265	130,391	141,905	149,118
Revenue Growth	17%	12%	17%	15%	12%	9%	5%
Commerical Airplanes (B	22,861	40,500	53,015	66,162	78,534	88,430	94,178
Defense, Space & Securi	23,918	25,500	26,495	27,382	28,149	28,782	29,271
Global Services (BGS)	19,954	21,000	22,008	23,020	24,033	25,043	26,044
EBIT	(10,019)	2,400	4,873	7,868	11,372	15,150	18,836
EBIT Margin	-13%	3%	5%	7%	9%	11%	13%
Tax Expense	(381)	240	487	984	1,706	2,651	3,767
Effective Tax Rate	4%	10%	10%	13%	15%	18%	20%
NOPAT	(9,638.00)	2,160.00	4,385.53	6,884.59	9,666.48	12,498.84	15,068.94
D&A	1,836	2,000	2,335	2,652	2,941	3,165	3,289
Capex	2,230	2,500	2,944	3,410	3,856	4,232	4,485
Changes in NWC	3,256	(500)	(609)	(641)	(654)	(640)	(598)
UFCF	(13,288)	2,160	4,386	6,768	9,405	12,072	14,471
PV of FCF		2,144	4,136	5,848	7,445	8,755	9,616

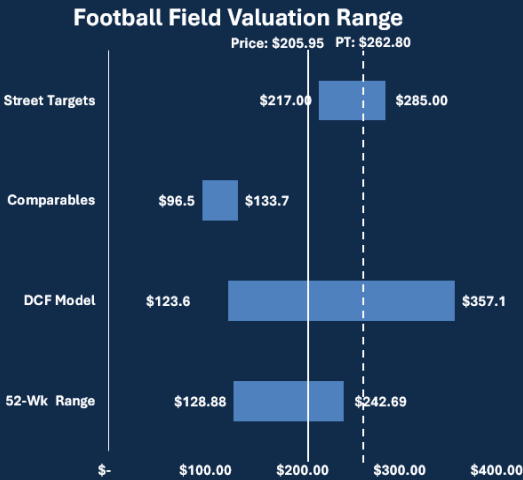
Our base case valuation utilizes a Discounted Cash Flow (DCF) model to support our price target and reflects a normalized recovery, yielding a calculated share price of \$263. The model assumes an aggressive return to scale, driven by high revenue growth rates in the early years of the Commercial Airplanes (BCA) segment. We project a significant rebound in operational efficiency, with EBIT margins stabilizing at 12.6% by FY2030, a figure signaling a return to pre-crisis health. Our terminal value is calculated utilizing a 13.0x EV/EBITDA Exit Multiple and a Terminal Growth Rate of 3.0%. This model, which utilizes a 9.14% WACC, is intentionally structured around the critical conversion of the current backlog into cash flow.

Conclusion

In Boeing, investors are buying into a rare, high-leverage recovery story: an essential global duopolist that is now entering the execution phase of its turnaround. The business is inherently strong, and its growth is guaranteed by a \$636 billion commercial backlog and the unique competitive advantage of the airline duopoly. This core demand is now being unlocked by two critical, recent developments: the FAA's approval to raise the 737 MAX production rate and the Q3 2025 return to positive free cash flow. These are not simply signs of progress, but the quantifiable evidence that new leadership is successfully aligning quality control with delivery volume, making the conversion of the backlog into cash a reality. **We initiate \$BA with a BUY rating, and a PT of \$263, representing a 28% upside from current levels.** Our valuation reflects a normalized aerospace leader that has finally been cleared for financial takeoff.



Terminal Value	
Exit Multiple Method	
2034 EBITDA	\$22,125
EV/EBITDA Exit Multiple	13.0x
Terminal Value	\$287,625
PV of Terminal Value	\$191,047
PV of Projection Period	\$37,935
PV of Terminal Value	\$191,047
Implied TEV	\$228,982
(-) Debt	\$55,958
(+) Cash	\$26,261
Implied Equity Value	\$199,285
Diluted Shares Outstanding	756
Implied Share Price	\$263.55
Upside/Downside	27.4%




Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	77,794	86,750	101,242	116,265	130,391	13.8%
EBITDA	(8,183)	4,400	7,208	10,520	14,313	34.3%
EBIT	(10,019)	2,400	4,873	7,868	11,372	47.5%
NOPAT	(9,638)	2,160	4,386	6,885	9,666	45.4%


Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	-10.5%	5.1%	7.1%	9.0%	11.0%	4.3%
EBIT Margin	-12.9%	2.8%	4.8%	6.8%	8.7%	2.0%
Revenue Growth	16.8%	11.5%	16.7%	14.8%	12.2%	14.4%
EBIT Growth	-874.9%	-124.0%	103.0%	61.5%	44.5%	-158.0%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	-11.4x	70.3x	34.6x	22.4x	16.1x	26.4x
EV/Sales	2.7x	2.1x	1.8x	1.6x	1.4x	1.9x
EV/EBITDA	-22.2x	41.3x	25.2x	17.3x	12.7x	14.8x
FCF Yield	-8.7%	1.4%	2.9%	4.5%	6.2%	1.2%

Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Lockheed Martin Corporation (NYSE:LMT)	\$116,595	\$136,940	28.1x	\$71,844	\$7,194
RTX Corporation (NYSE:RTX)	\$210,151	\$250,813	34.5x	\$83,599	\$14,067
Northrop Grumman Corporation (NYSE:NOC)	\$87,188	\$102,962	22.4x	\$40,501	\$6,439
Airbus SE (ENXTPA:AIR)	\$186,869	\$188,538	32.5x	\$81,451	\$8,305
 THE BOEING COMPANY (XLON:BOE)	\$161,818	\$193,212	-14.1x	\$75,327	\$5,760

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
Lockheed Martin Corporation (NYSE:LMT)	19.0x	8.3%	10.0%	8.2%	1.1%
RTX Corporation (NYSE:RTX)	17.8x	20.0%	16.8%	11.6%	15.4%
Northrop Grumman Corporation (NYSE:NOC)	16.0x	19.3%	15.9%	12.4%	(0.7%)
Airbus SE (ENXTPA:AIR)	22.7x	15.4%	10.2%	7.3%	5.1%
 THE BOEING COMPANY (XLON:BOE)	33.9x	(0.2%)	(9.3%)	(11.8%)	2.4%

High	33.89x	20.0%	16.8%	12.4%	15.4%
75th Percentile	22.70x	19.3%	15.9%	11.6%	5.1%
Average	21.89x	12.6%	8.7%	5.5%	4.7%
Median	19.04x	15.4%	0.0%	8.2%	2.4%
25th Percentile	17.83x	8.3%	10.0%	7.3%	1.1%
Low	15.99x	-0.2%	-9.3%	-11.8%	-0.7%

THE BOEING COMPANY (XLON:BOE)

Implied Enterprise Value (25th Percentile)	\$	102,699
Implied Enterprise Value (Median)	\$	109,642
Implied Enterprise Value (75th Percentile)	\$	130,760

Implied Share Price (25th Percentile)	\$	96.54
Implied Share Price (Median)	\$	105.73
Implied Share Price (75th Percentile)	\$	133.65

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.44
Risk Free Rate	4.39%
Cost of Equity	7.78%
Weighted Average Cost of Debt	5.65%
Tax Rate	10.00%
Cost of Debt	1.36%
Total Equity	\$153,795
Total Debt	\$29,697
Equity/Total Capitalization	73.32%
Debt/Total Capitalization	26.68%
WACC	9.14%

Downside Case: Our downside scenario models a failure to sustain the turnaround, where repeated production problems (Risk 1) shatter regulatory trust, forcing the FAA to impose strict, new oversight. This failure means the Commercial Airplanes (BCA) ramp-up essentially stops, with long-term growth stalled at 2.0% by FY2030. This operational risk leads to lower profitability, with EBIT margins falling to 8.5% by FY2030. Applying a lower 10.0x EV/EBITDA exit multiple, we arrive at a calculated price of \$124, implying a 39% downside from the current trading price.

Upside Case: Our upside scenario models the successful completion of the turnaround, assuming management fully resolves supply chain limitations (Risk 3) and effectively uses its market advantage to quickly convert the backlog into revenue. The Commercial Airplanes (BCA) segment fully executes its scale plan, with long-term growth stabilizing at 8.0% by FY2030. This efficiency drives maximum profitability, with EBIT margins recovering to a peak of 13.0% by FY2030. Applying a premium 15.0x EV/EBITDA exit multiple, and a 4.0% Terminal Growth Rate, we arrive at a calculated price of \$358.35, implying a 76% upside from the current trading price.

Disclosures and Ratings: Bluegrass Capital Research does not hold any professional relationships with the securities mentioned in this report. Our ratings are defined as follows: **Buy** (expected to outperform the market), **Hold** (expected to perform in line with the market), and **Sell** (expected to underperform the market), typically over a 12-month horizon. This report is for educational and informational purposes only and should not be considered as financial advice.