# The Boeing Company

Student Managed Fund 2015-2016 Equity Report

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**Company Information**

Company Name: Boeing Co.
Ticker: BA
Sector: Industrials
CEO: Dennis A Muilenburg, at Boeing since 1985
CFO: Greg Smith, at Boeing since 2008

Current Price: $131.16
Target Price: $168.63
Margin of Safety: 29%
Recommendation: BUY

Market Cap: $85.9B
52 Week H/L: $154.09/$102.10
Dividend Yield:2.77%
P/E Ratio:14.28
FCF Yield:7.74%
Beta: 1.05

5 Year Normalized Stock Performance vs S&P 500:

**Business Model: How Does Boeing Make Money?**

Boeing designs and assembles airplanes for airline companies and governments. They service all of the major players in the US Airline industry such as Southwest Airlines, American Airlines, United Airlines, and Delta Airlines. In addition, the firm offers aircraft modifications, spare parts, and technical consulting.

They also make defense systems, satellites, and military aircraft for the United States (primarily NASA and the US Air Force) as well as foreign governments.

The company also provides financing services for their clients through Boeing Capital Corporation.

**Company Segments:**

1. Commercial Airlines: develops/manufactures commercial airplanes.

2. Boeing Defense, Space, and Security: researches/develops military aircraft, information systems, and space systems.

3. Boeing Capital Corporation: provides financing and leasing services to Boeing’s clients.

**Why Will Boeing Continue to Make Money?**

Boeing has a strong market share (approximately 44%) in a growing industry. Global air traffic is expected to grow by 5% annually over the next 20 years, and Boeing forecasts that there will be about 35,000 aircraft deliveries over that time, compared to about 19,000 over the past 20 years.

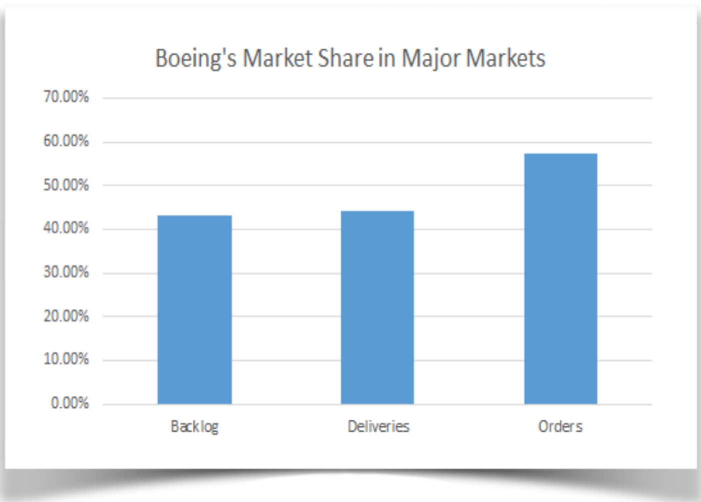
> In China, one of Boeing's most important growth opportunities, the global air traffic grew at about 15% last year, despite the well-publicized slowdown of the Chinese economy. About 12% of Boeing’s revenue comes from China.
>
> The company estimates that the size of the airline industry in Southeast Asia is approximately $550B over the next 20 years.

In Boeing's most recent earnings report, the company noted that, despite the slow recovery of the air cargo market, there will be about 240 large freight airlines that will need to be replaced starting in 2019.

Boeing's backlog currently contains about 5,800 airplane orders, which represents about 7 years of production.

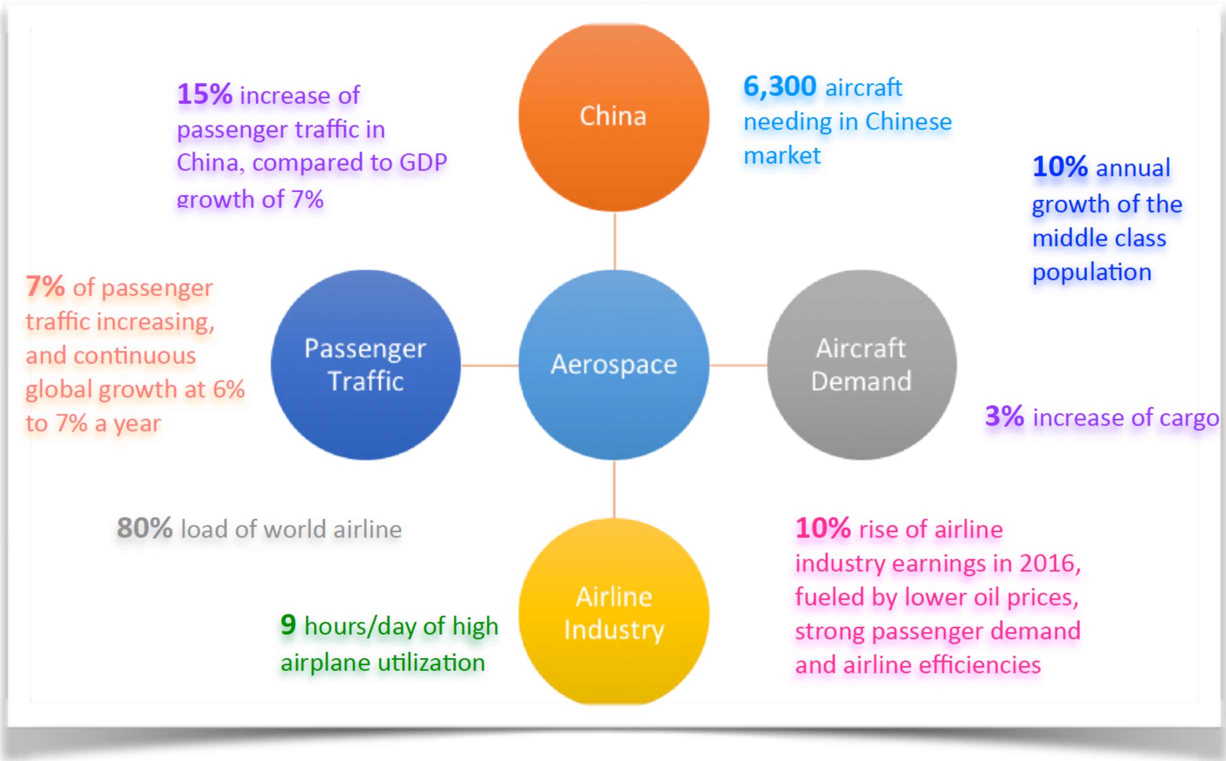
The recent reinstatement of the Export Import Bank also helps Boeing to sell its products to emerging market buyers. The Export-Import Bank is responsible for insuring foreign purchases of US goods; helping to absorb credit risk from Boeing Capital Corporation.

**Industry Outlook**




The Industrials sector contains a broad spectrum of companies that produce goods or provide services to both consumers and business for mainly industrial use. The whole sector currently holds a weight of 10.11% (or about \$1.91 trillion in market cap) of the S&P 500. Among its sub-industries, Aerospace & Defense is the largest representing more than 25% of the sector's market value - of which Boeing is positioned.

Today, passengers have access to a wider range of destinations. Rapidly evolving aviation services in emerging regions are broadening the geographical balance of airplane demand, spurring a worldwide requirement for 38,050 new jet airplanes, valued at \$5.6 trillion. We continue to see a generally healthy commercial airplane marketplace driven by improving airline profitability, solid passenger traffic growth, and meaningful replacement. Boeing as one of the big players has benefited and delivered more and more commercial aircraft. Its backlog is massive at 5,800 planes valued at \$432 billion. Additional bookings should also be on the horizon, thanks to a number of airlines being on better financial footing due to reduced fuel prices and vigorous demand for flights. Against this backdrop, more carriers will probably look to replace their aging fleets with new Boeing aircraft.




Looking ahead, we are bullish in regard to industry's prospects. In general, global GDP is forecast to increase 2.7% in 2016, a healthy level for the industry. The biggest factor that will likely come into play in determining the performance of industrials in the upcoming years will be global growth. Efforts in technology services and expansion are required of companies that continue to dominate the middle ground. To control midfield, Boeing has begun introduction of new automation technology on the 777 production line and make sure they have the right plan related to engine technology. Meanwhile, the reauthorization of the U.S. Export-Import Bank restores competitive balance in international trade and enables American exporters to compete on a level playing field in tough global markets.

**Competitive Advantage: Why is Boeing Superior to the Competition?**

From a product specification perspective, we compared Boeing's 787 Dreamliner against the Airbus A380; the companies' major intercontinental aircrafts.The major factors we compared were:

| | Boeing 787 Dreamliner | Airbus A380 |
|---|---|---|
| Price | $225 M | $404M |
| Fuel Cost.Nautical Mile | $27.35 | $60.35 |
| Max Cruise Altitude | 43,000 ft | 43,100 ft |
| Cruise Speed | 490 knots | 510 knots |
| Thrust per Unit of Weight | 0.255 | 0.233 |
| Max Range (Nautical Miles) | 7355 | 8500 |

As you can see, the Boeing 787 has superior fuel efficiency and engine power per unit of weight than the Airbus A380. Despite being significantly cheaper, the 787 also has comparable Max Cruise Altitude, Range, and Cruise Speed. Without comparing every model offered by the companies, this comparison signals to us that Boeing creates quality products that can compete with any other company.

In addition, the company has very strong relationships with its supply chain as well as its competition. They partners with companies such as Lockheed Martin in the US Space Alliance as well as Northrop Grumman in various joint missile programs. They also work with international suppliers such as Mitsubishi and Kawasaki; helping them to penetrate foreign markets.

**Risk Factors:**


### Slower Asia Growth

As Asia has become the biggest aviation the world, slowing growth and excess capacity in these developing countries raises the risks of aircraft deferrals and production-rate cuts.

Specially, Recent data has suggested to investors and to the market that China, the largest developing economy, may be slowing down. This slowing economy will likely reduce the demand for industrial products, since companies will be producing fewer products, the government will be spending less on the creation of infrastructure and buildings, consumers will spend less on tools, etc.

### Lower Fuel Prices & Higher Interest Rates

Lower fuel costs, spurred by surging U.S. and global output, and the increasing interest rates and likelihood of continuous hikes in this year, may improve the value of used aircraft and hamper sales of new planes.

Our concern is that higher interest rates will improve the appeal of older aircraft due to lower ownership costs, while cheaper fuel prices eliminate some of the benefit of buying the latest fuel-efficient airplanes.

### Dollar Pressure

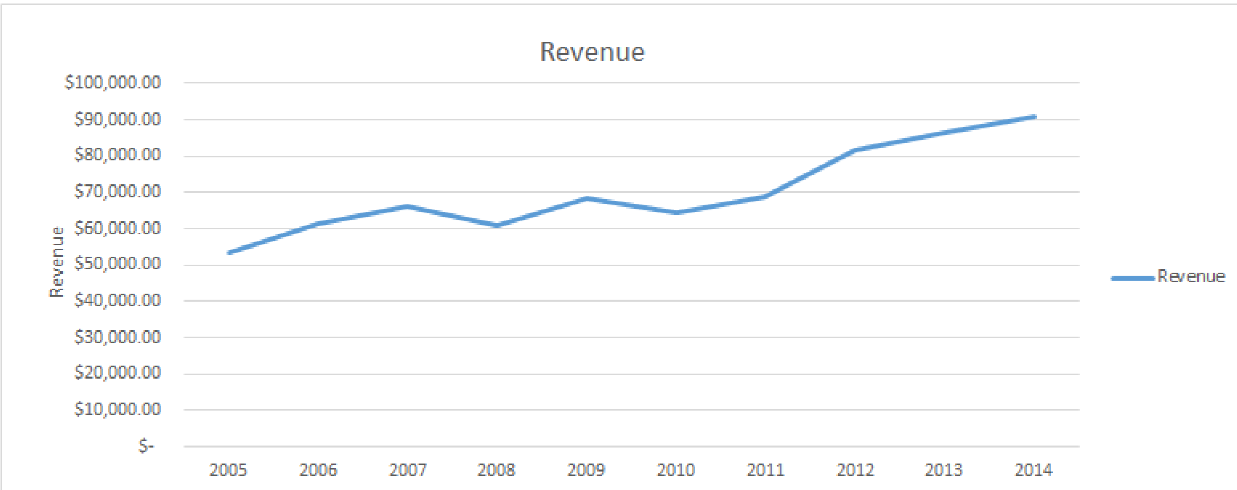
The U.S. dollar recently appreciated relative to other currencies to its highest level since 2005. Under a stong dollar envrionment, manufacturers with a relatively high percentage of sales outside the U.S. will have more difficulty selling jets and higher risk of canceled orders than rivals.

Previously, fast-growing markets like Russia and Brazil added demand, now they suffer from economic contraction and currency weakness, hurting business-jet sales, which are usually dollar-denominated.

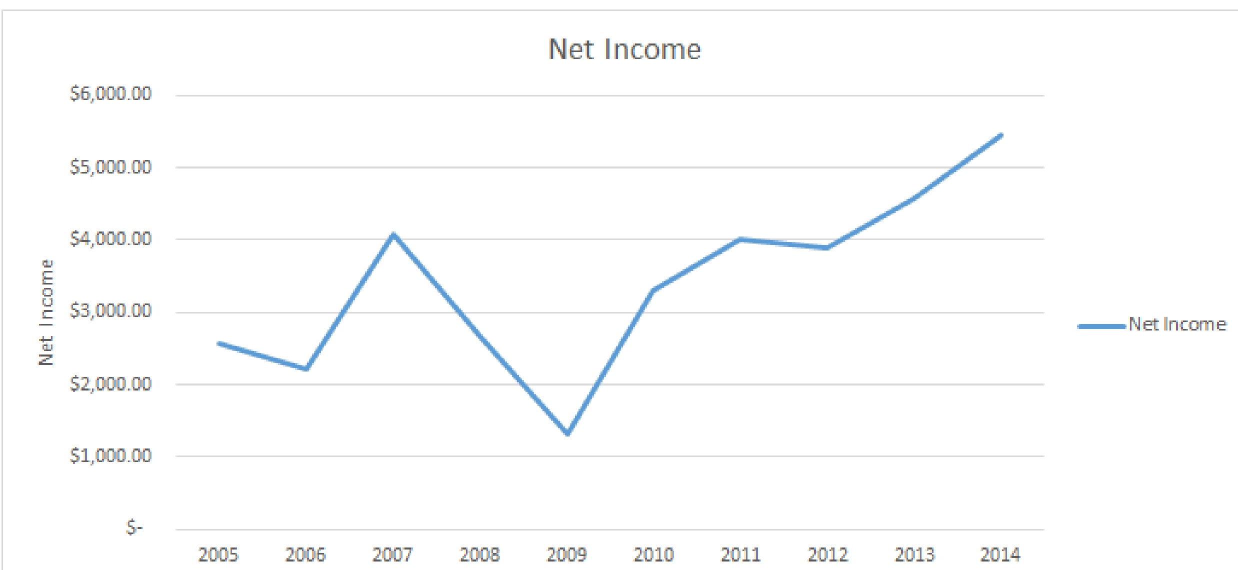
**Company Financials**

<u>Strong Growth since 2005 in:</u>

Revenue:




Net Income:



Profitability Figures:
Operating Margin:7.74%
Net Income Margin:5.39%
Return on Assets:6.82%
Return on Equity: 85.20%
Return on Invested Capital: 33.51%

Balance Sheet Figures:
Current Ratio:1.35
Net Debt/EBITDA: -.23
Debt/Enterprise Value: .11

Dividends:
Dividend Yield: 2.77%
December 2015: Board of Directors approved a 20% increase in dividend/share

Share Buybacks
December 2015: Board of Directors approved a new $14B share buyback over the next 2-3 Years

**Industry Financials**

| Name (BICS Best Fit) | Mkt Cap (USD) | FCF Yld↓ | P/E | ROE:Y | ROA:Y | Curr Ratio LF | Net Debt to EBITDA LF | Dvd Yld |
|---|---|---|---|---|---|---|---|---|
| Average | 19.97B | 0.64% | 44.58 | 18.52% | 3.85% | 1.47 | 0.41 | 1.26% |
| 100) BOEING CO/THE | 85.64B | 7.73% | 14.30 | 85.20% | 6.82% | 1.35 | -0.23 | 2.77% |
| 101) UNITED AIRCRAFT CORP... | 2.91B | -31.56% | -- | -6.65% | -1.19% | 1.35 | 9.46 | -- |
| 102) AVICHINA INDUSTRY & ... | 4.21B | -6.91% | 32.02 | 7.56% | 1.50% | 1.46 | -0.46 | 0.40% |
| 103) SAAB AB-B | 3.36B | -1.69% | 19.41 | 11.28% | 4.21% | 1.63 | 0.96 | -- |
| 104) JIANGXI HONGDU AVIA... | 2.24B | -1.06% | 185.80 | 1.53% | 0.84% | 1.39 | -- | -- |
| 105) HEXCEL CORP | 4.23B | -0.06% | 19.59 | 19.40% | 10.70% | 2.17 | 1.28 | 0.88% |
| 106) AIRBUS GROUP SE | 50.25B | 1.59% | 16.60 | 33.57% | 2.16% | 0.99 | -2.06 | -- |
| 107) GENERAL DYNAMICS CORP | 41.52B | 4.41% | 14.97 | 26.14% | 8.76% | 1.17 | 0.13 | 2.04% |
| 108) TEXTRON INC | 10.17B | 6.44% | 15.12 | 15.11% | 4.76% | 1.71 | 1.66 | 0.21% |
| 109) DASSAULT AVIATION SA | 10.58B | 12.66% | 61.49 | 8.64% | 3.07% | 0.84 | -6.62 | -- |
| 110) EMBRAER SA | 4.58B | 15.43% | 66.54 | 1.96% | 0.66% | 2.08 | -0.01 | -- |

As you can see, Boeing is priced attractively with respect to earnings in its industry, in addition to having a superior Free Cash Flow Yield and Dividend Yield. Its Return on Equity and Return on Assets are superior to the industry, and they have a strong balance sheet indicated by their current ratio and Net Debt/EBITDA.

# Valuation

| | Historical Period | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| **Revenue** | **$ 61,530.00** | **$ 66,387.00** | **$ 60,909.00** | **$ 68,281.00** | **$ 64,306.00** | **$ 68,735.00** | **$ 81,698.00** | **$ 86,623.00** | **$ 90,762.00** | **$ 96,114.00** |
| *% growth* | | *8%* | *-8%* | *12%* | *-6%* | *7%* | *19%* | *6%* | *5%* | *6%* |
| Cost of Revenue | $ 50,437.00 | $ 53,402.00 | $ 50,352.00 | $ 56,540.00 | $ 51,843.00 | $ 55,867.00 | $ 68,665.00 | $ 73,268.00 | $ 76,752.00 | $ 82,088.00 |
| **Gross Margin** | **$ 11,093.00** | **$ 12,985.00** | **$ 10,557.00** | **$ 11,741.00** | **$ 12,463.00** | **$ 12,868.00** | **$ 13,033.00** | **$ 13,355.00** | **$ 14,010.00** | **$ 14,026.00** |
| *Gross Margin %* | *18%* | *20%* | *17%* | *17%* | *19%* | *19%* | *16%* | *15%* | *15%* | *15%* |
| SG&A | | | | $ 3,364.00 | $ 3,644.00 | $ 3,408.00 | $ 3,717.00 | $ 3,956.00 | $ 3,767.00 | $ 3,525.00 |
| *% margin* | | | | *5%* | *6%* | *5%* | *5%* | *5%* | *4%* | *4%* |
| Other Operating Expenses | $ 7,282.00 | $ 7,193.00 | $ 6,611.00 | $ 6,281.00 | $ 3,848.00 | $ 3,616.00 | $ 3,026.00 | $ 2,837.00 | $ 2,770.00 | $ 3,058.00 |
| **Total Operating Expenses** | **$ 7,282.00** | **$ 7,193.00** | **$ 6,611.00** | **$ 9,645.00** | **$ 7,492.00** | **$ 7,024.00** | **$ 6,743.00** | **$ 6,793.00** | **$ 6,537.00** | **$ 6,583.00** |
| *% margin* | *12%* | *11%* | *11%* | *14%* | *12%* | *10%* | *8%* | *8%* | *7%* | *7%* |
| **EBITDA** | **$ 5,356.00** | **$ 7,278.00** | **$ 5,437.00** | **$ 3,762.00** | **$ 6,698.00** | **$ 7,504.00** | **$ 8,101.00** | **$ 8,406.00** | **$ 9,379.00** | **$ 9,276.00** |
| *% margin* | *9%* | *11%* | *9%* | *6%* | *10%* | *11%* | *10%* | *10%* | *10%* | *10%* |
| Depreciation & Amortization | $ 1,445.00 | $ 1,134.00 | $ 1,013.00 | $ 1,459.00 | $ 1,510.00 | $ 1,457.00 | $ 1,248.00 | $ 1,338.00 | $ 1,414.00 | $ 1,357.00 |
| **EBIT** | **$ 3,811.00** | **$ 5,792.00** | **$ 3,946.00** | **$ 2,096.00** | **$ 4,971.00** | **$ 5,844.00** | **$ 6,290.00** | **$ 6,562.00** | **$ 7,473.00** | **$ 7,443.00** |
| *% margin* | *6%* | *9%* | *6%* | *3%* | *8%* | *9%* | *8%* | *8%* | *8%* | *8%* |
| **Taxes** | $ 988.00 | $ 2,060.00 | $ 1,341.00 | $ 396.00 | $ 1,196.00 | $ 1,382.00 | $ 2,007.00 | $ 1,646.00 | $ 1,691.00 | $ 1,979.00 |
| % tax | *26%* | *36%* | *34%* | *19%* | *24%* | *24%* | *32%* | *25%* | *23%* | *27%* |
| **EBIAT** | **$ 2,823.00** | **$ 3,732.00** | **$ 2,605.00** | **$ 1,700.00** | **$ 3,775.00** | **$ 4,462.00** | **$ 4,283.00** | **$ 4,916.00** | **$ 5,782.00** | **$ 5,464.00** |
| Plus: Depreciation & Amortization | $ 1,445.00 | $ 1,134.00 | $ 1,013.00 | $ 1,459.00 | $ 1,510.00 | $ 1,457.00 | $ 1,248.00 | $ 1,338.00 | $ 1,414.00 | $ 1,357.00 |
| Less: Capital Expenditures | $ (1,703.00) | $ (1,731.00) | $ (1,674.00) | $ (1,186.00) | $ (1,125.00) | $ (1,713.00) | $ (1,703.00) | $ (2,098.00) | $ (2,236.00) | $ (2,450.00) |
| Less: Increase in Net Working Capital | $ (306.00) | $ 1,841.00 | $ (905.00) | $ 7,500.00 | $ 3,026.00 | $ 4,764.00 | $ 2,874.00 | $ 1,388.00 | $ (3,154.00) | $ 7,059.00 |
| Plus: Other Operating Adjustments | $ 2,947.00 | $ 6,559.00 | $ (4,924.00) | $ 9,944.00 | $ 693.00 | $ 2,868.00 | $ 4,851.00 | $ 3,313.00 | $ (1,492.00) | $ 9,601.00 |
| **Free Cash Flow** | **$ 5,818.00** | **$ 7,853.00** | **$ (2,075.00)** | **$ 4,417.00** | **$ 1,827.00** | **$ 2,310.00** | **$ 5,805.00** | **$ 6,081.00** | **$ 6,622.00** | **$ 6,913.00** |
| *% growth* | | *35%* | *-126%* | *-313%* | *-59%* | *26%* | *151%* | *5%* | *9%* | *4%* |
| WACC | 10.0% | | | | | | | | | |
| Discount Period | | | | | | | | | | |
| Discount Factor | | | | | | | | | | |
| **Present Value of Free Cash Flow** | | | | | | | | | | |

| | Projection Period | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| **Revenue** | **$ 99,958.56** | **$ 103,956.90** | **$ 109,154.75** | **$ 116,795.58** | **$ 124,971.27** | **$ 133,719.26** | **$ 143,079.61** | **$ 153,095.18** | **$ 162,280.89** | **$ 172,017.74** |
| *% growth* | *4%* | *4%* | *5%* | *7%* | *7%* | *7%* | *7%* | *7%* | *6%* | *6%* |
| Cost of Revenue | $ 83,965.19 | $ 87,323.80 | $ 91,689.99 | $ 98,108.29 | $ 104,975.87 | $ 112,324.18 | $ 120,186.87 | $ 128,599.95 | $ 136,315.95 | $ 144,494.91 |
| **Gross Margin** | **$ 15,993.37** | **$ 16,633.10** | **$ 17,464.76** | **$ 18,687.29** | **$ 19,995.40** | **$ 21,395.08** | **$ 22,892.74** | **$ 24,495.23** | **$ 25,964.94** | **$ 27,522.84** |
| *Gross Margin %* | *16%* | *16%* | *16%* | *16%* | *16%* | *16%* | *16%* | *16%* | *16%* | *16%* |
| SG&A | $ 4,376.73 | $ 4,376.73 | $ 4,551.80 | $ 4,779.39 | $ 5,113.94 | $ 5,471.92 | $ 5,854.95 | $ 6,264.80 | $ 6,703.34 | $ 7,105.54 |
| *% margin* | *4%* | *4%* | *4%* | *4%* | *4%* | *4%* | *4%* | *4%* | *4%* | *4%* |
| Other Operating Expenses | $ 2,649.80 | $ 2,512.60 | $ 2,375.40 | $ 2,238.20 | $ 2,101.00 | $ 1,963.80 | $ 1,826.60 | $ 1,689.40 | $ 1,552.20 | $ 1,415.00 |
| **Total Operating Expenses** | **$ 7,026.53** | **$ 6,889.33** | **$ 6,927.20** | **$ 7,017.59** | **$ 7,214.94** | **$ 7,435.72** | **$ 7,681.55** | **$ 7,954.20** | **$ 8,255.54** | **$ 8,520.54** |
| *% margin* | *7%* | *7%* | *6%* | *6%* | *6%* | *6%* | *5%* | *5%* | *5%* | *5%* |
| **EBITDA** | **$ 10,319.44** | **$ 11,092.98** | **$ 11,883.36** | **$ 13,012.11** | **$ 14,119.46** | **$ 15,294.96** | **$ 16,543.38** | **$ 17,869.83** | **$ 19,034.81** | **$ 20,324.30** |
| *% margin* | *10%* | *11%* | *11%* | *11%* | *11%* | *11%* | *12%* | *12%* | *12%* | *12%* |
| Depreciation & Amortization | $ 1,352.60 | $ 1,349.20 | $ 1,345.80 | $ 1,342.40 | $ 1,339.00 | $ 1,335.60 | $ 1,332.20 | $ 1,328.80 | $ 1,325.40 | $ 1,322.00 |
| **EBIT** | **$ 8,966.84** | **$ 9,743.78** | **$ 10,537.56** | **$ 11,669.71** | **$ 12,780.46** | **$ 13,959.36** | **$ 15,211.18** | **$ 16,541.03** | **$ 17,709.41** | **$ 19,002.30** |
| *% margin* | *9%* | *9%* | *10%* | *10%* | *10%* | *10%* | *11%* | *11%* | *11%* | *11%* |
| **Taxes** | $ 2,241.71 | $ 2,435.94 | $ 2,634.39 | $ 2,917.43 | $ 3,195.12 | $ 3,489.84 | $ 3,802.80 | $ 4,135.26 | $ 4,427.35 | $ 4,750.58 |
| % tax | *25%* | *25%* | *25%* | *25%* | *25%* | *25%* | *25%* | *25%* | *25%* | *25%* |
| **EBIAT** | **$ 6,725.13** | **$ 7,307.83** | **$ 7,903.17** | **$ 8,752.28** | **$ 9,585.35** | **$ 10,469.52** | **$ 11,408.39** | **$ 12,405.77** | **$ 13,282.05** | **$ 14,251.73** |
| Plus: Depreciation & Amortization | $ 1,352.60 | $ 1,349.20 | $ 1,345.80 | $ 1,342.40 | $ 1,339.00 | $ 1,335.60 | $ 1,332.20 | $ 1,328.80 | $ 1,325.40 | $ 1,322.00 |
| Less: Capital Expenditures | $ (2,474.50) | $ (2,499.25) | $ (2,524.24) | $ (2,549.48) | $ (2,574.97) | $ (2,600.72) | $ (2,626.73) | $ (2,653.00) | $ (2,679.53) | $ (2,706.32) |
| Less: Increase in Net Working Capital | $ 2,586.20 | $ 2,586.20 | $ 2,586.20 | $ 2,586.20 | $ 2,586.20 | $ 2,586.20 | $ 2,586.20 | $ 2,586.20 | $ 2,586.20 | $ 2,586.20 |
| Plus: Other Operating Adjustments | $ 3,828.20 | $ 3,828.20 | $ 3,828.20 | $ 3,828.20 | $ 3,828.20 | $ 3,828.20 | $ 3,828.20 | $ 3,828.20 | $ 3,828.20 | $ 3,828.20 |
| **Free Cash Flow** | **$ 6,845.23** | **$ 7,399.79** | **$ 7,966.74** | **$ 8,787.20** | **$ 9,591.37** | **$ 10,446.40** | **$ 11,355.86** | **$ 12,323.57** | **$ 13,169.93** | **$ 14,109.40** |
| *% growth* | *-1%* | *8%* | *8%* | *10%* | *9%* | *9%* | *9%* | *9%* | *7%* | *7%* |
| WACC | | | | | | | | | | |
| Discount Period | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Discount Factor | 0.91 | 0.83 | 0.75 | 0.68 | 0.62 | 0.56 | 0.51 | 0.47 | 0.42 | 0.39 |
| **Present Value of Free Cash Flow** | **$ 6,222.9** | **$ 6,115.5** | **$ 5,985.5** | **$ 6,001.8** | **$ 5,955.5** | **$ 5,896.7** | **$ 5,827.3** | **$ 5,749.0** | **$ 5,585.3** | **$ 5,439.8** |

| **Implied Equity Value and Share Price** | |
|---|---|
| PV of Cash Flows | $ 30,281.25 |
| PV of Terminal Value | $ 80,042.56 |
| Enterprise Value | $ 110,323.81 |
| Less: Net Debt | $ (2,088.00) |
| **Implied Equity Value** | $ 112,411.81 |
| Fully Diluted Shares Outstanding | $ 666.60 |
| **Implied Share Price** | $ 168.63 |
| **Current Price** | $ 131.16 |
| **Implied Margin of Safety** | 29% |

| **Implied Perpetuity Growth Rate** | |
|---|---|
| WACC | 10.0% |
| Implied Perpetuity Growth Rate | 3.00% |

**Sensitivity Analysis of Implied Share Price with Respect to Long Run Growth Rate**

| Long Run Growth R | WACC 9.0% | 9.5% | 10.0% | 10.5% | 11.0% |
|---|---|---|---|---|---|
| 2.0% | $ 180.10 | $ 165.34 | $ 152.61 | $ 141.53 | $ 131.84 |
| 2.5% | $ 190.81 | $ 174.24 | $ 160.09 | $ 147.87 | $ 137.25 |
| 3.0% | $ 203.30 | $ 184.52 | $ 168.63 | $ 155.05 | $ 143.33 |
| 3.5% | $ 218.07 | $ 196.51 | $ 178.50 | $ 163.26 | $ 150.23 |
| 4.0% | $ 235.78 | $ 210.68 | $ 190.01 | $ 172.73 | $ 158.11 |

Our valuation of Boeing was derived using the industry standard Discounted Cash Flow method. This method was implemented by looking at historical Free Cash Flows, making reasonable assumptions of how they would grow into perpetuity, and then discounting all of these future cash flows into the present.

The above Discounted Cash Flow model required two main assumptions: discount rate and growth rate. The discount rate we used was 10%. It is generally the case that in the long-run, the WACC for most companies is 10%. Furthermore, Boeing's current WACC was far below 10%, largely due to low interest rate environments. Thus, the 10% WACC assumption is both conservative and appropriate.

Our short term growth rate assumptions came from our positive outlook of both the airline industry and Boeing's competitive advantages. The airline industry, in terms of air traffic is expected to grow by 5% annually over the next 20 years, and commercial jet orders are expected to increase rapidly, as noted above. There are also numerous emerging markets for commercial planes such as in China and Southeast Asia. This combined with Boeing strong backlog and product specifications give us confidence that Boeing will be able to grow earnings at a fairly consistent compound annual growth rate of about 6.22% over the next 10 years, and at 3% in perpetuity.

After calculating the present value of Boeing's cash flows, we subtracted Net Debt from the value of the firm, and divided by the number of shares outstanding to estimate an intrinsic value of $168.63 per share.

**References**:

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## Appendix- Consolidated Financial Statements (Annual Report 2015)

**The Boeing Company and Subsidiaries**
**Consolidated Statements of Financial Position**

*(Dollars in millions, except per share data)*

| December 31, | 2015 | 2014 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $11,302 | $11,733 |
| Short-term and other investments | 750 | 1,359 |
| Accounts receivable, net | 8,713 | 7,729 |
| Current portion of customer financing, net | 212 | 190 |
| Inventories, net of advances and progress billings | 47,257 | 46,756 |
| **Total current assets** | 68,234 | 67,767 |
| Customer financing, net | 3,358 | 3,371 |
| Property, plant and equipment, net | 12,076 | 11,007 |
| Goodwill | 5,126 | 5,119 |
| Acquired intangible assets, net | 2,657 | 2,869 |
| Deferred income taxes | 265 | 317 |
| Investments | 1,284 | 1,154 |
| Other assets, net of accumulated amortization of $451 and $479 | 1,408 | 1,317 |
| **Total assets** | $94,408 | $92,921 |
| **Liabilities and equity** | | |
| Accounts payable | $10,800 | $10,667 |
| Accrued liabilities | 14,014 | 13,462 |
| Advances and billings in excess of related costs | 24,364 | 23,175 |
| Short-term debt and current portion of long-term debt | 1,234 | 929 |
| **Total current liabilities** | 50,412 | 48,233 |
| Deferred income taxes | 2,392 | 2,207 |
| Accrued retiree health care | 6,616 | 6,802 |
| Accrued pension plan liability, net | 17,783 | 17,182 |
| Other long-term liabilities | 2,078 | 1,566 |
| Long-term debt | 8,730 | 8,141 |
| Shareholders' equity: | | |
| Common stock, par value $5.00 – 1,200,000,000 shares authorized; 1,012,261,159 shares issued | 5,061 | 5,061 |
| Additional paid-in capital | 4,834 | 4,625 |
| Treasury stock, at cost | (29,568) | (23,298) |
| Retained earnings | 38,756 | 36,180 |
| Accumulated other comprehensive loss | (12,748) | (13,903) |
| Total shareholders' equity | 6,335 | 8,665 |
| Noncontrolling interests | 62 | 125 |
| **Total equity** | 6,397 | 8,790 |
| **Total liabilities and equity** | $94,408 | $92,921 |

See Notes to the Consolidated Financial Statements on pages 54 – 109.

**The Boeing Company and Subsidiaries**
**Notes to the Consolidated Financial Statements**
**Summary of Business Segment Data**

| *(Dollars in millions)*<br>Years ended December 31, | 2015 | 2014 | 2013 |
|---|---|---|---|
| Revenues: | | | |
| Commercial Airplanes | **$66,048** | $59,990 | $52,981 |
| Defense, Space & Security: | | | |
| Boeing Military Aircraft | **13,482** | 13,500 | 15,275 |
| Network & Space Systems | **7,751** | 8,003 | 8,512 |
| Global Services & Support | **9,155** | 9,378 | 9,410 |
| Total Defense, Space & Security | **30,388** | 30,881 | 33,197 |
| Boeing Capital | **413** | 416 | 408 |
| Unallocated items, eliminations and other | **(735)** | (525) | 37 |
| **Total revenues** | **$96,114** | $90,762 | $86,623 |
| Earnings from operations: | | | |
| Commercial Airplanes | **$5,157** | $6,411 | $5,795 |
| Defense, Space & Security: | | | |
| Boeing Military Aircraft | **1,318** | 1,301 | 1,501 |
| Network & Space Systems | **726** | 698 | 719 |
| Global Services & Support | **1,230** | 1,134 | 1,015 |
| Total Defense, Space & Security | **3,274** | 3,133 | 3,235 |
| Boeing Capital | **50** | 92 | 107 |
| Unallocated items, eliminations and other | **(1,038)** | (2,163) | (2,575) |
| **Earnings from operations** | **$7,443** | $7,473 | $6,562 |
| Other (loss)/income, net | **(13)** | (3) | 56 |
| Interest and debt expense | **(275)** | (333) | (386) |
| **Earnings before income taxes** | **7,155** | 7,137 | 6,232 |
| Income tax expense | **(1,979)** | (1,691) | (1,646) |
| **Net earnings from continuing operations** | **5,176** | 5,446 | 4,586 |
| Net loss on disposal of discontinued operations, net of taxes of $0, $0, $0 | | | (1) |
| **Net earnings** | **$5,176** | $5,446 | $4,585 |

This information is an integral part of the Notes to the Consolidated Financial Statements. See Note 21 for further segment results.