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| **Company: The Boeing Co** | **Ticker: BA Current Price: $ 259** | **Industry: Industrial Goods – A&D**  |
| Target Price: $283Stop Loss: $230 (15%)52 Week High/ Low: $267.21 / $136.72 | TTM P/E: 23.44Forward P/E: 23.43EPS: $11.36 | Beta: 1.29Credit Rating: A (S&P)Rating Outlook: Stable | Market Cap: $154,564bAvg Vol (12 M): 3.893mDividend Yield: 2.6% |

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| **Company Background:**  |
| Boeing is the world's largest aerospace company and leading manufacturer of commercial jetliners and defense, space and security systems. A top U.S. exporter, the company supports airlines and U.S. and allied government customers in 150 countries. Boeing products and tailored services include commercial and military aircraft, satellites, weapons, electronic and defense systems, launch systems, advanced information and communication systems, and performance-based logistics and training. |
| **Industry Outlook:**  |
| * As emerging markets continue to grow and new business models expand, the customer base for airplanes is becoming increasingly diverse. In 1995, airlines in Europe or North America carried more than 64 percent of all traffic. By 2035, that share will shrink to 37 percent, with Asia Pacific and Middle East airlines becoming more prominent in global aviation.
* World air traffic annual growth rate has nearly doubled the world GDP growth rate. This trend likely to continue.
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| **Investment Thesis:**  |
| * Boeing is among the companies best positioned to benefit from positive aero fundamentals and the company is consciously trying to shape the industry to capture more value for itself, which could mean strong relative performance and potential upside to estimates.
* The industry is expecting the airplane demand to be doubled in next 15-20 years. Boeing as an industry leader will be benefited significantly.
* China and some other emerging countries are developing their own air crafts. However, due to extremely complexity and high entry barrier, Boeing is difficult to see new competitors in coming 5-10 years.
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| **Investment Risks:**  |
| * Market conditions have a significant impact on demand for our commercial aircraft. The commercial aircraft market is predominantly driven by long-term trends in airline passenger and cargo traffic
* The commercial aircraft business is extremely complex, involving extensive coordination and integration with U.S and non-U.S. suppliers, highly-skilled labor from thousands of employees and other partners, and stringent regulatory requirements and performance and reliability standards.
* Derive a substantial portion of our revenue from the U.S. government, primarily from defense related programs with the U.S. DoD. Levels of U.S. defense spending are very difficult to predict and may be impacted by numerous
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| **Most recent quarter financial highlights (Jul - Sep 2017):**  |
| * Revenue of $24.3 billion, including record 202 commercial aircraft deliveries
* GAAP EPS of $3.06 and core EPS (non-GAAP)\* of $2.72 on solid execution
* Backlog remains robust at $474 billion (Defense, Space & Security $45.8 billion), including nearly 5,700 aircraft in commercial airplane orders
* Cash flow and EPS guidance raised; segment guidance updated
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| **Financial Performance:** | **Discounted Cash Flow**  |
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| In Millions of USD | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 Est | 2018 Est |
| Revenue  | 81,698 | 86,623 | 90,762 | 96,114 | 94,571 | 92,173.7 | 93,553.9 |
| Operating Profit | 13,033 | 13,761 | 14,010 | 14,026 | 13,781 | 16,913.9 | 16,222.2 |
| Net Income  | 3,979.1 | 4,836.9 | 5,601.4 | 6,390.2 | 7,310.4 | 6,594.5 | 6,684.2 |
| Revenue Growth % | 18.9 | 6 | 4.8 | 5.9 | -1.6 | -2.5 | 1.5 |
| EBITDA% | 10.1 | 10.1 | 10.6 | 11.6 | 12.1 | 12.9 | 13.1 |
| Operating Profit % | 16 | 15.9 | 15.4 | 14.6 | 14.6 | 18.4 | 17.3 |
| Net Income Margin | 4.9 | 5.6 | 6.2 | 6.6 | 7.7 | 7.2 | 7.1 |
| D/E | 13.9 | 5.18 | 9.57 | 13.76 | 101.62 | n/a | n/a |
| EPS | 5.21 | 6.29 | 7.59 | 9.18 | 11.36 | 10.08 | 11.06 |
| PE Ratio  | 14.46 | 21.71 | 17.12 | 15.74 | 13.7 | 25.68 | 23.4 |
| Current Ratio | 1.27 | 1.26 | 1.40 | 1.35 | 1.25 | n/a | n/a |
| ROE | 83.14 | 44.21 | 46.27 | 69.01 | 136.88 | n/a | n/a |
| ROA | 4.62 | 5.05 | 5.87 | 5.53 | 5.31 | n/a | n/a |
| Dividend Per share  | 1.81 | 2.19 | 2.92 | 3.64 | 4.69 | 5.73 | 6.30 |
| FCF | 5,805 | 6,081 | 6,622 | 6,913 | 7,886 | 10,599.8 | 10,525.6 |

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|  | 2012-16 | 2017-21 |
| Avg Revenue growth  | 6.8 | 6.0 |
| Avg EBITDA Margin  | 10.9 | 10.0 |
| Avg Net Income Margin  | 15.3 | 15.0 |
| Avg Debt/Equity  | 28.81 | 30.0 |
| Avg FCF / Margin  | .074 |  |
| Cost of Debt | 2.23% |
| Tax Rate | 27.0% |
| Cost of Equity  | 9.97% |
| WACC | 9.5% |
| Perpetuity growth rate  | 3.0% |

**Analyst Opinion**

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| --- | --- | --- |
| Buy:15 | Hold: 13 | Sell:0 |
| Target Price Range | 203-325 |  |
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| Source: Bloomberg |

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| **Relative Valuation** | **Total Return** |
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|  | GD | Lockheed  | Raytheon | UTC | Industry Avg.\* |
| P/E | 21.24 | 25.03 | 25.87 | 18.10 | 29.42 |
| P/B | 6.25 | 60.69 | 5.42 | 3.48 | 19.94 |
| Dividend Yield  | 1.57 | 2.52 | 1.7 | 2.36 | 1.33 |
| Revn Grth  | -1.27 | 9.6 | 4.2 | 2.7 | 3.41 |
| NI Grth  | 2.19 | 85.86 | 25.2 | 3.47 | 25.45 |
| Operating Margin  | 13.74 | 11.74 | 13.46 | 14.28 | 9.23 |
| Debt / Equity  | 37.74 | 945.2 | 52.53 | 86.66 | 269.63 |
| Market Cap | 63.77 B | 91.56 B | 54.39 B | 94.41 B | 44.33 B |
| Revenue TTM | 31.353 B | 47.248 B | 24.069 B | 57.244 B | 28.40 B |
| Net Income TTM | 3.062 B | 3.753 B | 2.173 B | 5.436 B | 1.73 B |
| FCF TTM | 979.25 M | 2.27 B | 1.04 B | 3.43 B | 2.35 B |

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|  | BA | SPDR A&D ETF | S&P 500 |
| YTD | 70.14 | 29.34 | 11.90 |
| 2016 | 9.94 | 21.47 | 9.54 |
| Last 3 Years  | 131.03 | 70.01 | 24.61 |
| Last 5 Years  | 314.82 | 191.8 | 71.46 |

**CSR Characteristics**

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|  | BA | Industry  |
| Governance Disclosure Score | 58.93 | 54.82 |
| ESG Disclosure:  | 28.10 | 33.60 |
| Social Disclosure Score | 19.30 | 35.67 |
| Environmental Disclosure Score | 18.60 | 31.30 |

Data: Bloomberg |