

Also produces business jets, fighters (F-15, F/A-18), helicopters (CH-47, AH-64); guided weapons (Harpoon, Joint Direct Attack Munition), satellites, space launch systems, and manages the International Space Station. In 2017, foreign sales accounted for 55% of

Group, 7.0%; BlackRock, 5.4%; Newport Trust Company, 5.7% (3/18 proxy). President, CEO, and Chairman: Dennis A. Muilenburg, Inc.: DE, Address: 100 North Riverside Plaza, Chicago, IL 60606-1596. Telephone: 312-544-2000. Internet: www.boeing.com.

50970 77725 50134 56269 Current Liab. **ANNUAL RATES** Past Est'd '15-'17 Past 10 Yrs. 6.5% 8.5% 10.5% 5 Yrs. 9.5% of change (per sh) to '21-'23 Revenues "Cash Flow" 8.0% 13.5% 16.0% 16.0% 18.0% Earnings Dividends Book Value 14.0%

62488

25881

23869

384

**Current Assets** 

Accts Payable Debt Due

65161

27494 1335

27440

86401

25144

1611

Cal-	QUARTERLY REVENUES (\$ mill.)				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2015	22149	24543	25849	23573	96114
2016	22632	24755	23898	23286	94571
2017	20976	22739	24309	25368	93392
2018	23382	24258	25000	25360	98000
2019	24500	25200	26300	27000	103000
Cal-	EARNINGS PER SHARE A				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2015	1.87	1.59	2.47	1.51	7.44
2016	1.83	2.86	3.60	2.59	10.84
2017	2.34	2.89	3.06	3.44	11.71
2018	4.15	3.73	4.22	4.50	16.60
2019	4.15	4.45	4.65	5.00	18.25
Cal-	QUARTERLY DIVIDENDS PAID B =				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2014	.73	.73	.73	.73	2.92
2015	.91	.91	.91	.91	3.64
2016	1.09	1.09	1.09	1.09	4.36
2017	1.42	1.42	1.42	1.42	5.68
2018	1 71	1 71	1 71		1

Boeing continues to perform well. In the June quarter, the aerospace/defense behemoth generated revenues of \$24.3 billion, which was slightly ahead of our estimate and represented a year-over-year increase of 7%. As for the bottom line, it achieved a share profit of \$3.73, or 29% better than the prior-year tally. Boeing delivered 194 commercial aircraft during the interim, compared to 183 last year. The delivery increase was, of course, good to see, but the big story was the operating margin of this division. Thanks to cost reductions, lower R&D expenditures, and the sale of more profitable planes, the business' operating margin widened 240 basis points, to 11.4%.

**Looking ahead, management raised its financial guidance.** For full-year 2018, leadership now expects revenue from \$97.0 billion-\$99.0 billion, up from its previous range of \$96.0 billion-\$98.0 billion. We think this new range is obtainable, and we have raised our top-line estimate to \$98.0 billion (was \$97.5 billion). That said, we do think that margins will not be as impressive in the second half, which can be attributed to higher costs in its

defense division. All told, we are lowering our 2018 share-net estimate from \$16.75, to \$16.60, which is at the high end of management's guidance (\$16.40-\$16.60).

Our view of the stock remains mixed. Boeing shares were the best-performing component of the Dow in 2017 and, year to date, have advanced another 20%. That, along with the meaningful top- and bottom-line gains that we project, and there appears to be wind at the issue's back, which may push the price even higher over the near term. That said, from a valuation standpoint, BA is expensive. For instance, it is trading at 21.2 times our 12month share-net estimate to March 2019, which is far higher than its historical average, as well as the multiple we project to 2021–2023. The stock is also priced well beyond its typical revenue and cash flow multiples. Simply put, establishing a new position here may prove lucrative, but comes with the caveats mentioned above. Lastly, we wouldn't blame current shareholders from periodically taking profits and, perhaps, buying back the stock at a better entry point. Ian Gendler September 7, 2018

(A) Diluted egs. Excl. nonrecur. gns./losses: '02, d\$2.21; '03, d11¢; '04, 67¢; '05, 72¢; '06, d54¢; '07, 2¢; '08, 2¢; '09, d3¢; '10, 45¢; '11,

may not sum to total due to round'g. Next egs. rpt. due late Oct. (B) Div'ds paid in early Mar., Jun., Sept., Dec. ■ Div'd rein. plan avail. (C) 52¢; '15, d77¢; '16, d\$3.23; '17, \$1.72. EPS | Incl intang. In 2017: \$8.1 bill., \$13.76/sh. **(D)** In

Company's Financial Strength Stock's Price Stability A++ 75 Price Growth Persistence 95 **Earnings Predictability** 80