BUSINESS: The Boeing Company is the leading manufacturer of commercial jet aircraft. Also produces fighters (F-15, F/A-18), C-17 cargo carrier, helicopters (V-22), E-3 AWACS, E-4 command post, commercial jet aircraft. Also produces fighters (F-15, F/A-18), C-17 cargo carrier, helicopters (V-22), E-3 AWACS, E-4 command post, commercial jet aircraft. Additionally, produces military aircraft, missiles, and subsonic and supersonic engines.

Although management anticipates a recovery in jetliner demand “earlier than ’05”, in 3 to 5 years the market would be the hallmark of this plane. The competition remains high with Airbus, Bombardier, and Embraer. However, Boeing has the advantage of scale and technology. The company has several programs under development, including the 7E7 and 7E9. The 7E7 is expected to enter service in 2008. The 7E9 is a long-range, high-capacity aircraft that is expected to enter service in 2010. Boeing is also working on a new widebody jet, the 7E8, which is expected to enter service in 2011. The 7E9 will be the linchpin of Boeing’s strategy to compete in the long-haul market.

We’ve made a deep cut in our share price estimates for Boeing in 2003. Most of the revenue reflects $1.1 billion of pretax charges taken in the second quarter (netted at $0.87 a share). An $835 million charge was related to the company’s Delta Space Launch Systems unit. The charge was recorded in the third quarter (netted at $0.87 a share). In addition, a $393 million charge was recorded in the fourth quarter (netted at $0.87 a share). The charge was related to the company’s aerospace business. Commercial demand for such services has dwindled and prices have fallen as well. As a result, for years, launches are likely to be concentrated on government requirements and fewer customers will make this business less profitable, which Boeing has recognized with this charge. In addition, the Satellite Systems unit has been unable to keep its costs in line with its budget. As a result, it has been operating at a loss. As a result, $265 million was charged off here. Accordingly, the lower profit prospects for these problem units have caused us to trim our 2004 earnings estimate.

McDonnell Douglas Corp. announced in August 1997 that it had sold its Boeing stock for an aggregate of $6.3 billion. This transaction was the most significant event in the company’s history and was the result of a long-term strategic decision by the company. The proceeds from the sale of Boeing stock were used to fund the acquisition of McDonnell Douglas by Boeing in 1997. The acquisition was completed on March 17, 1997.

The Air Force’s plan to lease 100 new KC-135s has been put on hold. The Air Force was planning to lease the tankers in 2005, but the plan has been delayed due to budget constraints. The Air Force has been exploring other options for refueling aircraft, including the use of KC-46 tankers and the Aerial Delivery System (ADS), which is a pod system used for aerial delivery of personnel and equipment.

Although the company’s stock price has been volatile in recent years, it has a strong track record of growth and profitability. The company’s earnings have grown at an annual rate of 18% over the past five years, and its ROE has averaged 17.4% over that period. The company’s financial strength is strong, with a low debt-to-equity ratio and a low interest coverage ratio. The company’s beta is 1.00, indicating that it has been less volatile than the overall market.

On June 30, 2003, Boeing reported a net loss of $2.85 per share, compared to a net profit of $2.76 per share in the same period a year ago. The company’s revenue increased by 4.5% to $12.68 billion, driven by higher sales of commercial and defense products. The company’s backlog increased by 11.4% to $28.8 billion, reflecting strong demand for its products.

We believe that Boeing has a strong competitive advantage in the commercial and defense aerospace markets. The company is well-positioned to benefit from growth in the global aerospace industry, driven by increasing demand for commercial and defense aircraft. The company’s financial strength and balance sheet provide it with the flexibility to invest in new technologies and expand its product line. We recommend Boeing as a buy.