



M&A DEAL ANALYSIS “Boeing – Aerosystems”

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M&A DEAL ANALYSIS

Acquirer: Boeing (NYSE: BA)
Target: Spirit AeroSystems (NYSE: SPR)
Deal value: \$8.3 billion
Sector: Aerospace & Defense
Type of M&A: Strategic acquisition
Exit multiple: 2.5x
Announced date: 01/07/2024
Completed date: Expected mid-2025



Acquirer details

Name: Boeing Co.
Founding year: 1916
Headquarters: Arlington, Virginia, USA
CEO: Dave Calhoun (2020 – Present)
Number of employees: 156,000
Market Cap: \$78,5B
EV: \$152,2B

- LTM Revenues: \$78.5B
- LTM EBITDA: \$5.4B
- LTM EBITDA margin: 6.9%
- LTM EV/EBITDA: 28.4x
- LTM EV/Sales: 1.95x

(All financial data as of 30/06/2024)

Company industry: Operator of commercial aircraft and defense manufacturing programs.

Target details

Name: Spirit AeroSystems Holdings Inc.
Founding year: 2005
Headquarters: Wichita, Kansas, USA
CEO: Patrick Shanahan (2023 - Present)
Number of employees: 20,000
Market Cap: \$4,7B
EV: \$8,3B

- LTM Revenues: \$5.5B
- LTM EBITDA: \$550M
- LTM EBITDA margin: 10.0%
- LTM EV/EBITDA: 15.1x
- LTM EV/Sales: 1.51x

(All financial data as of 30/06/2024)

Company industry: Operator of aerostructures manufacturing and aerospace component systems.

Deal Overview

On July 1, 2024, Boeing (NYSE: BA), a leading global aerospace company, announced a definitive agreement to acquire Spirit AeroSystems (NYSE: SPR), a major manufacturer of aerostructures, in an all-stock transaction valued at approximately \$4.7 billion, equating to \$37.25 per share. Including Spirit's net debt, the total enterprise value of the deal amounts to approximately \$8.3 billion.

The acquisition is structured with a variable exchange ratio. Thus, Spirit shareholders will receive between 0.18 and 0.25 of Boeing common stock for each Spirit share, depending on Boeing's volume-weighted average share price over a specified 15 trading day period prior to closing. This exchange ratio is subject to a floor of \$149 and a ceiling of \$206.94 per Boeing share. Strategic Intent: This acquisition displays a strategic shift for Boeing, moving away from its previous outsourcing model towards greater vertical integration, attempting to reduce costs. By reintegrating Spirit, Boeing aims to improve alignment in production systems, safety, and quality management, particularly in response to recent quality control issues. Boeing's president and CEO at the time Dave Calhoun stated that the merger would allow for full alignment of commercial production systems and workforce priorities centered on safety and quality. Corporate Divisions and Geographic Footprint: The acquisition will bring Spirit's core operations, including facilities in Wichita, Kansas, and Tulsa, Oklahoma, back under Boeing's control. These sites are extremely important to produce fuselage sections for Boeing's 737 and 787 aircraft.

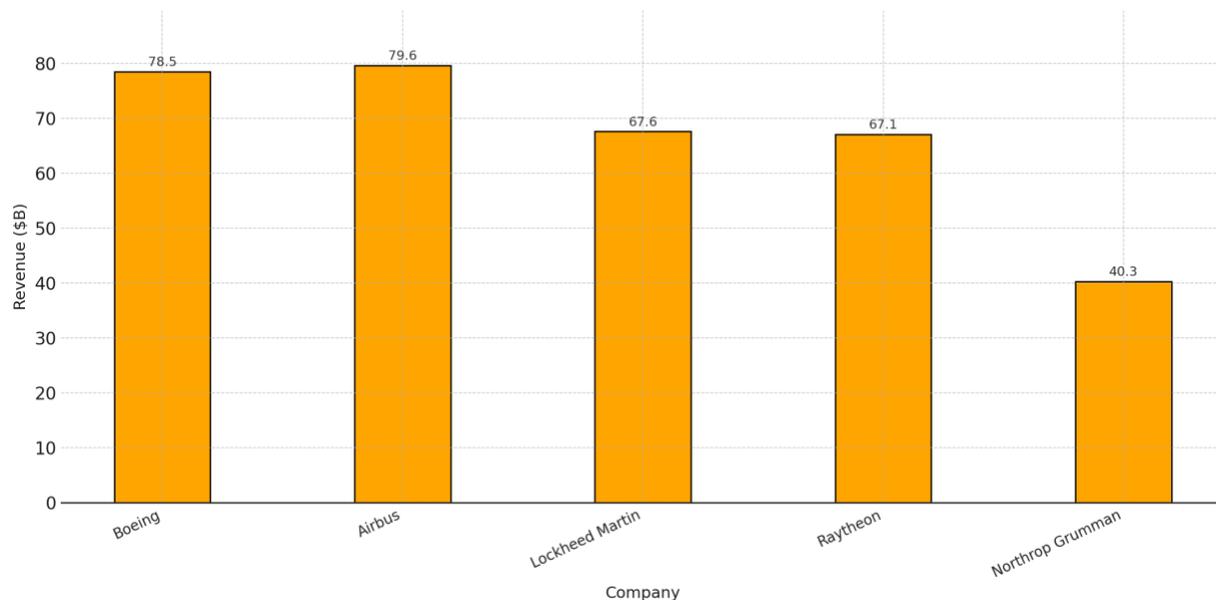
Additionally, Spirit's defense and aftermarket operations will be integrated into Boeing's existing divisions. To address potential antitrust concerns and maintain fair competition, Spirit has entered a binding term sheet with Airbus SE (EUR: AIR.PA). Under this agreement, Airbus will acquire certain spirit assets that serve Airbus programs, including operations in Belfast (Northern Ireland), Prestwick (Scotland) and Subang (Malaysia). These measures are expected to occur at the same time of the closing of Boeing's acquisition of Spirit. The deal received unanimous approval from Spirit's Board of Directors and was approved by Spirit shareholders in Q1 2025. The acquisition is expected to close by mid-2025, subject to regulatory clearance in the US, EU and UK, as well as completion of the planned divestitures to Airbus. This acquisition represents a significant move by Boeing to regain control over its supply chain and address quality issues that have damaged its production lines in recent years. By bringing Spirit in, Boeing aims to streamline operations and reinforce its commitment to safety and quality in aircraft manufacturing. Market Dynamics: The announcement of the merger has sparked discussions and reactions in the market. The combined market share, strategic goals, and potential impact on competitors have garnered attention. Investors, industry players, and regulators are closely monitoring developments, speculating on the future growth of the grocery retail sector.

Industry Overview

The acquisition of Spirit AeroSystems by Boeing signifies a crucial strategic pivot, marking a departure from its previous outsourcing model towards greater vertical integration. This move is fundamentally driven by Boeing's intent to regain substantial control over its manufacturing processes, improve overall production efficiency, and critically address persistent quality control issues that have impacted its operations and reputation in recent years. The long-term expectation is that this strategic shift will contribute to reducing costs.

Several key motivations underpin this decision. Primarily, by reintegrating Spirit, a critical supplier responsible for manufacturing many crucial components, including fuselage sections for the successful

787 and 737 models, Boeing aims to achieve better alignment in its production systems, safety protocols, and quality management. This is particularly pertinent in response to recent quality control issues that have drawn significant scrutiny. Boeing's President and CEO at the time, Dave Calhoun,



explicitly stated that the merger would allow for "full alignment of commercial production systems and workforce priorities centered on safety and quality".

Furthermore, the acquisition is expected to streamline operations and simplify coordination between Boeing and its former subsidiary, which originated as a Boeing division before being spun off. This vertical integration is anticipated to reduce delays and enhance production efforts, which are essential for Boeing to ramp up manufacturing and effectively narrow the competitive gap with its main rival, Airbus. Bringing key manufacturing capabilities in-house, particularly the core operations at Spirit's facilities in Wichita, Kansas, and Tulsa, Oklahoma—sites extremely important for the production of vital aircraft components—also serves as a strategic response to supply chain disruptions, aiming to provide Boeing with more direct oversight and control. Ultimately, this move reflects a recognition of the limitations and risks associated with relying heavily on external suppliers for core manufacturing processes vital to its flagship aircraft programs.

This strategic reintegration is therefore seen as a critical step for Boeing to stabilize its production lines, elevate product quality and safety standards, and ultimately restore confidence among its airlines customers, passengers, and the broader market.

Deal rationale

The acquisition of Spirit AeroSystems by Boeing signifies a crucial strategic pivot, marking a departure from its previous outsourcing model towards greater vertical integration. This move is fundamentally driven by Boeing's intent to regain substantial control over its manufacturing processes, improve overall production efficiency, and critically address persistent quality control issues that have impacted its operations and reputation in recent years. The long-term expectation is that this strategic shift will contribute to reducing costs.

Revenue synergies: Accelerating Deliveries and Closing the Competitive Gap:

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Cost Synergies: Enhancing Efficiency and Reducing Long-Term Expenses:

The acquisition of Spirit AeroSystems by Boeing signifies a crucial strategic pivot, marking a departure from its previous outsourcing model towards greater vertical integration. This move is fundamentally driven by Boeing's intent to regain substantial control over its manufacturing processes, improve overall production efficiency, and critically address persistent quality control issues that have impacted its operations and reputation in recent years. The long-term expectation is that this strategic shift will contribute to reducing costs. This transition is expected to reduce overhead, eliminate duplication in administrative functions, and create greater economies of scale across Boeing's manufacturing footprint.

Operational Alignment: Strengthening Quality and Safety Standards

Several key motivations underpin this decision. Primarily, by reintegrating Spirit, a critical supplier responsible for manufacturing many crucial components, including fuselage sections for the successful 787 and 737 models, Boeing aims to achieve better alignment in its production systems, safety protocols, and quality management. This is particularly pertinent in response to recent quality control issues that have drawn significant scrutiny. Boeing's President and CEO at the time, Dave Calhoun, explicitly stated that the merger would allow for "*full alignment of commercial production systems and workforce priorities centered on safety and quality.*" This alignment is not only expected to streamline operational flows but also to enhance accountability and responsiveness across the production chain.

Strategic Control: De-Risking the Supply Chain and Rebuilding Market Trust

Distribution Ultimately, this move reflects a recognition of the limitations and risks associated with relying heavily on external suppliers for core manufacturing processes vital to its flagship aircraft programs. This strategic reintegration is therefore seen as a critical step for Boeing to stabilize its production lines, elevate product quality and safety standards, and ultimately restore confidence among its airline customers, passengers, and the broader market. In the eyes of investors and regulators, this deal serves as a corrective action to past missteps and reinforces Boeing's long-term commitment to safety, reliability, and supply chain resilience.

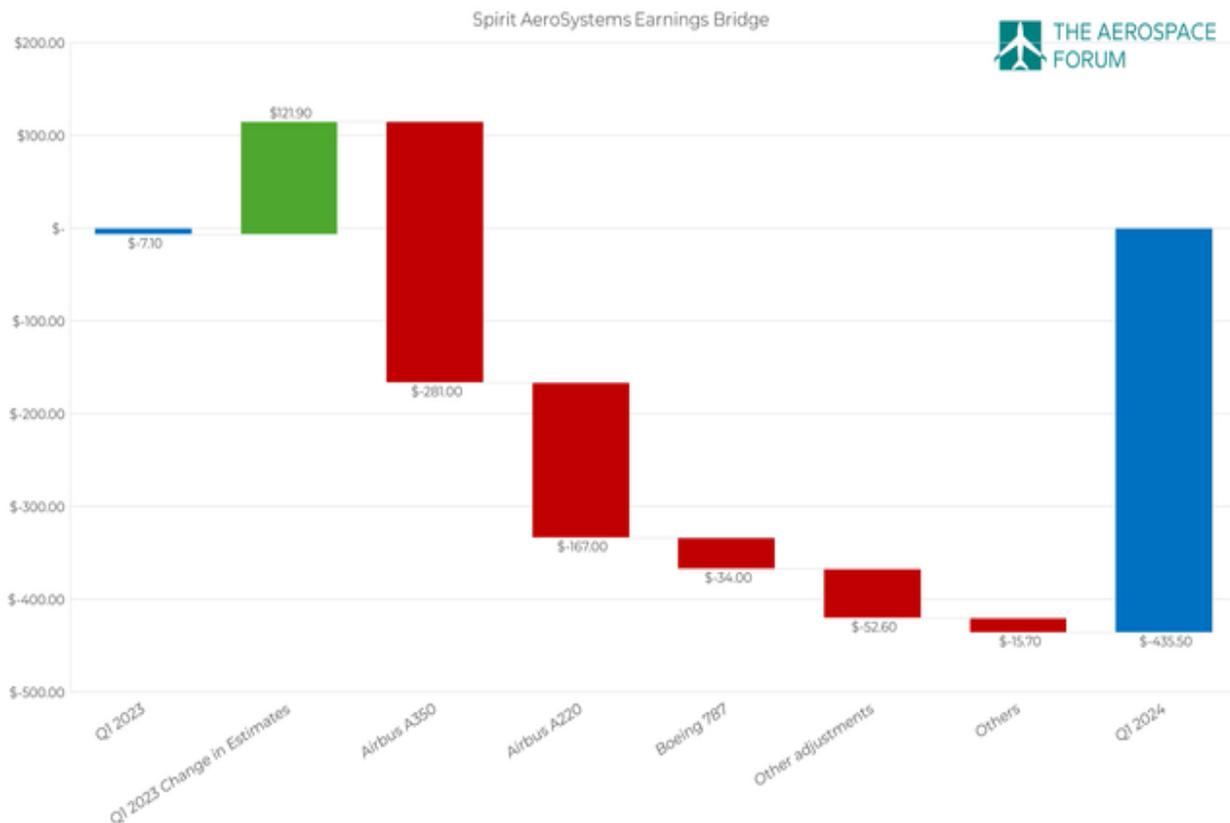
Deal Structure

The acquisition of Spirit AeroSystems by Boeing is structured as an all-stock transaction, carrying an approximate value of \$4.7 billion, which translates to \$37.25 per Spirit AeroSystems share. When

factoring in Spirit's net debt, the total enterprise value of this significant deal rises to approximately \$8.3 billion. Several key structural elements define this transaction, reflecting its complexity and strategic considerations.

Spirit shareholders are set to receive Boeing common stock based on a variable exchange ratio. This ratio is designed to fluctuate between 0.18 and 0.25 of a Boeing share for each Spirit share they hold. The precise determination of this ratio will depend on Boeing's volume-weighted average share price (VWAP) calculated over a specified 15-trading-day period immediately prior to the deal's closing. To manage potential share price volatility and provide a degree of certainty for shareholders of both companies regarding the ultimate value exchange, this exchange ratio is subject to a price collar mechanism. This collar establishes a floor of \$149 and a ceiling of \$206.94 per Boeing share for the purpose of calculating the exchange. Upon completion, the acquisition will see Spirit's primary operations, most notably its extensive facilities in Wichita, Kansas, and Tulsa, Oklahoma, reintegrated under Boeing's direct control. These sites are of paramount importance as they are responsible for the production of crucial fuselage sections for Boeing's key 737 and 787 aircraft programs. Beyond these core commercial aerostructures operations, Spirit's defense and aftermarket businesses will also be absorbed and integrated into Boeing's existing divisional structures.

A crucial component of the deal, specifically designed to navigate potential antitrust hurdles and maintain fair competition within the aerospace sector, involves Spirit AeroSystems entering into a binding term sheet with Airbus SE. Under the terms of this separate but related agreement, Airbus will acquire certain Spirit assets and operations that are dedicated to Airbus programs. These specifically include Spirit's operations located in Belfast (Northern Ireland), Prestwick (Scotland), and Subang (Malaysia). This divestiture of Airbus-related assets is a significant condition and is planned to occur contemporaneously with the closing of the main Boeing-Spirit acquisition. The path to this agreement involved several stages of approval. The transaction received unanimous approval from



Spirit's Board of Directors. Subsequently, Spirit shareholders formally approved the acquisition by Boeing during the first quarter of 2025. Looking ahead, the deal is anticipated to be finalized by mid 2025. However, this timeline is contingent upon receiving all necessary regulatory clearances from authorities in key jurisdictions, including the United States, the European Union, and the United Kingdom, as well as the successful and timely completion of the agreed-upon asset sales to Airbus. This multifaceted deal structure, therefore, aims to facilitate Boeing's overarching strategic goals of vertical integration and operational control while carefully navigating a complex web of regulatory landscapes and competitive industry dynamics.

Risks and Implications

Boeing's proposed acquisition of Spirit AeroSystems has drawn significant attention across the aerospace industry. While the transaction could enable Boeing to increase control over its supply chain, improve coordination in production, and potentially reduce long-term costs, it also introduces several serious risks in both the short and long term. A closer analysis of these risks is essential for stakeholders to understand the full implications of the deal and to assess how it may affect Boeing's performance and market position.

Short Term:

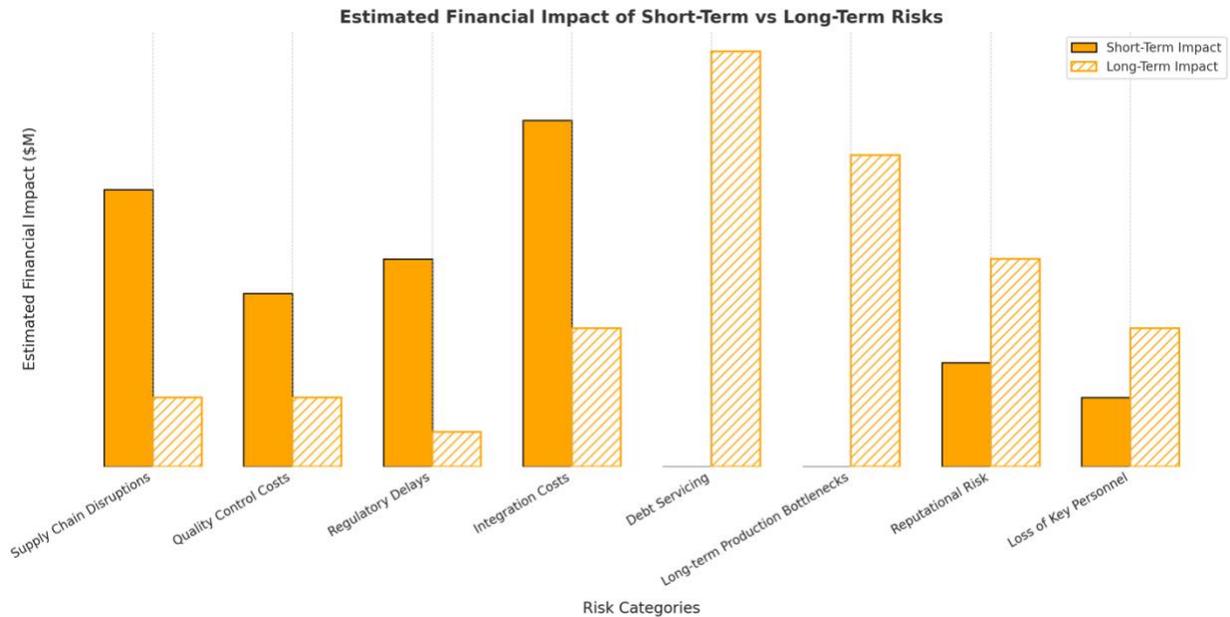
In the immediate future, the deal presents several operational and financial challenges. One of the most pressing concerns is the impact on Boeing's already strained balance sheet. The company is still recovering from the financial fallout of the 737 MAX grounding and the broader effects of the COVID-19 pandemic. Adding Spirit's significant debt load to Boeing's books could further weaken its financial position, potentially affecting credit ratings and limiting financial flexibility. Moreover, the deal must undergo rigorous regulatory scrutiny, particularly because Spirit AeroSystems supplies critical components to both Boeing and Airbus. To address potential competition and neutrality concerns, a parallel agreement has been reached in which Airbus will acquire several Spirit facilities that produce parts for its aircraft programs. While this arrangement may help ease antitrust worries in the U.S. and Europe, it adds complexity to the overall transaction. Coordinating two major acquisitions simultaneously increases the risk of delays, and any disagreements over the valuation or separation of assets could further complicate integration and regulatory approval timelines. Integration itself poses another major short-term risk. Spirit AeroSystems operates numerous manufacturing facilities across different countries, each with unique operational systems and labor agreements. Boeing will need to align these operations with its own standards and practices while addressing ongoing quality control issues. If Boeing fails to manage this integration smoothly, it could experience further production delays, disrupt relationships with suppliers, and even lose key personnel; especially if uncertainty about job security rises among Spirit employees. Additionally, the deal raises questions about the future of Spirit's business with Airbus. As Spirit transitions to being a Boeing subsidiary, Airbus may seek to reduce its reliance on Spirit by shifting production to other suppliers, which would reduce the overall revenue potential of the acquisition.

Long Term:

Looking at the long term, Boeing will also face several strategic and structural risks that could influence the success of the acquisition. A key risk is the increased exposure to supply chain disruptions. By internalizing a major supplier, Boeing assumes direct responsibility for any future delays or quality

problems in component manufacturing. While vertical integration can offer better oversight and control, it also means Boeing will bear the full impact of any internal operational failures.

Another critical issue is talent retention. Spirit AeroSystems has developed specific engineering



expertise and manufacturing know-how over the years. Ensuring that this expertise is preserved post-acquisition will be essential if Boeing wants to maintain the quality and safety of its aircraft. Moreover, the competitive response from Airbus cannot be underestimated. If Airbus chooses to replace Spirit as a supplier or bring more work in-house, Boeing could face increased competition for key contracts and reduced economies of scale. Finally, there are reputational and strategic implications. Boeing has been under intense public and regulatory scrutiny in recent years due to safety and quality concerns. If the integration with Spirit leads to further delays or quality lapses, it could damage Boeing's reputation even more and erode customer confidence. On the other hand, if managed successfully, the acquisition could help restore credibility and demonstrate Boeing's commitment to improving manufacturing oversight. In conclusion, while the acquisition of Spirit AeroSystems offers Boeing a potential opportunity to streamline its operations and secure long-term cost efficiencies, it also exposes the company to a variety of short and long term risks.

Market reaction

The announcement of Boeing's definitive agreement to acquire Spirit AeroSystems on July 1, 2024, and subsequent developments have elicited a range of reactions from the market, reflecting both the strategic potential and the inherent risks of the deal. Following the announcement, stock market reactions were noted; for instance, one report mentioned Boeing shares were down around 2% in premarket trading on July 1, 2024, while Spirit AeroSystems' stock saw a significant jump. This is typical in acquisition scenarios where the acquirer's stock may dip due to the costs and risks involved, while the target company's stock rises towards the offer price. Analyst commentary has generally acknowledged the strategic logic behind the acquisition, particularly Boeing's need to gain more control over its supply chain and address quality control issues that have plagued its 737 MAX and other programs. However, concerns have also been raised about the execution risks, the financial

burden on Boeing, especially adding Spirit's debt, and the complexities of integrating Spirit while simultaneously divesting certain assets to Airbus. Credit rating agencies are likely monitoring the deal closely, as the increased debt burden for Boeing is a factor that could influence its credit profile; agencies will assess the long-term benefits of improved production stability against the short-term financial strain. Investor sentiment appears mixed. Some investors likely see the acquisition as a necessary step for Boeing to stabilize its operations and improve its competitive standing against Airbus. Others may remain cautious, pointing to Boeing's past execution challenges and the significant integration hurdles ahead. The ongoing regulatory approval process and the progress of the divestitures to Airbus are key factors influencing investor confidence. A key milestone was reached in Q1 2025 when Spirit AeroSystems shareholders approved the acquisition, signaling support from Spirit's investor base for the transaction terms. Overall, the market reaction can be characterized as cautiously optimistic, recognizing the strategic imperative for Boeing but remaining wary of the significant financial and operational challenges involved in successfully executing the acquisition and integration. The focus remains on Boeing's ability to navigate the regulatory landscape, manage the complex integration process, and ultimately deliver on the promised improvements in quality, efficiency, and supply chain stability.

Deal Advisors

Spirit AeroSystems

Financial advisors: Morgan Stanley & Co. LLC, Moelis & Company LLC

Legal advisors: Skadden Arps Slate Meagher & Flom LLP

Boeing Co.

Financial advisor: PJT Partners, Goldman Sachs & Co. LLC, Consello

Legal advisor: Sullivan & Cromwell LLP

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