

Initiating Coverage:

# The Boeing Company (\$BA)

Cleared for Takeoff? Boeing's Outlook Finally Gains Altitude

**Key Takeaway:** Boeing stands at a pivotal crossroads in its attempt to return to its past glory. Improved operating functions, a strong delivery and backlog dynamic, and resolution of major legal issues have restored a measure of investor confidence. However, quality-control challenges, regulatory scrutiny, and debt concerns continue to pressure cash flows and execution, hampering its ability to capitalize on the aforementioned improvements. In this extremely crucial time, success hinges on maintaining production stability and a continued emphasis on performance and profitability, with not much room for error left.

**Recent Boeing Airliner Accidents:** The saying "any press is good press" doesn't apply to Boeing, which has faced a series of damaging headlines in recent years. Most recently, a 737-8 Dreamliner crash in India killed over 250 people and reignited safety concerns. This follows the deadly 737 MAX crashes in 2018 and 2019, traced to MCAS software flaws, and the 2024 incident where a door plug blew out mid-flight on an Alaska Airlines MAX 9 due to missing bolts. These repeated failures have drawn intense FAA and congressional scrutiny, raising serious questions about Boeing's quality control and manufacturing culture. While commercial demand remains strong, ongoing reputational and regulatory challenges could continue to weigh on the company until it proves meaningful operational reform.

**Strong Commercial Backlog:** Boeing's Commercial Airplanes segment is steadily recovering as global air travel demand normalizes and major airlines continue to place sizable orders. The 737 MAX, in particular, has regained momentum, especially following the resumption of deliveries to China after years of regulatory and geopolitical delays. Boeing's commercial backlog now exceeds 5,500 aircraft, with high-profile orders from Ryanair, Emirates, and United Airlines. More importantly, the firm is beginning to rebuild margin strength in this segment, benefiting from scale efficiencies and rising list prices amid a constrained duopoly with Airbus. As these dynamics play out, the commercial division is once again positioned as Boeing's key cash flow generator and a central pillar of its long-term growth strategy.

**NGAD – Boeing Heads the 6<sup>th</sup> Generation Fighter Effort:** Boeing's Defense, Space & Security segment has historically lagged due to cost overruns. Most notably, Boeing has secured the lead role in the U.S. Air Force's Next Generation Air Dominance (NGAD) programme - a multi-decade contract that positions the company at the forefront of sixth-generation fighter jet development. The NGAD platform incorporates manned and unmanned systems, stealth technology, and next-gen propulsion, and is expected to enter low-rate production by the end of the decade. This win significantly enhances Boeing's competitive standing in the high-tech defense arena, and also increases its potential to earn beyond the contract, using precedent from Lockheed Martin regarding their handling of the F-35 fighter project.

**Valuation:** We initiate coverage with a \$250.00 PT



Consortium Research Group  
Industrials | Aerospace  
July 9th, 2025

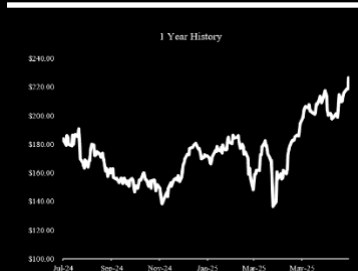
Stock Rating: Overweight

Price Target: \$250.00

Price: \$226.53

Potential Upside/Downside: 7.8%

Ticker: \$BA



Industrials Coverage Team

Analyst  
Pranay Shah  
Rutgers University  
pss142@scarletmail.rutgers.edu

## Company Overview

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**Company Description:** Boeing (BA) is a global aerospace and defense company whose operations are split into four main business segments: Commercial Airplanes, Defense, Space & Security, Global Services, and Boeing Capital. They serve both government and commercial customers, with its largest source of revenue coming from the Commercial Airplanes segment. However, U.S. government contracts remain a critical component of its revenue share through the Defense and Space divisions. Boeing also benefits from international military sales facilitated through U.S. Foreign Military Sales (FMS) channels.

**Commercial Airplanes:** The commercial segment is the historical core of Boeing and the main revenue driver, centered on the production of passenger jets like the 737, 787, and 777 families. The 737 MAX program alone accounts for a substantial share of unit deliveries and backlog volume. Boeing operates in a legal duopoly with Airbus in this space, with both companies having significant backlog and constant demand. Demand from global carriers, including recent bulk orders from Ryanair, Emirates, and United Airlines, continues to support production ramp-ups and backlog strength. As safety reforms take hold and supply chain constraints ease, the Commercial Airplanes division is expected to regain momentum and resume its role as Boeing's primary cash flow generator.

**Defense, Space & Security (BDS):** Boeing's BDS segment develops and manufactures military aircraft, satellites, autonomous systems, and missile defense platforms. Key programs include the KC-46 tanker, P-8 maritime aircraft, and the MQ-25 Stingray drone. The segment has experienced challenges with cost overruns and execution risk, particularly on fixed-price contracts. However, Boeing recently won a major role in the U.S. Air Force's Next Generation Air Dominance (NGAD) program, marking a significant strategic win in sixth-generation fighter development. The program involves cooperation with other American defense contractors to produce a variety of supplementary aircraft, both manned and unmanned, potentially resulting in more spending than the already over-budget F-35 Fighter Jet Program.

## Industry Overview

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**Defense Budget:** The proposed Department of Defense budget passed in the most recent OBBA for FY2026 is set to be over \$1 trillion, a record high increase. Within that massive defense budget – a large chunk is set to go to the recent US initiative to modernize and replace its nuclear capabilities through all forms: air, water, space, and ground. This initiative and price increase bodes well for Boeing's Defense, Space & Security (BDS) segment, which relies heavily on U.S. government contracts. The head of this program is the new NGAD initiative, which was awarded to Boeing over its competitors in that area (Lockheed Martin and Northrop Grumman). Furthermore, aside from the air superiority segment, the munitions area has also been thrust into the spotlight recently. The Russia-Ukraine conflict has further increased the demand for missile systems, which benefits the entire sector as a whole, as oftentimes, each defense contractor is involved with the product (ex: the Patriot Missile System is manufactured by Raytheon, Lockheed Martin, Boeing, Hughes, and RCA). Boeing has also been thrust into the spotlight with the recent use of its GBU-57 Massive Ordnance Penetrator (MOP) bombs used in Operation Midnight Hammer to strike Iran's nuclear facilities. With recent geopolitical conflicts, an ever-increasing military defense budget, and the announcement of the latest NGAD F-47 program, growth in the defense sector feels inevitable.

**The Comeback of Commercial Air Travel:** The COVID-19 pandemic brought air travel to a screeching halt and disrupted global supply chains significantly, tanking Boeing's stock and future outlook as they had to spend the next few years rebuilding. However, as time passed and air travel reached normality, commercial air

travel is once again regaining its pre-Covid glory. According to IATA, global passenger traffic reached 99% of pre-pandemic levels by April 2024, with some regions surpassing 2019 volumes. The surge in demand has been driven by the rapid return of international tourism, increased capacity from low-cost carriers, and rising air travel penetration in emerging markets. This momentum has directly benefited the commercial jets sector, especially for manufacturers like Boeing, which ended 2024 with a backlog of over 5,600 commercial aircraft, representing more than 5 years of production visibility. Boeing delivered 528 jets in 2023, with plans to increase output of its 737 MAX line to 50 per month by 2026. forecasts over 4.7 billion global air passengers in 2025, outpacing 2019's peak. As commercial aviation scales up, the sector is positioned not just to recover, but to thrive in a more modern, connected, and efficient future.

## Peer Comparisons

Comparable Companies						
\$mm						
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM	
Lockheed Martin Corporation (NYSE:LMT)	\$107,446	\$125,947	19.8x	\$71,811	\$8,689	
RTX Corporation (NYSE:RTX)	\$193,259	\$232,876	42.4x	\$81,739	\$13,382	
General Dynamics Corporation (NYSE:GD)	\$77,916	\$88,181	20.2x	\$49,208	\$5,908	
Northrop Grumman Corporation (NYSE:NOC)	\$71,101	\$87,193	19.5x	\$40,368	\$6,341	
The Boeing Company (NYSE:BA)	\$161,772	\$194,003	-12.6x	\$69,444	-\$7,688	

Ticker	LTM EV/Sales	Gross Margin	EBITDA Margin	EBIT Margin	Yr Rev Growth	Rate LF
Lockheed Martin Corporation (NYSE:LMT)	1.8x	10.2%	12.1%	10.3%		3.1%
RTX Corporation (NYSE:RTX)	2.8x	19.5%	16.4%	11.0%		15.1%
General Dynamics Corporation (NYSE:GD)	1.8x	15.4%	12.0%	10.2%		14.1%
Northrop Grumman Corporation (NYSE:NOC)	2.2x	19.3%	15.7%	12.2%		0.6%
The Boeing Company (NYSE:BA)	2.8x	(1.8%)	(11.1%)	(13.7%)		(9.2%)

High	2.85x	19.5%	16.4%	12.2%		15.1%
75th Percentile	2.79x	19.3%	15.7%	11.0%		14.1%
Average	2.27x	12.5%	9.0%	6.0%		4.8%
Median	2.16x	15.4%	12.1%	10.3%		3.1%
25th Percentile	1.79x	10.2%	12.0%	10.2%		0.6%
Low	1.75x	-1.8%	-11.1%	-13.7%		-9.2%

General Dynamics Valuation		
Implied Enterprise Value (25th Percentile)	\$	124,444
Implied Enterprise Value (Median)	\$	149,995
Implied Enterprise Value (75th Percentile)	\$	194,003

Implied Share Price (25th Percentile)	\$	137.37
Implied Share Price (Median)	\$	171.26
Implied Share Price (75th Percentile)	\$	229.63

Source: CapIQ

## Investment Theses

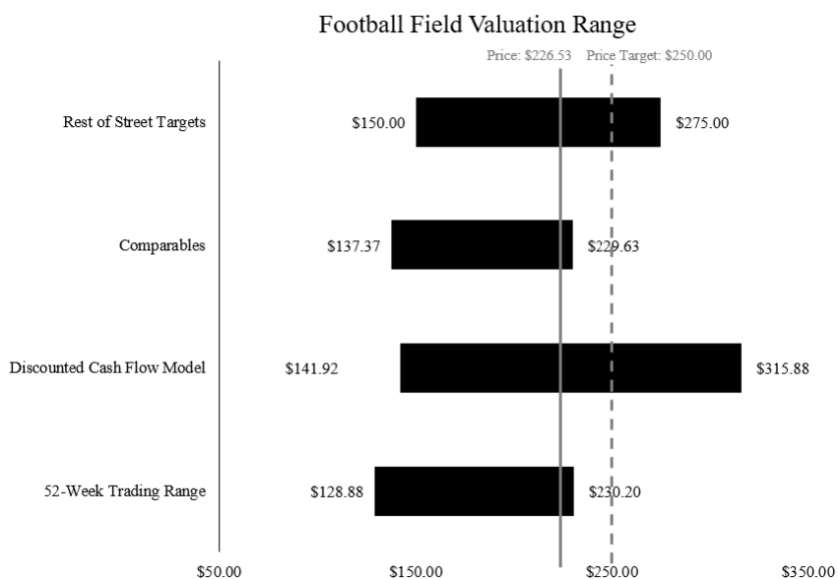
**F-47 For the Win:** After several decades of playing second fiddle to Lockheed Martin, Boeing has finally secured a major win that dramatically cuts the gap. The NGAD program provides guaranteed long-term visibility into increased revenue and profit for Boeing, as it represents a series and collection of interlocking aerospace technologies, both manned and unmanned. This represents a stark difference in comparison to the F-35 contract, which was solely dependent on the jet itself. This contract signals a shift in perception as Boeing joins the exclusive group of Lockheed Martin and Northrop Grumman. As global tensions drive sustained demand for high-end military systems, Boeing has an opportunity to leverage this program into broader capabilities across unmanned systems, space assets, and ISR platforms. The autonomous nature of the NGAD

program further plays into these recent events as the impact of unmanned drones is seen throughout conflicts ranging from Russia-Ukraine, India-Pakistan, and Israel-Iran.

**Commercial Turnaround on the Rise:** After years of setbacks and problems, Boeing's commercial recovery is progressing amid a complex mix of opportunity and risk. The opportunity is clearly present - demand for single-aisle aircraft remains strong, supported by fleet renewal cycles and international travel normalization. The 737 MAX, despite lingering reputational issues, continues to see steady combined, with the reopening of the Chinese market and high-volume commitments from global carriers. With a backlog of over 5,500 aircraft and improving production cadence, Boeing is well-positioned to convert future deliveries into consistent cash flows. However, this does not come without risk, which has unfortunately been plentiful over the last decade with Boeing's widespread safety flaws. These incidents further shift consumer sentiments towards Airbus and lead to long legal and regulatory challenges.

## Price Target & Valuation

Our analysis gives (\$BA) a price target of \$250.00 and an Overweight weight rating.



## Potential Downsides to Our Rating

**Downside 1:** Boeing has found itself in a myriad of safety controversies over the last decade, with worsening customer sentiment starting from the issues with the 737 MAX, which led to 2 high-profile fatal crashes. As a result, any news of crashes involving Boeing is immediately attributed to a fault with the aircraft, resulting in a strong dip in stock price. For example, the recent Air India crash investigations are pointing towards pilot error, yet the stock still dropped steeply upon first news of the jet crashing. As a whole, it is going to take significant time and a squeaky clean record for Boeing to regain customer trust, and even the smallest slip up can send Boeing's stock spiraling again

**Downside 2:** The commercial airline supply chain is highly volatile and susceptible to disruptions due to the sheer amount of equipment needed to produce these jets. Even a small delay can balloon extremely quickly due to strict regulations and the intense nature of the manufacturing process. Many of these parts are hard to source and niche to a certain manufacturer, which results in a large portion of parts being imported from various sources around the world. Although Trump's tariffs have yet to be implemented, the constant threats and postponements leave the implementation of them looming. If raw material or component costs rise, Boeing might try to pass that along through government pricing mechanisms, but fixed-price contracts could make that difficult in the short run. Tariff-induced cost pressures may not crush long-term profitability, but they can weigh on near-term

Our Price Target: **\$250.00**

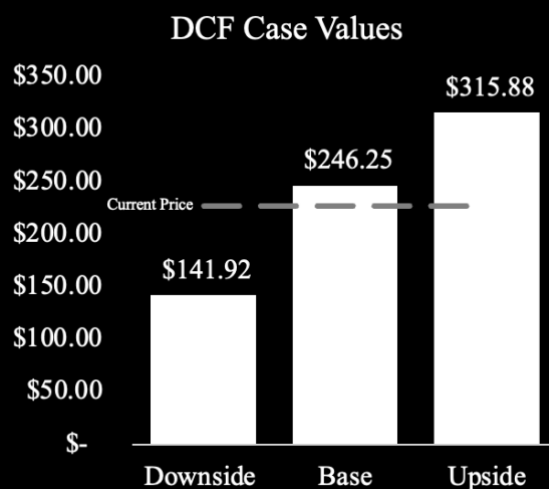
Our PT is based on Boeing's ability to stabilize production, improve margins across its commercial aircraft division, and manage debt responsibly. We believe the recovery in air travel demand and Boeing's extensive backlog support long-term cash flow. However, risks tied to quality control and regulatory oversight cap near-term upside.

Our Upside Case: **\$315.00**

Our upside case is based on accelerated 737 MAX and 787 deliveries, strong defense contract wins, and meaningful improvement in free cash flow generation. A smoother production ramp, minimal regulatory setbacks, and higher airline capex could drive material re-rating of Boeing's multiple and valuation.

Our Downside Case: **\$145.00**

Our downside case is based on persistent delivery delays, renewed safety or regulatory concerns, and slower-than-expected recovery in global travel demand. Heightened scrutiny from the FAA, potential order cancellations, and higher interest burden could impair Boeing's ability to regain profitability.



margins. More broadly, if foreign governments respond with tariffs or retaliatory trade barriers, Boeing's international sales, especially commercial aircraft and FMS-related defense deals, could be significantly impacted.

## Projections

Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	66,517	69,000	74,120	79,931	86,536	9.2%
EBITDA	(8,406)	3,800	9,265	10,169	11,202	-210.0%
EBIT	(10,019)	2,000	7,412	8,171	9,038	-196.6%
NOPAT	(5,950)	270	(848)	1,056	(9,638)	17.4%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	-12.6%	5.5%	12.5%	12.7%	12.9%	6.2%
EBIT Margin	-15.1%	2.9%	10.0%	10.2%	10.4%	3.7%
Revenue Growth	-14.5%	3.7%	7.4%	7.8%	8.3%	2.6%
EBIT Growth	-874.9%	-120.0%	270.6%	10.2%	10.6%	-140.7%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	-12.7x	-163.3x	17.8x	17.0x	16.2x	-25.0x
EV/Sales	2.9x	2.8x	2.6x	2.4x	2.2x	2.6x
EV/EBITDA	-22.9x	50.6x	20.8x	18.9x	17.2x	16.9x
FCF Yield	-7.9%	-0.6%	5.6%	5.9%	6.2%	6.5%

## About \$BA

Boeing (\$BA), founded in 1916, operates as a leading global aerospace company. Boeing designs, manufactures, and services commercial airplanes, defense systems, and space systems for customers worldwide. The company operates through four primary business segments: Commercial Airplanes; Defense, Space & Security; Global Services; and Boeing Capital. Headquartered in Arlington, Virginia, Boeing is known for its strong backlog of aircraft orders, deep government ties, and global production and supplier network. The company's key goal is to safely connect, protect, and explore the world through innovation, engineering excellence, and a commitment to sustainability and safety.

## Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities.

**Overweight** means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

The Boeing Company

Discounted Cash Flow

Active Case:

2 Base

Current Share Price

\$227.40

DCF Analysis (\$mm)																
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/2025	12/31/26	12/31/27	12/31/28	12/31/29	12/31/30	12/31/31	12/31/32	12/31/33	12/31/34	12/31/35
Sub						0.53	1.53	2.53	3.53	4.53	5.53	6.53	7.53	8.53	9.53	10.53
Discount Period						0.24	0.97	1.97	2.97	3.97	4.97	5.97	6.97	7.97	8.97	9.97
Revenue	58,158	62,286	66,608	77,794	66,517	69,000	74,120	79,931	86,536	94,051	102,618	112,402	123,599	136,440	151,202	168,212
Revenue Growth	0%	7%	7%	17%	-14%	4%	7%	8%	8%	9%	9%	10%	10%	10%	11%	11%
Commercial Airlines	16,162	19,493	26,026	33,901	22,861	25,000	27,000	29,280	31,883	34,858	38,267	42,178	46,678	51,864	57,857	64,800
Defense, Space, Security	26,257	26,540	23,162	24,933	23,918	24,000	25,920	28,109	30,607	33,464	36,736	40,491	44,810	49,789	55,543	62,208
Global Services & Other	15,739	16,253	17,420	18,960	19,738	20,000	21,200	22,543	24,046	25,729	27,615	29,733	32,111	34,787	37,802	41,204
EBIT	(8,485)	(473)	(817)	1,293	(10,019)	2,000	7,412	8,171	9,038	10,032	11,174	12,489	14,008	15,766	17,808	20,185
EBIT Margin	-15%	-1%	-1%	2%	-15%	3%	10%	10%	10%	11%	11%	11%	12%	12%	12%	12%
Tax Expense	(2,535)	(743)	31	237	(381)	(150)	1,482	1,634	1,808	2,006	2,235	2,498	2,802	3,153	3,562	4,037
Effective Tax Rate	10%	13%	-4%	18%	2%	-8%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
NOIAT	(5,950.00)	270.00	(848.00)	1,056.00	(9,638.00)	2,150.00	5,929.40	6,536.63	7,230.52	8,025.70	8,939.20	9,991.33	11,206.33	12,613.16	14,246.48	16,148.36
D&A	2,246	2,144	1,979	1,626	1,613	1,800	1,853	1,998	2,163	2,351	2,565	2,810	3,090	3,411	3,780	4,205
Capex	1,303	980	1,222	1,527	2,230	2,500	(2,594)	(2,176)	(1,683)	(1,097)	(399)	437	1,442	2,653	4,116	5,887
Changes in NWC	7,851	1,830	(3,996)	(4,745)	3,256	2,500	741	622	481	314	114	(125)	(412)	(758)	(1,176)	(1,682)
UPCF	(12,858)	(396)	3,905	5,900	(13,511)	(1,050)	9,636	10,089	10,596	11,161	11,790	12,489	13,266	14,129	15,087	16,148
PV of FCF						(1,028)	8,842	8,476	8,149	7,858	7,600	7,370	7,167	6,988	6,831	6,694

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.47
Risk Free Rate	4.39%
Cost of Equity	8.11%
Weighted Average Cost of Debt	6.00%
Tax Rate	20.00%
Cost of Debt	1.12%
Total Equity	\$171,461
Total Debt	\$20,864
Equity/Total Capitalization	75.31%
Debt/Total Capitalization	24.69%
WACC	9.23%

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$16,148
Growth	2.50%
Terminal Value	\$239,946
PV of Terminal Value	\$99,470
PV of Projection Period	\$74,947
PV of Terminal Value	\$99,470
Implied TEV	\$174,417
(-) Debt	\$45,464
(+) Cash	\$24,600
Implied Equity Value	\$153,553
Basic Shares Outstanding	754
Implied Share Price	\$203.65
Upside/Downside	-10.44%

Implied Exit BF EV/EBIT	8.6x
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Terminal Value	
Exit Multiple Method	
2034 EBIT	\$20,185
EV/EBIT Exit Multiple	22.0x
Terminal Value	\$444,080
PV of Terminal Value	\$184,094
PV of Projection Period	\$74,947
PV of Terminal Value	\$184,094
Implied TEV	\$259,042
(-) Debt	\$45,464
(+) Cash	\$24,600
Implied Equity Value	\$238,178
Diluted Shares Outstanding	754
Implied Share Price	\$315.88
Upside/Downside	38.9%

Implied PGR	0.4%
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Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$315.88
Upside/Downside	38.91%