Boeing CEO Updates Employees on Quarterly Results and Market Realities

CHICAGO, July 29, 2020—Boeing President and CEO Dave Calhoun issued the following letter to employees today addressing aerospace market realities:

Team,

These past few months have been unlike anything we've seen. The pandemic's effect on our communities and industry is ongoing. And the challenges we face as a company are still unfolding.

As cases continue to rise in areas around the globe, health and safety remain a top priority. My thanks go to everyone who is supporting our safety efforts, wearing face coverings and upholding our shared accountability for keeping one another safe. All those affected directly by COVID-19 also have my sympathies.

The reality is the pandemic's impact on the aviation sector continues to be severe. Though some fliers are returning slowly to the air, their numbers remain far lower than 2019, with airline revenues likewise reduced. This pressure on our commercial customers means they are delaying jet purchases, slowing deliveries, deferring elective maintenance, retiring older aircraft and reducing spend — all of which affects our business and, ultimately, our bottom line. While there have been some encouraging signs, we estimate it will take around three years to return to 2019 passenger levels.

That's why we've been taking decisive actions. To bolster our near-term liquidity, we suspended our dividend, terminated our share repurchasing program, reduced discretionary spending and overhead costs, and issued $25 billion in new debt.

While these steps help us navigate the pandemic, they don't change the fact that the commercial marketplace is different, and we must change with it. To align to a smaller market, we lowered commercial production rates and took tough workforce actions throughout the quarter.

Unfortunately, it's become clear that we need to make further adjustments based on the prolonged impact of COVID-19.

The changes include further lowering our commercial airplane production rates:

- We will have a slower ramp-up in 737 production than previously planned, with a gradual increase to 31 per month by the beginning of 2022.

- We will reduce the combined 777/777X production rate to two per month in 2021, which is one unit lower per month than we announced last quarter.

- We will further reduce 787 production to six per month in 2021. This is an adjustment down from the reduction we announced last quarter to 10 per month currently and seven per month by 2022. With this lower rate profile, we will also need to evaluate the most efficient way to produce the 787, including studying the feasibility of consolidating production in one location. We will share more with you following our study.

- While our 767 and 747 rates remain unchanged, in light of the current market dynamics and outlook, we'll complete production of the iconic 747 in 2022. Our customer commitment does not end at delivery, and we'll continue to support 747 operations and sustainment well into the future.

The work you've done on these programs has been tremendous. I have been impressed during every visit to our production facilities. These production rate changes are not a reflection on your work or our capability. The market simply won't support higher output levels at this time, and we need to adapt accordingly.

As you know, we previously announced a net 10% workforce reduction in 2020 through a combination of voluntary layoffs, attrition and involuntary layoffs (ILOs) to align to a smaller market. The first wave of associates affected by ILOs received notification in May, and we continue to conduct smaller, phased workforce reductions to reach this target. Managers are communicating the latest wave of those reductions beginning today.

Regretfully, the prolonged impact of COVID-19 causing further reductions in our production rates and lower demand for commercial services means we'll have to further assess the size of our workforce. This is difficult news, and I know it adds uncertainty during an already challenging time. We will try to limit the impact on our people as much as possible going forward. And as always, we will communicate openly, honestly and transparently with you.

The diversity of our portfolio and our government services, defense and space programs provide some stability in the near term as we take these tough but necessary steps. And we'll continue working to meet our commitments and deliver on our priorities.

As we look to the future, we also are focused on not just adapting and recovering but also emerging stronger and more resilient. That includes proactively reviewing every aspect of our company to identify opportunities to improve, align to our new market and strengthen our culture. We are looking holistically at our infrastructure footprint, our overhead and organizational structure, our portfolio and investments, our supply chain health and stability, and our ability to drive operational excellence and a keen focus on safety in everything we do.

And while we're facing challenges, it's important to remember the good work and innovation underway across our company. This is absolutely necessary for our future. Aerospace has always proven to be resilient — and so has Boeing.

Thank you for facing these challenges with me. I could not ask for a better team.

Dave
