



First Quarter 2024

# EARNINGS REVIEW

**Pat Shanahan**

President and Chief Executive Officer

**Mark Suchinski**

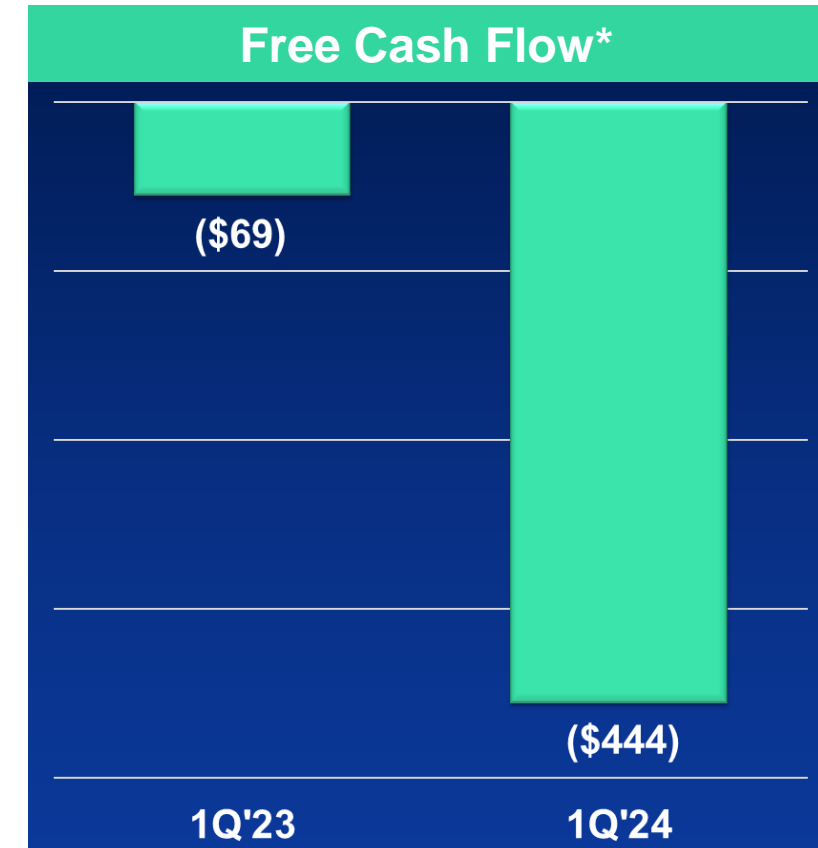
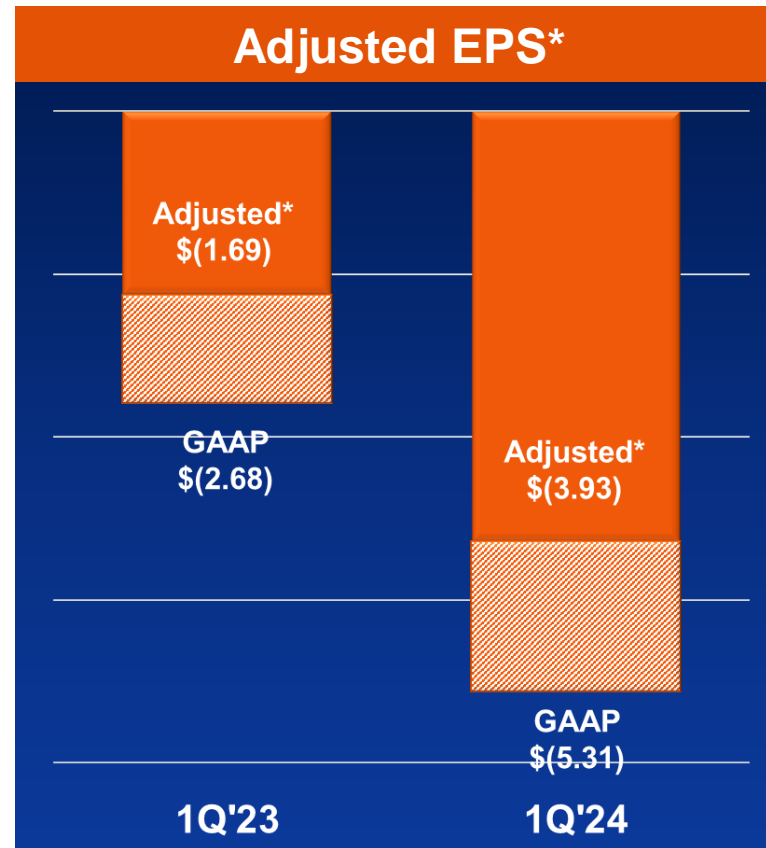
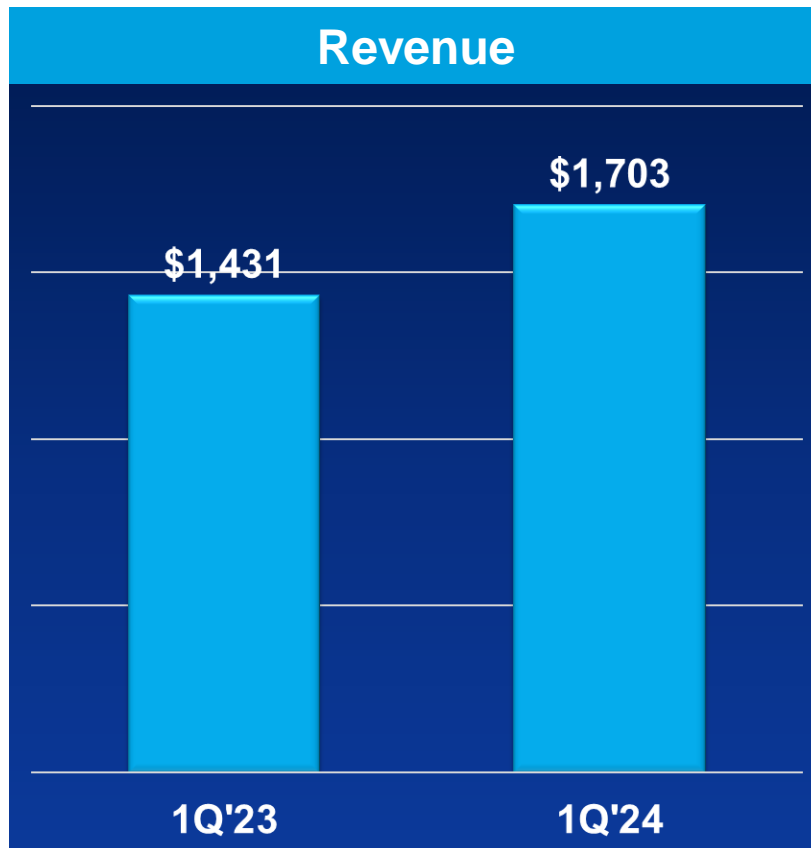
Senior Vice President and Chief Financial Officer

May 7, 2024



# First Quarter Financial Results

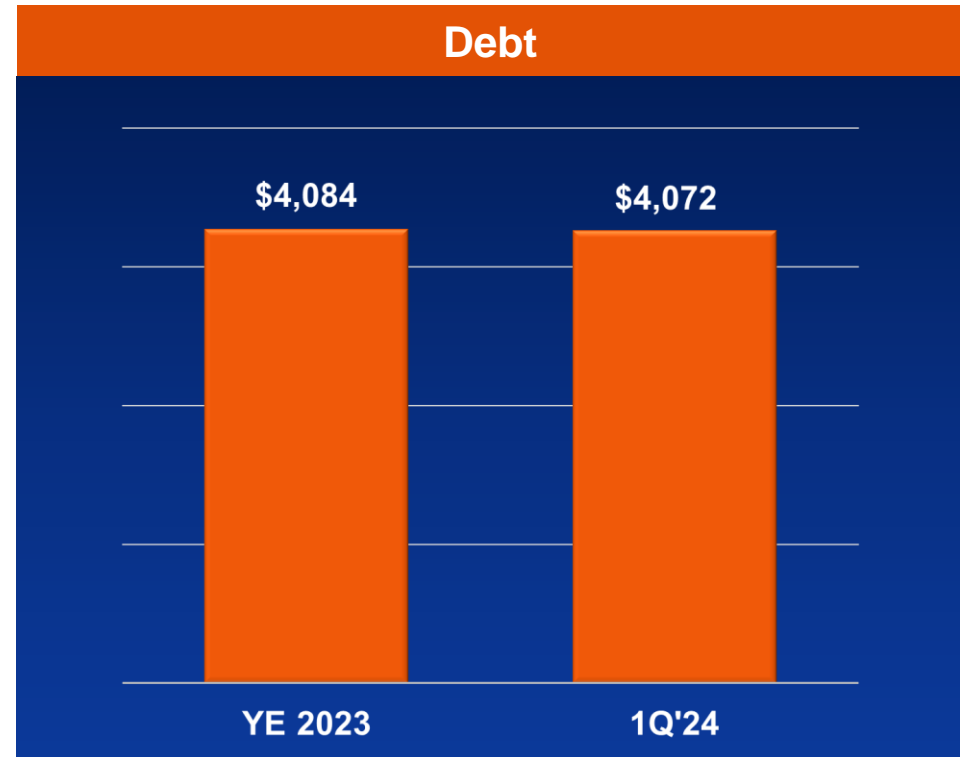
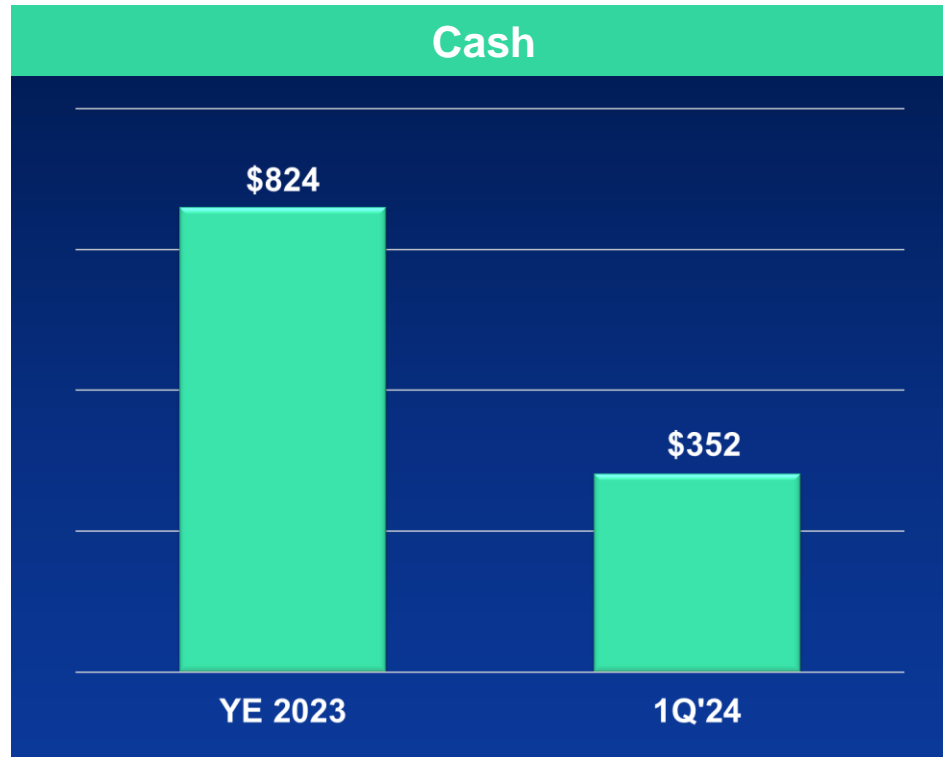
\$ millions, except per share data



\*Non-GAAP measure. Definitions, reconciliations, and further disclosures regarding this non-GAAP measure are appended to this document.

# Cash and Debt Balances

\$ millions

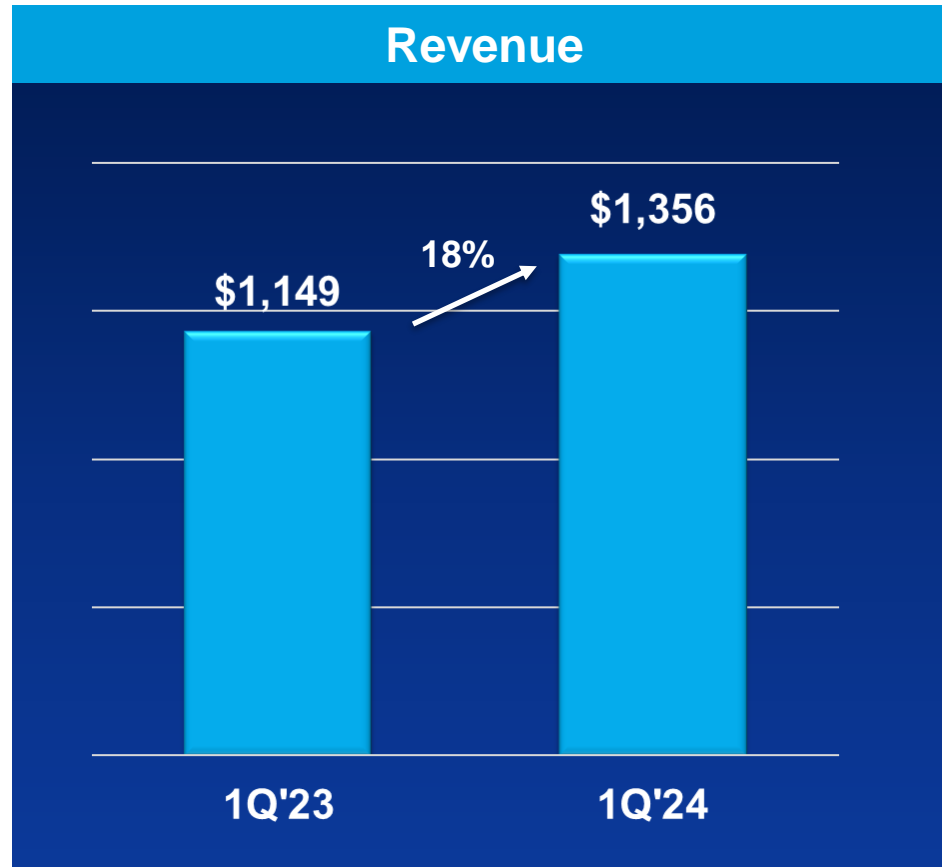


## Q2 2024E cash items:

- Boeing advance of \$425 to be received in Q2 2024

# Commercial Segment

\$ millions



**Operating Margin:** (4.0)%

(35.8)%

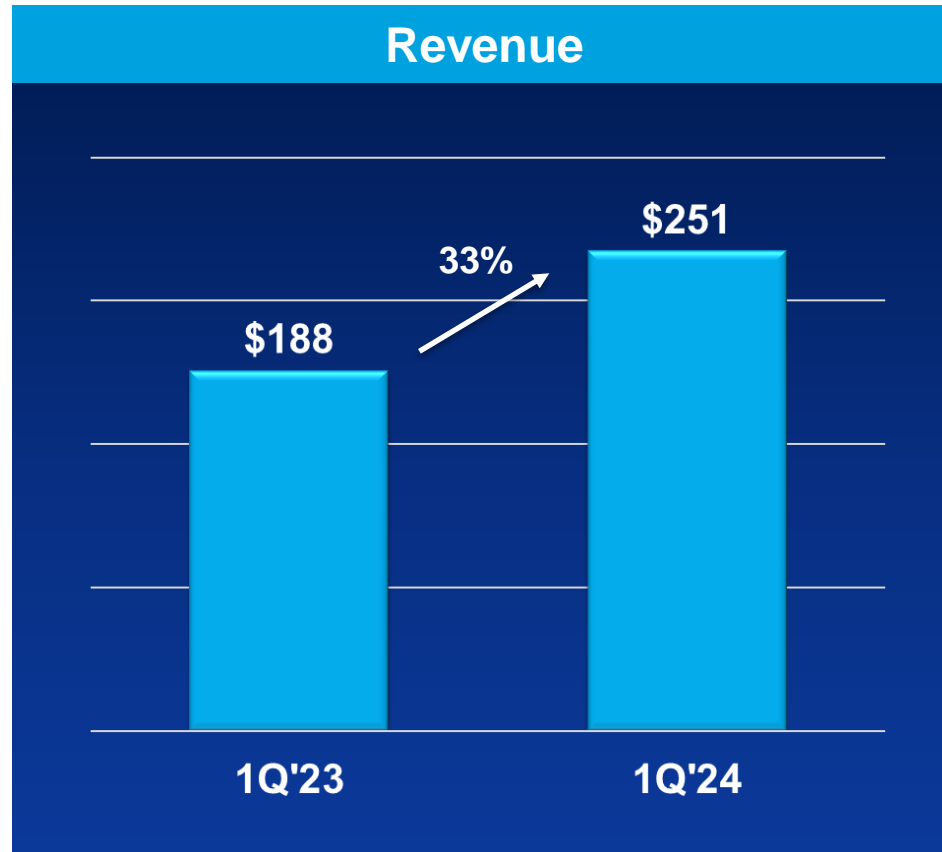


- Higher production activity on most programs
- Operating margin impacted by higher change in estimates charges
- Collaborated with Boeing on new 737 product verification system in Wichita. Long-term benefits expected from synchronizing inspection processes, including enhanced quality. Implementation in Q1 resulted in:
  - Delayed delivery acceptances & build-up of undelivered units
  - Higher levels of inventory and contract assets
  - Lower cash flow



# Defense & Space Segment

\$ millions



**Operating Margin:** 10.2%

12.8%

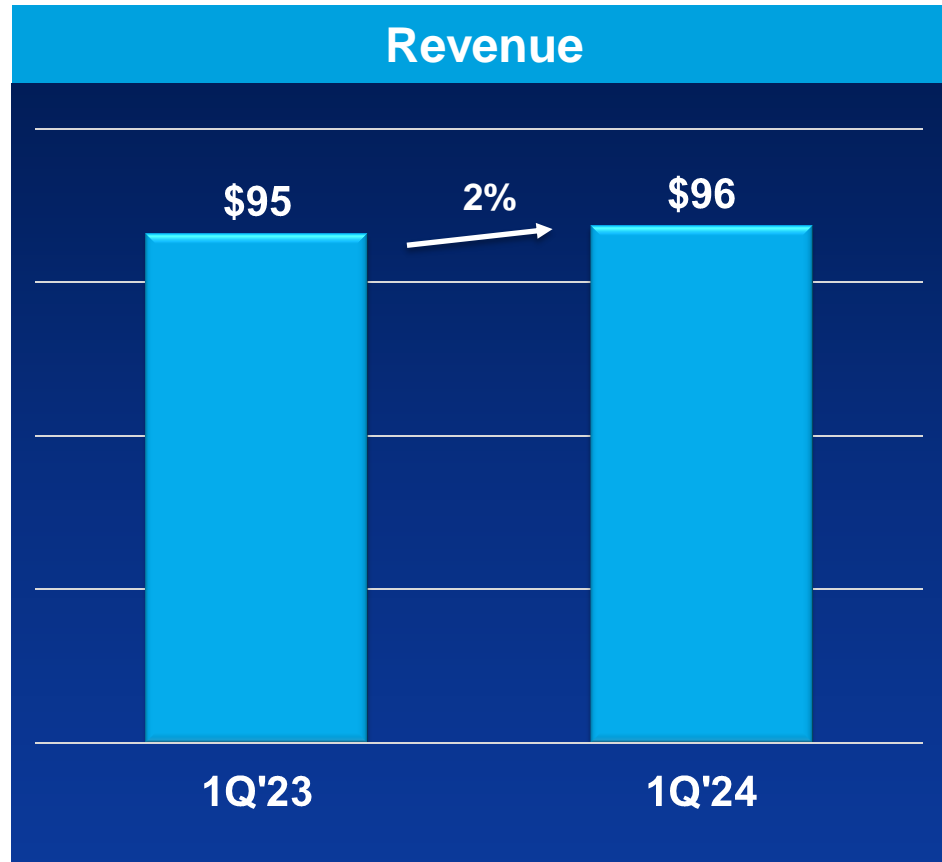


A Marine flight crew in a CH-53 King Stallion heavy-lift helicopter transported an F-35C Lightning II airframe while air-to-air refueling from a Navy C-130T. Photo by Kyra Helwick.

- Increased activity on development, classified, Sikorsky CH-53K and FLRAA programs
- Operating margin impacted by:
  - Increase classified program activities

# Aftermarket Segment

\$ millions



**Operating Margin: 20.3%**

**17.9%**



- Higher spare part sales
- Operating margin impacted by:
  - Lower maintenance, repair and overhaul (MRO) activities



# Forward-Looking Information

## Cautionary Statement Regarding Forward-Looking Statements

You should read the discussion of our financial condition and results of operations in conjunction with the unaudited condensed consolidated financial statements and the notes to the unaudited condensed consolidated financial statements appearing in the Company's Annual Report on Form 10-K and the Company's Quarterly Reports on Form 10-Q. The section may include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements reflect our current expectations or forecasts of future events. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "aim," "anticipate," "believe," "could," "continue," "estimate," "expect," "forecast," "goal," "intend," "may," "might," "model," "objective," "outlook," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would," and other similar words, or phrases, or the negative thereof, unless the context requires otherwise. These statements reflect management's current views with respect to future events and are subject to risks and uncertainties, both known and unknown, including, but not limited to, those described in the "Risk Factors" section of the 2023 Form 10-K. Our actual results may vary materially from those anticipated in forward-looking statements. We caution investors not to place undue reliance on any forward-looking statements.

Important factors that could cause actual results to differ materially from those reflected in such forward-looking statements and that should be considered in evaluating our outlook include, but are not limited to, the following:

- the continued fragility of the global aerospace supply chain including our dependence on our suppliers, as well as the cost and availability of raw materials and purchased components, including increases in energy, freight, and other raw material costs as a result of inflation or continued global inflationary pressures;
- our ability and our suppliers' ability and willingness to meet stringent delivery (including quality and timeliness) standards and accommodate changes in the build rates or model mix of aircraft under existing contractual commitments, including the ability or willingness to staff appropriately or expend capital for current production volumes and anticipated production volume increases;
- our ability to maintain continuing, uninterrupted production at our manufacturing facilities and our suppliers' facilities;
- our ability, and our suppliers' ability, to attract and retain the skilled work force necessary for production and development in an extremely competitive market;
- the effect of economic conditions, including increases in interest rates and inflation, on the demand for our and our customers' products and services, on the industries and markets in which we operate in the U.S. and globally, and on the global aerospace supply chain;
- the general effect of geopolitical conditions, including Russia's invasion of Ukraine and the resultant sanctions being imposed in response to the conflict, including any trade and transport restrictions;
- the recent outbreak of war in Israel and the Gaza Strip and the potential for expansion of the conflict in the surrounding region, which may impact certain suppliers' ability to continue production or make timely deliveries of supplies required to produce and timely deliver our products, and may result in sanctions being imposed in response to the conflict, including trade and transport restrictions;
- our relationships with the unions representing many of our employees, including our ability to successfully negotiate new agreements, and avoid labor disputes and work stoppages with respect to our union employees;
- the impact of significant health events, such as pandemics, contagions or other public health emergencies (including the COVID-19 pandemic) or fear of such events, on the demand for our and our customers' products and services, the industries and the markets in which we operate in the U.S. and globally;
- the timing and conditions surrounding the full worldwide return to service (including receiving the remaining regulatory approvals) of the B737 MAX, future demand for the aircraft, and any residual impacts of the B737 MAX grounding on production rates for the aircraft;
- our reliance on The Boeing Company ("Boeing") and Airbus Group SE and its affiliates (collectively, "Airbus") for a significant portion of our revenues;
- the business condition and liquidity of our customers and their ability to satisfy their contractual obligations to the Company;
- the certainty of our backlog, including the ability of customers to cancel or delay orders prior to shipment on short notice, and the potential impact of regulatory approvals of existing and derivative models;
- our ability to accurately estimate and manage performance, cost, margins, and revenue under our contracts, and the potential for additional forward losses on new and maturing programs;
- our accounting estimates for revenue and costs for our contracts and potential changes to those estimates;
- our ability to continue to grow and diversify our business, execute our growth strategy, and secure replacement programs, including our ability to enter into profitable supply arrangements with additional customers;
- the outcome of product warranty or defective product claims and the impact settlement of such claims may have on our accounting assumptions;
- competitive conditions in the markets in which we operate, including in-sourcing by commercial aerospace original equipment manufacturers;
- our ability to successfully negotiate, or re-negotiate, future pricing under our supply agreements with Boeing, Airbus and other customers;
- the possibility that our cash flows may not be adequate for our additional capital needs;
- any reduction in our credit ratings;
- our ability to access the capital or credit markets to fund our liquidity needs, and the costs and terms of any additional financing;
- our ability to avoid or recover from cyber or other security attacks and other operations disruptions;
- legislative or regulatory actions, both domestic and foreign, impacting our operations, including the effect of changes in tax laws and rates and our ability to accurately calculate and estimate the effect of such changes;
- spending by the U.S. and other governments on defense;
- pension plan assumptions and future contributions;
- the effectiveness of our internal control over financial reporting;
- the outcome or impact of ongoing or future litigation, arbitration, claims, and regulatory actions or investigations, including our exposure to potential product liability and warranty claims;
- adequacy of our insurance coverage;
- our ability to continue selling certain receivables through the receivables financing programs;
- our ability to effectively integrate recent acquisitions, along with other acquisitions we pursue, and generate synergies and other cost savings therefrom, while avoiding unexpected costs, charges, expenses, and adverse changes to business relationships and business disruptions; and
- the risks of doing business internationally, including fluctuations in foreign currency exchange rates, impositions of tariffs or embargoes, trade restrictions, compliance with foreign laws, and domestic and foreign government policies.

These factors are not exhaustive and it is not possible for us to predict all factors that could cause actual results to differ materially from those reflected in our forward-looking statements. These factors speak only as of the date hereof, and new factors may emerge or changes to the foregoing factors may occur that could impact our business. As with any projection or forecast, these statements are inherently susceptible to uncertainty and changes in circumstances. Except to the extent required by law, we undertake no obligation to, and expressly disclaim any obligation to, publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. You should review carefully the section captioned "Risk Factors" in the 2023 Form 10-K and the Company's subsequent Quarterly Reports on Form 10-Q for a more complete discussion of these and other factors that may affect our business.



# Non-GAAP Measure Disclosure

Management believes the non-GAAP (Generally Accepted Accounting Principles) measures used in this presentation provide investors with important perspectives into the company's ongoing business performance. The company does not intend for the information to be considered in isolation or as a substitute for the related GAAP measure. Other companies may define and calculate the measures differently than we do, limiting the usefulness of the measures for comparison with other companies.

Adjusted Diluted Loss Per Share. To provide additional transparency, we have disclosed non-GAAP adjusted diluted loss per share (Adjusted EPS). This metric excludes various items that are not considered to be directly related to our operating performance. Management uses Adjusted EPS as a measure of business performance, and we believe this information is useful in providing period-to-period comparisons of our results. The most comparable GAAP measure is diluted earnings per share.

## Adjusted EPS

	1st Quarter	
	2024	2023
<b>GAAP Diluted Loss Per Share</b>	<b>(\$5.31)</b>	<b>(\$2.68)</b>
Deferred Tax Asset Valuation Allowance <i>(a)</i>	1.38	0.50
Pension Termination Charges <i>(b)</i>	-	0.49
<b>Adjusted Diluted Loss Per Share</b>	<b>(\$3.93)</b>	<b>(\$1.69)</b>
<b>Diluted Shares (in millions)</b>	<b>116.2</b>	<b>104.9</b>

*(a)* Represents the deferred tax asset valuation allowance (included in Income tax provision)

*(b)* Represents the net non-cash charges related to the termination of the U.S. Pension Value Plan A (included in Other income)

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**Free Cash Flow.** Free Cash Flow is defined as GAAP cash provided by (used in) operating activities (also referred to herein as "cash from operations"), less capital expenditures for property, plant and equipment. Management believes Free Cash Flow provides investors with an important perspective on the cash available for stockholders, debt repayments including capital leases, and acquisitions after making the capital investments required to support ongoing business operations and long-term value creation. Free Cash Flow does not represent the residual cash flow available for discretionary expenditures as it excludes certain mandatory expenditures. The most comparable GAAP measure is cash provided by (used in) operating activities. Management uses Free Cash Flow as a measure to assess both business performance and overall liquidity.

## Free Cash Flow

(\$ in millions)	1st Quarter	
	2024	2023
Cash from Operations	(\$416)	(\$46)
Capital Expenditures	(29)	(23)
<b>Free Cash Flow</b>	<b>(\$444)</b>	<b>(\$69)</b>