BOEING CEO SEES NO DOWNTURN IN COMMERCIAL AIRPLANE CYCLE

News / Manufacturer

Boeing Co's (BA.N) top executive reaffirmed on Wednesday the company's outlook for strong growth and cash flow over the next five years, dismissing investor concerns that the aviation business cycle is on the cusp of a downturn.

Chief Executive Officer Dennis Muilenburg, speaking at an investor conference, also said the company is "very confident" in its accounting for 787 costs.

They were his first public remarks since a report last week that the Securities and Exchange Commission was looking into the company's use of program accounting with the flagship 787, which has run up about $30 billion in deferred costs. He declined to confirm the Bloomberg report about the SEC probe.

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Muilenburg, who became CEO last July 1, is in the spotlight as Boeing's stock has fallen 22 percent this year amid concerns the commercial aviation cycle is heading into a downturn and questions about Boeing's strategy for its defense business, where sales are flagging.

Boeing shares were up nearly 3 percent at $115.90 in mid morning trading on the New York Stock Exchange.

Muilenburg said little about defense at the conference organized by Barclays. On commercial aircraft, he acknowledged some customers in Russia and Brazil had canceled or deferred jetliner orders, without giving details.

But he said passenger traffic, and aircraft demand, will increase faster than economic growth in many developing countries because incomes there are rising.

Boeing's backlog of jetliner orders amounts to seven years of production, which is "fundamentally different than anything you have seen in history," he said. That gives Boeing confidence that the commercial aviation cycle is not in danger of downturn, Muilenburg said.

Muilenburg acknowledged pricing pressure on 737NG and 777-300ER models nearing the end of production. But he said efforts to cut costs are not defensive moves to protect market share versus European rival Airbus (AIR.PA). Rather, Boeing aims to improve profitability, return cash to shareholders and generate research and development funds.

"This is playing offense in a competitive marketplace," he said.

Muilenburg said commercial airplane profit margins would widen over the next five years and Boeing aims to return to double-digit margins after sliding to single digits last year.

Boeing expects to make a decision in 12 to 18 months on a middle of the market aircraft to compete with Airbus' A321neo aircraft, he said, adding research and development spending on that plane will not be significant in the next five years.

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