

Boeing reports jump in 1Q profits, lifts 2018 forecast

April 25 2018, by John Biers



The Boeing logo on the first Boeing 737 MAX 9 airplane is pictured during its rollout for media in March 2017

Boeing profits jumped, and the company upgraded its earnings forecast for this year Wednesday amid a strong commercial aviation market and

as executives expressed optimism the US and China will avoid a trade war.

The aerospace giant reported that earnings surged 56.9 percent from the first three months of 2017, rising to \$2.5 billion. Revenues rose 6.5 percent to \$23.4 billion.

The upbeat report sent the company's share price higher, and reflects the health of the airline industry as flying becomes much more common in the Middle East, Asia and other developing regions.

A big player in China, Boeing has often been seen as vulnerable to a trade war between Washington and Beijing, a possibility that topped Wall Street's list of worries earlier this month but has receded of late amid softer rhetoric between and the prospect of talks in coming days.

Boeing chief executive Dennis Muilenburg said he was encouraged that the US planned to send a high-level trade team to Beijing. President Donald Trump confirmed Tuesday that Treasury Secretary Steven Mnuchin, US Trade Representative Robert Lighthizer will travel to China soon.

"We know aerospace is very important to both countries and while some initial statements have been made about potential tariffs, none of those severe actions have been implemented," Muilenburg said on a conference call with analysts and reporters.

"And we're frankly encouraged by the continuing dialogue and we've heard from leadership in both countries that both are seeking to find negotiated positions that will be productive for both countries."

Muilenburg said Boeing's supply chain had not been significantly affected by tariffs on aluminum and other measures that have been

implemented.

Cargo demand rising

In the quarter ending March 31, Boeing notched higher commercial plane deliveries compared with the year-ago period. Planes with gains included the narrow-aisle 737 and the 787 "Dreamliner."

The aerospace giant has been consulting with customers on launching a possible "middle market" plane that would fall between its narrow-body model, which carries up to 200 people, and its wide-body design, which typically flies around 300.

The company said it would raise production for the Boeing 767 plane to three a month from 2.5 due to strength in the cargo market as industrial demand picks up.

Earnings in Boeing's defense division were lifted by strong weapons volume. The company won new business from Kuwait and said it was on track with the KC-46 tanker program, a US Air Force transport aircraft contract that has led to unexpected cost increases in prior quarters.

A report earlier this month by the US Government Accountability Office warned that deliveries of the first fully capable KC-46 tankers could slip to May 2019 from the current timetable of October 2018, citing a number of risks to the timeframe that need to be mitigated.

But Muilenburg said the company was making "steady progress" on the project and towards delivering the first 18 tankers this year.

Iranian deliveries delayed

Other key questions surrounding Boeing include the status of talks with Brazilian company Embraer on a potential collaboration that must be blessed by the government in Brasilia.

Boeing also could be impacted if President Donald Trump scotches the nuclear agreement between Iran and major governments that opened the door to commercial plane sales in the sanctions-constrained country.

Muilenburg said Boeing has delayed deliveries of 777 planes to Iran in line with the US government process and its targets for 2018 had not accounted for them.

"The plan that we outlined for your is not dependent on the Iranian orders," he said. "If those orders do come to fruition, if we do ultimately deliver airplanes, those represent opportunities for us."

Shares climbed 2.3 percent to \$336.58 in midday trading, the biggest gainer in the Dow.

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