

# Shadow of 2 deadly crashes hangs over Boeing's 1Q earnings

April 24 2019, by David Koenig

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In this April 10, 2019, file photo a Boeing 737 MAX 8 airplane being built for India-based Jet Airways lands following a test flight at Boeing Field in Seattle. Boeing Co. reports earnings Wednesday, April 24. (AP Photo/Ted S. Warren, File)

When Boeing releases first quarter results Wednesday, investors will be

looking beyond profit and revenue numbers to clues about the fate of the company's best-selling plane and when it might fly again.

They'll want to know how close engineers are to completing a fix to flight-control software at the center of investigations into two deadly crashes involving the Boeing 737 Max.

Executives have so far given few clues about how much it will cost the company to fix the [plane](#), compensate airlines whose Max jets are grounded around the world, and pay out claims to any of the families of the 346 victims.

The aerospace giant is scheduled to release financial results for the first quarter before the stock market opens on Wednesday.

Analysts surveyed by FactSet expect Boeing to report adjusted earnings of \$3.19 per share on revenue of \$22.94 billion. Both of those figures have come down considerably in the past month.

Whether Boeing hits those numbers, however, will be secondary after the two crashes that have damaged the company's reputation for safety, caused the worldwide grounding of about 370 Boeing 737 Max airliners, and raised questions about the U.S. government's approval of the plane in 2017.

Investigations into crashes in Indonesia and Ethiopia have implicated an automated flight-control system that erroneously pushed the noses of the planes down in response to bad readings from sensors. Boeing began working on a software update to the system more than five months ago.



In this April 9, 2019, file photo a Boeing 737 fuselage, eventually bound for Boeing's production facility in nearby Renton, Wash., sits on a flatcar rail car at a rail yard in Seattle. Boeing Co. reports earnings Wednesday, April 24. (AP Photo/Elaine Thompson, File)

When the market closed Tuesday, Boeing Co. shares stood 4% higher than before the October crash of a 737 Max operated by Indonesia's Lion Air. After a slump, they skyrocketed from late December until early March when another 737 Max crashed, this one operated by Ethiopian Airlines.

Analysts treated the Lion Air crash off the coast of Indonesia as a one-time event and noted confidently that Boeing was working on a software fix.

Even with a mild sell-off since the March crash, the shares are still up 16% in 2019, barely trailing the 17% gain in the Standard and Poor's 500.

Investors believe the market for jetliners will remain strong for many years and airlines don't have much choice for big planes—Boeing and Airbus form a duopoly, and both have huge order backlogs.

CEO Dennis Muilenburg said the company has conducted 120 [test flights](#) of the upgraded software, and only needs a final certification flight with FAA personnel on board. That flight is expected any day.

Last week, an expert panel of the Federal Aviation Administration judged that a software fix to the Max would be "operationally suitable," and that airline pilots familiar with previous versions of the 737 won't need additional time in flight simulators to learn about the new software that is unique to the Max.



In this April 9, 2019, file photo a Boeing 737 fuselage, eventually bound for

Boeing's production facility in nearby Renton, Wash., sits on a flatcar rail car at a rail yard as a jet flies past overhead in Seattle. Boeing Co. reports earnings Wednesday, April 24. (AP Photo/Elaine Thompson, File)

Jim Corridore, an airline analyst for CFRA Research, said that while Boeing still has much work to do, the FAA panel's determination "shows that the return of the plane to flying is now a 'when' question rather than 'if' ... we remain firm in our view that Boeing will survive this with its order book largely intact."

Some analysts do see long-term risks to Boeing, however. The company has temporarily cut production of 737s, which means cash will be delayed until deliveries of new planes resume. It also faces a growing list of lawsuits by families and shareholders.

Goldman Sachs analyst Noah Poponak is surprised that investors seem to expect a "relatively benign" outcome of the Max saga.

Airbus could raise production, Poponak wrote in a recent note to clients, and the flying public, airlines and several countries are viewing the Max with more caution.

"We see a risk that lasts in the order book moving forward over the next few years," he said.

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