Boeing manufactures commercial jetliners and military aircraft as well as rotorcraft, electronic and defense systems, missiles, satellites, launch vehicles, and advanced information and communication systems. The company serves both domestic and international customers. Boeing is organized into three reporting segments: Boeing Commercial Airplanes, Boeing Integrated Defense Systems, and Boeing Capital Corporation. In 2007, the company posted revenues of $66.4 billion and ended the year with a backlog of $327 billion.

Analyst's Notes

Analysis by John Staszak, CFA, August 3, 2009

ARGUS RATING: HOLD

- BA: At risk from weak aircraft market; reiterating HOLD
- Although Boeing faces the risk of further order cancellations and deferrals, we believe that it will continue to benefit from its large order backlog.
- The global recession has hurt aircraft demand and a decline in military spending could cause some investors to avoid BA shares.
- We are maintaining our 2009 and 2010 EPS estimates at $4.42 and $4.35, respectively. Our estimate is below management's guidance because of likely further delays in the delivery of 787s.
- Management believes that it has found a solution to the 787's wing-stress problem and expects to implement this repair during the third quarter. We believe the delay will be longer than currently anticipated and that it will force the company to take write-downs.

INVESTMENT THESIS

We are maintaining our HOLD rating on Boeing Co. (NYSE: BA). Although the company faces the risk of further order cancellations and deferrals, we believe that it will continue to benefit from its large order backlog. Nevertheless, the company announced a further delay in the 787 in June, which could prevent the shares from trading at a higher multiple.

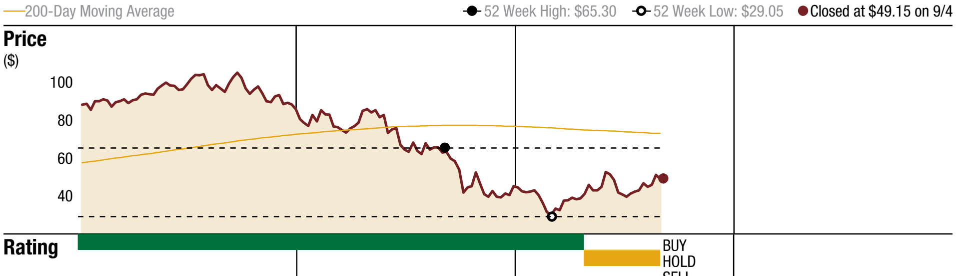
Given recent production cut announcements, the company's 2Q09 results were not too disappointing; we also believe that cutbacks in 737 production have already been priced into the shares. That said, we are not convinced that the worst of the cycle has passed, and we remain concerned with the development of the 787 and with the threat to earnings posed by the 747-8 program. Despite compelling valuation metrics, we expect these issues to weigh on BA shares.

RECENT DEVELOPMENTS

BA reported 2Q09 EPS of $1.41, up from $1.16 in the year-ago quarter. The results

Market Data

Pricing reflects previous trading week's closing price.



EPS ($)

FY ends Dec 31	Q1	Q2	Q3	Q4	Annual
2007	1.12	1.35	1.43	1.35	5.25
2008	1.61	1.16	0.94	-0.12	3.59
2009	0.87	1.41	1.05	1.09	4.42 (Estimate)
2010	0.85	1.38	1.04	1.08	4.35 (Estimate)

Revenue ($ in Bil.)

FY ends Dec 31	Q1	Q2	Q3	Q4	Annual
2007	15.4	17.0	16.5	17.5	66.4
2008	17.0	15.3	12.7	12.7	57.6
2009	16.5	17.2	16.3	17.8	67.7 (Estimate)
2010	16.1	17.0	16.1	17.2	66.4 (Estimate)

Argus Recommendations

Rating			
Twelve Month Rating	SELL	**HOLD**	BUY
Five Year Rating	SELL	HOLD	**BUY**
Sector Rating	Under Weight	Market Weight	**Over Weight**

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 41% Buy, 48% Hold, 11% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	$49.15
Target Price	--
52 Week Price Range	$29.05 to $65.30
Shares Outstanding	726.43 Million
Dividend	$1.68

Sector Overview

Sector	Industrials
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	10.00%

Financial Strength

Financial Strength Rating	MEDIUM-HIGH
Debt/Capital Ratio	120.8%
Return on Equity	1.70 Thousand%
Net Margin	3.6%
Payout Ratio	0.38
Current Ratio	0.84
Revenue	$61.61 Billion
After-Tax Income	$2.22 Billion

Valuation

Current FY P/E	11.12
Prior FY P/E	13.69
Price/Sales	0.58
Price/Book	189.04
Book Value/Share	$0.26
Market Capitalization	$35.70 Billion

Forecasted Growth

1 Year EPS Growth Forecast	23.12%
5 Year EPS Growth Forecast	13.00%
1 Year Dividend Growth Forecast	5.00%

Risk

Beta	1.09
Institutional Ownership	58.54%

Please see important information about this report on page 4

Analyst's Notes...Continued

reflected strong performance at the defense unit and solid sales of commercial aircraft. Revenue rose 2% year-over-year to $17.2 billion, while margins were solid in most segments. Deferrals were down from the first quarter, decreasing to 60 aircraft from 70 aircraft. In addition, margins at the commercial aircraft unit rose to 9.7% from 9.1% in the prior-year period, above our estimate of 7.4%. Deliveries of the more profitable 777 aircraft and lower R&D spending aided margins in the commercial segment. In the military aircraft division, the operating margin increased 210 basis points to 10.1%, below our estimate of 10.6%. At Boeing Capital, margins dropped from 25.1% to 21.5%.

Due mainly to the first-quarter charge associated with the 777 announcement, management reiterated its full-year 2009 EPS forecast of $4.70-$5.00. Management also reaffirmed its revenue forecast of $68-$69 billion, and its operating cash flow guidance of more than $2.5 billion. Boeing plans to cut more than 6% of its workforce this year through layoffs, attrition, retirements, and reductions in the use of contract labor.

In late July, the company announced it had a solution to its 787 wing-stress problem and that it was working on implementation. We are encouraged some test aircraft have achieved power-on, but expect further delays.

EARNINGS & GROWTH ANALYSIS

We expect revenue to increase 12% in 2009 to $68 billion, with help from a 20% increase in commercial aircraft sales. A 4% increase at the Integrated Defense Systems division (military aircraft) is also expected to bolster the top line. We believe that most Boeing customers awaiting delivery of aircraft have secured financing, and we expect BA to offset cancellations and deferrals by moving some orders forward in the order book. Reflecting improved efficiency in the Commercial unit, we expect the operating margin to increase 110 basis points to 7.6%. At Integrated Defense Systems, we see the operating margin decreasing modestly.

Management believes that it has found a solution to the 787's wing-stress problem and expects to implement this repair during the third quarter. We believe the delay will be longer than currently anticipated and that it will require a write-off of capitalized costs. We expect 787 deliveries to occur in 4Q09, but are lowering our 2010 delivery forecast from 14 to 5. As a result, our earnings estimates are below consensus and management's guidance. We are reiterating our 2009 earnings estimate of $4.42 per share.

While some additional aircraft order cancellations and deferrals are expected, management's revised guidance leaves little room for further production cutbacks. As such, we are maintaining our 2010 estimate at $4.35. Given the current cash flow picture, we do not expect additional share buybacks in the near term.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating for Boeing remains Medium-High, the second-highest rank on our five-point scale. Cash and

Growth & Valuation Analysis

GROWTH ANALYSIS

($ in Millions, except per share data)	2003	2004	2005	2006	2007
Revenue	50,485	52,457	54,845	61,530	66,387
COGS	44,304	45,025	46,208	50,437	53,402
Gross Profit	6,181	7,432	8,637	11,093	12,985
SG&A	2,768	3,081	4,228	4,171	3,531
R&D	1,651	1,879	2,205	3,257	3,850
Total Expenses	50,036	50,450	52,033	58,516	60,557
Operating Income	449	2,007	2,812	3,014	5,830
Interest Expense	358	335	294	240	196
Other Items	101	-47	7	180	288
Pretax Income	550	1,960	2,819	3,194	6,118
Income Taxes	-168	140	257	988	2,060
Tax Rate (%)	-31	7	9	31	34
Net Income	718	1,872	2,572	2,215	4,074
Diluted Shares Outstanding	809	813	803	788	773
EPS	0.89	2.30	3.20	2.85	5.28
Dividend	0.68	0.77	1.00	1.20	1.40
GROWTH RATES (%)					
Revenue	-6.63	3.62	4.83	12.20	7.90
Gross Profit	-27.89	19.93	16.50	28.46	17.07
Operating Income	-88.41	346.23	40.40	7.19	93.52
Net Income	45.97	160.18	37.68	-13.89	84.00
EPS	—	158.43	39.13	-10.94	85.26
Dividend	—	113.24	129.87	120.00	116.67
VALUATION ANALYSIS					
Price: High	$42.28	$55.26	$71.49	$91.10	$107.23
Price: Low	$35.33	$48.96	$49.64	$66.50	$85.43
Price/Sales: High-Low	— - —	0.9 - 0.8	1.0 - 0.7	1.1 - 0.8	1.2 - 1.0
P/E: High-Low	47.0 - 39.3	23.7 - 21.0	21.9 - 15.2	31.5 - 23.0	19.9 - 15.9
Price/Cash Flow: High-Low	8.8 - 7.3	12.9 - 11.5	8.1 - 5.6	9.4 - 6.8	8.5 - 6.8

Financial & Risk Analysis

FINANCIAL STRENGTH	2005	2006	2007
Cash ($ in Millions)	5,412	6,118	7,042
Working Capital ($ in Millions)	-6,220	-6,718	-4,258
Current Ratio	0.78	0.77	0.86
LT Debt/Equity Ratio (%)	86.2	172.1	82.8
Total Debt/Equity Ratio (%)	97.0	201.3	91.3
RATIOS (%)			
Gross Profit Margin	15.7	18.0	19.6
Operating Margin	5.1	4.9	8.8
Net Margin	4.7	3.6	6.1
Return On Assets	4.5	4.0	7.4
Return On Equity	23.0	28.0	59.3
RISK ANALYSIS			
Cash Cycle (days)	44.5	49.1	49.6
Cash Flow/Cap Ex	2.7	2.7	4.3
Oper. Income/Int. Exp. (ratio)	9.6	12.6	29.7
EPS/Dividend (ratio)	3.2	2.4	3.8

The data contained on this page of this report have been provided by Mergent, Inc. and is set forth herein for historical reference only. These data are not necessarily used in Argus' analysis of the stock set forth on this page of this report or any other stock or other security. These data may be incomplete or absent. All earnings figures are in GAAP. A data dictionary provided by Argus includes more detailed information about these data. Please see the final page of this report for additional information on Mergent, Inc. and the data dictionary.

Please see important information about this report on page 4

Analyst's Notes...Continued

equivalents rose to $4.6 billion in 2Q09 from $3.3 billion at the end of 2008, and debt declined to $9.1 billion from $9.3 billion. Boeing expects to make $1 billion in loans in 2009, mainly in the second half. Boeing's free cash flow in 2Q09 was $707 million. BA now expects only $1 billion in free cash flow in 2009, with operating cash flow of $2.5 billion.

Boeing returned $4 billion to shareholders in 2008 through share repurchases and dividends. The company recently raised its quarterly dividend from $0.40 to $0.42, or $1.68 annually, for a yield of about 3.9%. We expect the dividend to remain at $1.68 through 2010, though the company could cut the payout to conserve cash.

RISKS

Boeing is at risk from weakness in the commercial aviation market, though it benefits from geographic diversification. Despite turmoil in the U.S. airline industry, we note that U.S. carriers represent only 10% of the total backlog for Boeing's commercial airplane unit (BCA) and less than 5% of total Boeing revenues. That said, air traffic in all mature markets has been depressed while growth in emerging markets has slowed. Boeing also faces risks related to the cancellation or curtailment of Defense Department contracts.

VALUATION

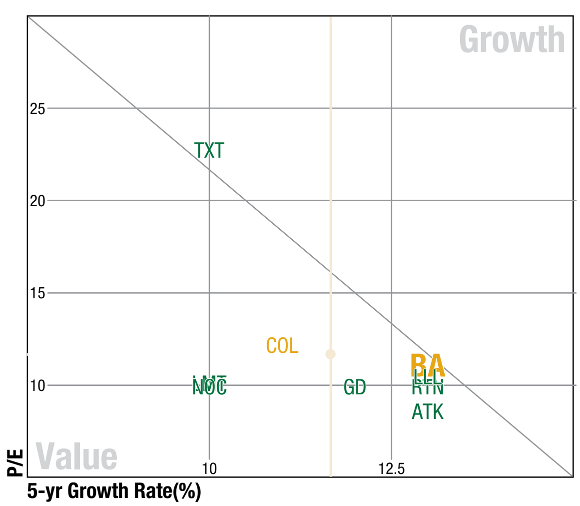
BA shares have rebounded from their March lows and now trade at around $43, about 9.7-times our 2009 EPS forecast, compared to a five-year average of 19.0 and a 20-year low of 9.0. We believe the relatively low valuation reflects the risk of further production cuts, cost overruns, and an inability to improve productivity. Over the past year, the stock has traded between $29 and $88. Although the shares appear favorably valued by historical standards and based on our fundamental and DCF analysis, we remain concerned about Boeing's current production challenges and overall operating environment. We believe that any earnings surprise is likely to be to the downside and do not expect the shares to outperform the market in the near term. As such, our rating on BA remains HOLD.

On August 3, HOLD-rated BA closed at $43.79, up $0.88.

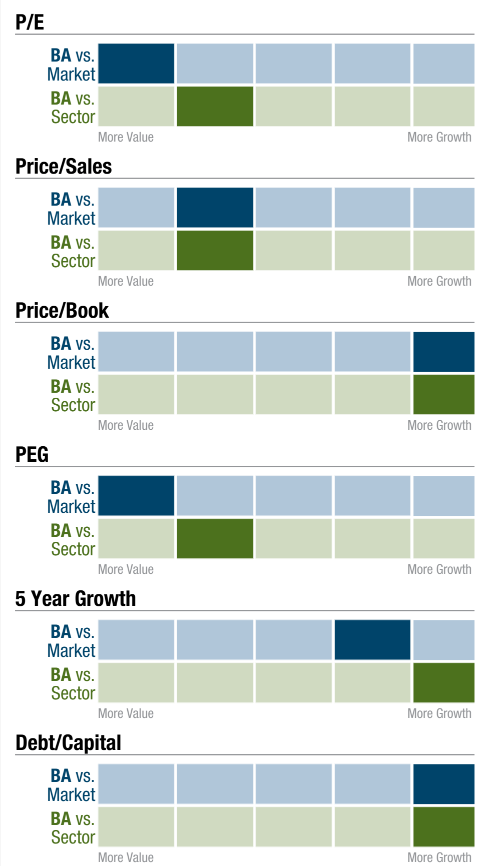
Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare BA versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- **The scatterplot shows how BA stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how BA might fit into or modify a diversified portfolio.**



Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
BA	**Boeing Co**	**35,704**	**13.0**	**11.1**	**3.6**	**-1.6**	**HOLD**
LMT	Lockheed Martin Corp	28,934	10.0	10.1	6.9	16.0	BUY
GD	General Dynamics Corp	23,290	12.0	9.9	7.8	7.5	BUY
RTN	Raytheon Co	18,130	13.0	9.9	7.5	10.2	BUY
NOC	Northrop Grumman Corp	15,489	10.0	9.9	-3.6	7.8	BUY
LLL	L-3 Comms Hldgs In	8,920	13.0	10.5	5.9	10.8	BUY
COL	Rockwell Collins Inc	7,291	11.0	12.2	14.1	-6.1	HOLD
TXT	Textron Inc	4,613	10.0	22.8	.2	90.7	BUY
ATK	Alliant Techsystems Inc	2,428	13.0	8.6	3.6	7.0	BUY
Peer Average		**16,089**	**11.7**	**11.7**	**5.1**	**15.8**	



About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

Argus Research Disclaimer

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