

## Boeing 2Q Net Income Up, Raises Outlook

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NEW YORK (AP) — Boeing Co. posted a surprise improvement in second-quarter net income Wednesday as demand for passenger jets thrived and its defense business held its own.

The maker of 737 aircraft and F-18 fighter jets also raised its earnings forecast for the year, suggesting demand for new planes could insulate it from the sluggish global economic environment.

Boeing's 3-percent profit increase handily beat forecasts from Wall Street analysts, who worried that sales in Boeing's defense unit would fall amid lower defense spending in the U.S. and Europe. Boeing said that it was reining in costs to prevent revenue in the segment that produces Chinook helicopters and F-18s from being hit.

Boeing, which is based in Chicago, reported net income of \$967 million, or \$1.27 per share, for the April-June period compared with \$941 million, or \$1.25 per share, a year earlier.

Revenue jumped 21 percent to \$20 billion from \$16.54 billion a year ago.

Analysts polled by FactSet expected earnings of \$1.14 per share on revenue of \$19.25 billion.

Defense revenue rose 7 percent, while revenue in the commercial airplane division jumped 34 percent. The divisions are roughly the same size, but some analysts were concerned that their earnings would go in opposite directions. Both segments faced higher costs in the second quarter. Total expenses were up 30 percent.

Boeing's defense unit is vulnerable to potentially severe military spending cuts in January. The cuts will be automatic unless Congress agrees to alternatives for cutting the deficit. The military would face \$492 billion in cuts over a decade, with domestic spending reduced by another \$492 billion over 10 years.

For now Boeing's defense unit is strong. Second-quarter revenue growth is about the same as Boeing saw in the first three months of the year.

Boeing's commercial airplane unit, meanwhile, is speeding production and deliveries of its new 787. That will move planes that have been mostly finished, but undelivered, out of inventory and turn them into cash. Boeing is also booking firm orders for its new 737 Max, a redesigned version of the model. On Wednesday the company said that Aeromexico plans to buy up to 100 of its planes — most of them the 737 Max — in a deal worth almost \$11 billion.

For all of 2012, Boeing Co. now expects to earn \$4.40 to \$4.60 per share, up from a

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previous forecast of \$4.15 to \$4.35 per share. Analysts estimate full-year earnings of \$4.57 per share.

Earlier Wednesday defense contractor Northrop Grumman Corp. posted second-quarter results that beat Wall Street estimates, and Lockheed Martin Corp. reported better-than-expected results on Tuesday.

Boeing shares rose \$2, or 2.78 percent, to close at \$74.03 Wednesday.

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