

Boeing Focuses On 787 Fix; 4Q Profit Tops Estimate

The Associated Press

Boeing Co. said Wednesday that its top priority this year is fixing the battery problems that grounded its 787.

The company made the pledge while reporting a fourth-quarter profit that topped Wall Street estimates, as rising profits from commercial jets offset a smaller profit from defense work.

The 50 787s in service were grounded two weeks ago by global aviation regulators following two incidents involving the plane's lithium-ion batteries, including a fire on a plane parked in Boston. On Wednesday, Jim McNerney, Boeing's chief executive, said the company believes "good progress is being made" in narrowing down the possible causes. Still, Boeing is not making any predictions about how long the grounding will last and federal officials have said the investigation of the battery problems is still in the early stages.

Earlier, U.S. aviation officials said they have asked Boeing for a full operating history of the batteries on the 787s. Japan's All Nippon Airways confirmed that it had replaced batteries on its 787 aircraft 10 times because they didn't charge properly or connections with electrical systems failed. Japan Airlines also said it had replaced 787 batteries. Between them, the two airlines operate 24 787s.

In a statement, Boeing said that it has not "seen 787 battery replacements occurring as a result of safety concerns."

Boeing is still building 787s even though deliveries are halted. It still aims to deliver at least 60 of the planes this year, and it's on track to speed up production from five per month now to 10 per month by the end of the year, McNerney said on a conference call.

Boeing said it expects to deliver 635 to 645 commercial jets this year. That's up from 601 deliveries in 2012, when Boeing delivered 46 787s and topped European rival Airbus for the first time since 2003. Airbus expects to deliver more than 600 planes this year.

Boeing earned \$978 million in the latest quarter, or \$1.28 per share. That was down 30 percent from a profit of \$1.39 billion, or \$1.84 per share, a year earlier, which included a big tax benefit of 52 cents per share.

The profit topped the \$1.19 per share expected by analysts surveyed by FactSet.

Revenue rose 14 percent to \$22.3 billion, matching analyst estimates.

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Boeing Co. predicted 2013 earnings of \$5 to \$5.20 per share, with revenue of \$82 billion to \$85 billion. The outlook assumes "no significant financial impact" from the 787 being out of service.

Analysts had been expecting a 2013 profit of \$5.17 per share on revenue of \$88.13 billion.

For all of 2012, net income fell 3 percent to \$3.9 billion, or \$5.11 per share. Revenue rose 19 percent to \$81.7 billion.

Last year's deliveries of its new 787 as well as its revamped 747-8 brought in cash — the 787 lists for more than \$200 million each — but they actually hurt profits because the planes cost more to build than what Boeing collects. Profit margins for commercial planes shrank slightly, even as revenue rose 32 percent to \$14.16 billion in the fourth quarter, and profits rose 29 percent to \$1.27 billion.

Boeing is also faced with a slowdown in its defense business. Defense profits fell 13 percent to \$751 million in the fourth quarter. Defense revenue fell 2 percent to \$8.34 billion.

Shares of Chicago-based Boeing Co. rose 82 cents to \$74.47 in morning trading. They've dropped about 4 percent since the battery fire on the plane in Boston.

The 787 is the first airliner to make wide use of lithium-ion batteries. They are prone to overheating and require additional safeguards to prevent fires.

Boeing said Wednesday that replacing batteries on a plane is not uncommon. It said batteries on the 787s are being returned because of safety mechanisms that make sure that batteries can't be used if they have been deeply-discharged or improperly disconnected.

Some batteries have also been returned because they exceeded their shelf life, the company said.

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