

NEW RISK ALERT: (BA)

## Boeing Burnt \$1.56 Billion in Cash, Not \$262 Million as Reported

Plane maker included a \$1.3 billion gift from Uncle Sam to minimize its cash burn.

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*This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language underperform those that don't by 30-50 basis points per month for the following year.*

### Boeing Includes Tax Refund as Cash From Operations

By all accounts The CARES Act, a \$2.2 trillion economic stimulus package in response to the COVID-19 pandemic, is an extraordinary measure. Despite the non-recurring nature of the Act, Boeing would have investors believe certain of its benefits are part of operations.

In the latest quarter, Boeing reported a much improved \$262 million operating cash flow loss. But without a generous tax benefit courtesy of the CARES Act, Boeing's operating cash burn would have been much worse.

In its latest [10-Q](#), Boeing included new language revealing it booked a huge tax benefit as cash flow from operations:

*"The CARES Act also included a five-year net operating loss carryback provision which enabled us to benefit from certain 2020 losses and resulted in tax refunds of **\$1.3 billion** in the third quarter of 2021."*

Without the refund Boeing's operating cash flow loss would have been \$1.56 billion, not \$262 million. Likewise, Boeing's free cash flow burn—which it defines as operating cash flow minus additions to PP&E—would have been \$1.8 billion, not \$507 million as reported.

On the company's earning call, new CFO Brian West acknowledged the refund's favorable impact on operating cash flow. He also highlighted a benefit from "advanced payment timing" suggesting some possible pull forward. Later in the call, West was asked about how much of

Boeing's 2022 free cash flow guide hinges on additional tax refunds. West answered the question like this:

*“On the taxes, we could expect something, but when we execute our swing from negative to positive, it's not a factor in underwriting that case. So not a lot.”*

It appears the bulk of Boeing's future operating cash flows will actually have to come from operations.