

Boeing seeks \$10 billion in loans as 737 Max crisis continues



Enlarge / Boeing 737 Max planes.

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Boeing is aiming to borrow \$10 billion or more to help it get through the 737 Max crisis, CNBC reported today, citing people familiar with the matter.

“The company has secured at least \$6 billion from banks so far, the people said, and is talking to other lenders for more contributions,” CNBC wrote. Citigroup, Bank of America, Wells Fargo, and JPMorgan already agreed to loan Boeing money.

A Boeing 737 Max crash killed 189 people in October 2018 and another crash killed 159 people in March 2019. The US Federal Aviation Administration and governments from around the world ordered the grounding of 737 Max planes after the March crash.

The planes are still grounded as Boeing has struggled to fix its flight-control software, known as the Maneuvering Characteristics Augmentation System (MCAS). The latest software problem was reported Friday; Boeing said it was “making necessary updates and working with the FAA on submission of this change, and keeping our customers and suppliers informed.”

Boeing’s debt load has already increased substantially over the past year. Boeing had \$20.3 billion in long-term debt as of September 30, 2019, nearly double the \$10.7 billion of long-term debt it had on December 31, 2018, according to a Boeing SEC filing. By contrast, Boeing added less than \$1 billion in long-term debt in all of 2017.

Boeing’s short-term debt and the “current portion of [its] long-term debt” added together was \$4.4 billion as of September 30. Boeing declined to comment on the \$10 billion in new debt when contacted by Ars.

Big revenue drop

Boeing in October reported Q3 2019 revenue of \$20 billion, down from \$25.1 billion year-over-year. Revenue for the first nine months of 2019 was \$58.6 billion, down 19 percent year-over-year. Net earnings in Q3 2019 were \$1.2 billion, down from \$2.4 billion in Q3 2018.

In July 2019, Boeing announced an after-tax charge of \$4.9 billion to cover “potential concessions and other considerations to customers for disruptions related to the 737 MAX grounding and associated delivery delays.”

CNBC described Boeing’s planned \$10 billion loan as a two-year, delayed-draw loan that it “can tap into it later, a move that may not immediately affect its credit rating as another type of loan or a bond would.”

Boeing fired CEO Dennis Muilenburg in December 2019 and replaced him with former board chairman David Calhoun.

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