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# Boeing may soon sell some of its businesses. That could finally boost the stock.



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By Claudia Assis

Aerospace giant could choose to focus on its core components: 'Not a lot of people can compete with SpaceX'

Leaders at Boeing Co. have been struggling to turn the company around after years of bad headlines. Now, some investors are hoping they'll look to a new tactic: selling some of its businesses, which could shore up the company's balance sheet and lift the stock from its doldrums.

There are a few discrete businesses within the aerospace and defense behemoth that could generate cash, including Boeing's Jeppesen navigation unit and Boeing's parts distribution business. In conversations with MarketWatch, some investors also have raised the possibility of changes to Boeing's satellite-launch joint venture with Lockheed Martin Corp.

In addition, the Journal reported last year that the company was looking into selling its storied space business.

Through a spokesperson, Boeing (BA) said that it does not comment on "market rumors and speculation."

On a call with analysts in October, Boeing Chief Executive Kelly Ortberg said that the company's "core" consists of commercial airplanes and defense systems, and those would stay with the company for the long haul. He added, however, that some "fringe"

elements could be distracting Boeing from its main goal, and that company is better off "doing less and doing it better" rather than "doing more and not doing it well."

The talk of possible sales comes at a time when investors are hoping that by the end of 2025, Boeing, bruised by a series of mishaps, will be a company that they are excited to follow.

It enjoys a duopoly in commercial planes with Europe's Airbus SE (FR:AIR) and sits on an enviable backlog of 5,595 commercial jets. Narrowing the company's focus to its core businesses could help Boeing make more out of its advantages, experts say.

"The moat is, of course, their commercial airplanes and defense businesses," with its commercial jet-making unit a "stalwart in the industry," said Tony Bancroft, a portfolio manager with Gabelli Funds. Wall Street would view a "leaner" Boeing very favorably.

Ortberg will be looking at the businesses "with a sharp pencil," Bancroft said.

### Competition with SpaceX

At the end of the day, Boeing executives may have to decide whether they want to devote energy to competing in areas outside their core business. Competition in the space industry has gotten stiffer over the past several years with Elon Musk's SpaceX and Jeff Bezos' Blue Origin entering the fray, Bancroft said.

"Boeing has a lot of moving parts. They were the leader back in the day, but the world evolved and private enterprises came in. Maybe I am wrong, but not a lot of people can compete with Space X," Bancroft said.

Bancroft said he has had some discussions with investors about the struggle to find aerospace engineers and people to fill other highly technical roles. "You can't just find a rocket engineer walking on the street."

CEO Ortberg "wants to refocus on the core business," and that is making commercial planes, said Gautam Khanna, an analyst with TD Securities.

The space side of the business has run into technical problems and cost overruns, but it would remain to be seen whether Boeing could wiggle out of contractual obligations with NASA and potentially others.

Boeing's satellite-launch business, a joint venture with Lockheed Martin (LMT), could also be attractive to buyers, although it has lost market share to SpaceX over the years.

Boeing had a tough run in 2024, facing several operational challenges, including the harrowing panel blowout on an Alaska Airlines plane a little over a year ago. It recently told investors to brace for a worse-than-expected fourth quarter, due in part to a weekslong strike at its main factory in Washington state.

Investors want Boeing to focus on making commercial planes, generating cash and regaining market share versus Airbus to get to a stronger balance sheet, Khanna said. Then "you don't have the persistent crisis to crisis as we had in the last number of years," he said.

"Investors want to see companies play to their comparative advantage," Khanna said.

### Going the way of GE

Just ask General Electric investors. The company, nearly 150 years old and tracing its origins to Thomas Edison, completed its split into GE Vernova, the power and renewable-energy business, and GE Aerospace in mid-2024.

GE Vernova's stock (GEV) has been rallying in recent weeks, up nearly 60% in the past three months. GE Aerospace's (GE) gains may not be as impressive, but the stock is still up 10% in the past three months, double the performance of the S&P 500 index SPX.

More recently, FedEx Corp. (FDX) announced plans to spin off its freight business, and Dow DuPont de Nemours Inc. (DD) has tweaked plans to split itself into two companies. Honeywell International Inc. (HON) is another industrial behemoth poised to break itself up.

It's harder to properly value a company with multiple, and sometimes disparate, business sides, Gabelli Funds' Bancroft said. That could lead to an artificially low valuation.

Wall Street analysts looking at several sides of the company often "are not speaking the same language," and there's a loss of core competency in understanding the business, Bancroft said.

For example, Honeywell's aerospace business is likely getting a discount, and the market likely didn't fully appreciate GE before its breakup, Bancroft said.

Similarly, Wall Street would likely appreciate Boeing getting more focused, Bancroft said.

### A 'massive task' for Ortberg

Ernest Arvai, president of aviation consultant AirInsight Group, believes Boeing stock is overvalued at the moment, and likely to remain so until the company revamps the business at some point this year.

"There's still too many question marks," including the ongoing certification process of three key commercial jets. Investors are valuing Boeing's stock based on its backlog of commercial jets, not on its actual performance, Arvai said.

CEO Ortberg "has a massive task ahead of him, in terms of turning around the company and turning around the culture. It was at a low point last year with the quality issues. It's going to take a while, it is not something you do overnight."

Arvai said Ortberg's values are more aligned with a previous iteration of Boeing that focused on getting the core products right. That could bode well for a leaner company, he said.

Many aviation observers, including Arvai, believe Boeing's culture took a turn for the worse after the late-1990s merger with McDonnell Douglas. That is often described as the time "suits," or top executives, took over from career engineers and ushered in the era's emphasis on cost-cutting.

Ortberg took the reins at Boeing in August, and made waves last year telling employees the company was at a "low."

Ortberg's coming in with "an old firefighter mentality" of being deliberate and methodical when fighting flames - that slow is smooth and smooth is fast - TD Securities' Khanna said.

That firefighting motto, in the CEO's case, means that he's trying to slow things down to get to a scalable, repeatable process that ends with a quality product, Khanna said.

"Once you get the production right, then you expand, once you know how to do it correctly, then you scale," Khanna said. "It may seem obvious for you and me right now, but there was so much pressure to deliver planes" that Boeing may have lost sight of that.

Getting the process "right" may mean pain in the near term. And late Thursday, Boeing told investors to brace for a wider-than-expected fourth-quarter loss and sales that are also off the mark.

It's likely not sooner than the third quarter of this year that things will improve and markets see a bigger step-up in production, Khanna said.

"You want to be very methodical on how you raise production," Khanna said. "This is a company with a huge backlog, they are not demand constrained, it's just a function of executing."

-Claudia Assis

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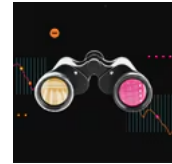
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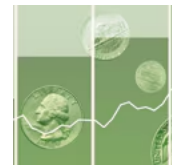
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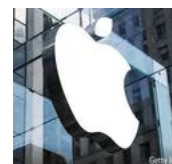
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