

Exhibit 11

August 3, 2023 04:01 AM GMT

Spirit AeroSystems Holdings Inc | North America

Headwinds Sustain; Reiterate
UW-Rating

STOCK RATING	INDUSTRY VIEW	PRICE TARGET
Underweight	Attractive	\$22.00

Operating performance continues to be challenged as 2023 FCF outlook was lowered by ~\$200mn (excl. advance payments) as a result of continued labor, inflation and supply chain headwinds. Reiterate UW-rating, lower PT to \$22.

WHAT'S CHANGED

Spirit AeroSystems Holdings Inc (SPR.N)	From	To
Price Target	\$27.00	\$22.00

Challenges Remain

Yesterday, SPR's stock ended the day down ~27.3%, while the S&P 500 was down ~1.4%. In our view, the stock's underperformance was driven by decreased 2023 FCF outlook and structural headwinds to margin and FCF from increased labor costs as a result of the recent IAM labor contract, operating challenges from increased labor costs, inflation, and supply chain disruptions. Additionally, there remains downside risks to consensus estimates on "normalized" free cash flow generation in 2024/2025 from the structurally higher labor and supply chain costs, cash outflow from previously recorded forward losses, and repayment of customer financing to Boeing and Airbus. We reiterate our Underweight rating as we continue to see risk skewed to the downside. We lower our PT to \$22 from \$27 as we factor in increased headwinds from labor costs and supply chain disruptions.

What would make us more positive?

- Better contract pricing on Boeing and Airbus contracts.
- Better execution in the sense of more limited charges going forward.
- Better visibility on the path to positive FCF in 2024
- Attractive free cash flow profile in 2025 and beyond

Model Changes

We update our model as we flow through 2Q23 results and management commentary. We lower our 2023 shipset delivery estimates for the 737 MAX program to 379 from 398. We lower our 2023 Commercial Aero operating profit estimate by ~\$250mn as we flow through the 2Q23 forward losses, excess capacity costs, cumulative catch-up costs, and additional headwinds from labor, supply chain, and inflation. As we flow these changes through our model, we decrease our Adj. EPS for 2023 to (\$5.10) from (\$3.00), and decrease our FCF estimate to (\$273) from (\$149). In 2024 to 2026, we lower our commercial aero margin as we factor in impacts from higher labor costs, supply chain, and inflation. We lower our

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Spirit AeroSystems Holdings Inc (SPR.N, SPR UN)

Aerospace | United States of America

Stock Rating	Underweight
Industry View	Attractive
Price target	\$22.00
Shr price, close (Aug 2, 2023)	\$22.86
Mkt cap, curr (mm)	\$2,407
52-Week Range	\$38.39-21.15

Fiscal Year Ending	12/22	12/23e	12/24e	12/25e
EPS (\$) **	(2.81)	(5.10)	0.40	2.45
EPS (\$) §	(1.55)	(2.28)	1.45	3.07
ModelWare EPS (\$)	(2.81)	(5.10)	0.40	2.45

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

** = Based on consensus methodology

§ = Consensus data is provided by Refinitiv Estimates

e = Morgan Stanley Research estimates

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commercial aero margin estimates by 130bps in 2024, 70bps in 2025 and 100bps in 2026. We increase our 2025 and 2026 interest expense as we factor in the refinancing of debt maturing in 2025 at a higher interest rate. As we flow these changes through our model, we lower our Adj. EPS estimates in 2024 to \$0.40 from \$1.10, to \$2.45 from \$3.00 in 2025, and to \$3.90 from \$4.65 in 2026.

Valuation Methodology

We arrive at our \$22 PT by placing multiple of ~10x P/E (unchanged from our previous target) on our 2025E EPS of \$2.45 discounted back one year. Our implied 2025 P/E of ~9x (undiscounted multiple) is a ~3x turn discount to 2019 levels. We see this discount as warranted to reflect risks to FCF generation in 2023 and the higher amount of debt being held on the balance sheet relative to historical levels.

2023 FCF Outlook Decreased to Usage of \$200mn-\$250mn

SPR decreased its FCF outlook to a usage of \$200mn to \$250mn (inclusive of \$100mn of customer advances) from a previous outlook of a usage of \$100mn to \$150mn. The company's outlook includes \$100mn of customer advance which will be recognized as cash in operations. Previous expectations were for this funding to be within cash from financing activities, implying a ~\$200mn decrease to 2023 FCF outlook. The drivers of lower expected FCF are the work stoppage leading to lower 737 MAX deliveries, higher working capital, and higher labor costs. Other headwinds to FCF are higher inventories to enable higher production rates and headwinds from supply chain disruptions. SPR expects labor costs to be ~\$80mn more annually as a result of the recent IAM contract. If you take out the customer advance and the pension benefit, 2023 is a free cash outflow of ~\$475mn.

Update on 737 MAX Vertical Fin Issue

SPR has completed its rework related to the vertical fin attach fittings issue on available units in Wichita and estimates that Boeing has completed approximately half of their required rework on the 737 vertical fin attach fittings issue. The company has recorded \$23mn of contra revenue in 2Q23 to account for a potential claim from Boeing for repair work to date at their facility. This estimate represents what Spirit believes to be the low end of the range of potential liability and noted it cannot reasonably estimate the total potential claim it may receive from Boeing to complete the required repairs. SPR does not expect a material impact from previously delivered shipsets in the fleet.

737 MAX Delivery Expectations

SPR now expects to deliver between 370-390 737 MAX shipsets, down from 390-420 737 MAX shipsets previously. Management expects deliveries to be ~35/month on average in 2H23, but noted it is in the process of ramping production to 42/month in August. We estimate 2023 737 MAX shipset deliveries of 379. We estimate a burndown of 36 shipsets in inventory in 2025 and the remaining 19 in 2026.

Charges and Headwinds in Commercial Aero and Space & Defense

SPR noted its earnings were impacted by forward loss charges of \$104.7mn and unfavorable cumulative catch-ups of \$21.6mn.

Commercial Aero: The forward losses related primarily to the Boeing 787, Airbus A350 and Airbus A220 programs. The unfavorable cumulative catch-up adjustments related primarily to the Boeing 737 program, reflecting increased labor costs resulting from the IAM union negotiations as well as higher supply chain costs.

- The forward loss on the Boeing 787 program of \$37.5mn was driven by the impacts of the new IAM union contract as well as increased supply chain and other costs.
- The Airbus A350 program forward loss of \$27.5mn was primarily due to increased costs related to production rate recovery efforts, including freight, as well as unfavorable foreign currency movements.
- The Airbus A220 program forward loss of \$27.4mn was driven by higher estimates of supply chain costs and unfavorable foreign currency movement.
- The unfavorable cumulative catch-up adjustments related primarily to the Boeing 737 program, reflecting increased labor costs resulting from the IAM union negotiations as well as higher supply chain costs.
- Excess capacity costs during the second quarter of 2023 were \$53.2mn.
- Strike disruption charges of \$7.1mn.
- SPR recorded \$23mn of contra revenue in the second quarter of 2023 to account for a potential claim from Boeing for repair work to date at their facility.

Defense & Space: Operating profit was impacted by increased costs on the Boeing P-8 and KC-46 Tanker programs resulting from the IAM union negotiations and higher supply chain cost estimates, as well as one-time charges on the Sikorsky CH-53K program.

- The segment recorded net forward losses of \$2.8 million, unfavorable cumulative catch-up adjustments of \$5.9 million, and excess capacity costs of \$1.4 million during the quarter.

2023 Shipset Delivery Outlook for Other Aircraft Programs

- A320: ~580 shipsets (unchanged)
- A350: ~60 shipsets (unchanged)
- A220: 75-80 shipsets (unchanged)
- 787: 40-45 shipsets (unchanged)

Cash Advance Disclosure

During 2Q23, SPR entered into agreements with certain customers to provide cash advances totaling \$280mn. Spirit received \$230mn during the second quarter, \$180mn of which is from Boeing and reflected in cash used in financing activities and \$50mn is reflected in cash used in operations. SPR expects to receive the incremental advance of \$50mn in 4Q23, which is expected to be reflected in the operating activities section of the statement of cash flows. These advances will require repayment of \$90mn in 2024 and \$190mn in 2025.

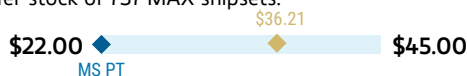
Risk Reward – Spirit AeroSystems Holdings Inc (SPR.N)

Recent Execution Struggles and Poor FCF Generation Creates Overhang

PRICE TARGET \$22.00

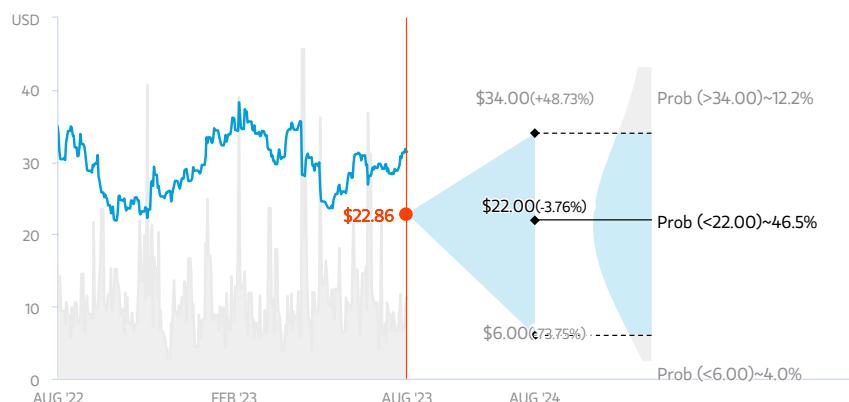
We arrive at our \$22 PT by placing multiple of ~10x P/E on our 2025E EPS of \$2.45 discounted back one year. Our implied 2025 P/E of ~9x (undiscounted multiple) is a ~3x turn discount to 2019 levels. We see this discount as warranted to reflect risks to FCF generation in 2023 on headwinds to 737 MAX margin, higher amount of debt being held on the balance sheet, and continued build in inventory buffer stock of 737 MAX shipsets.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



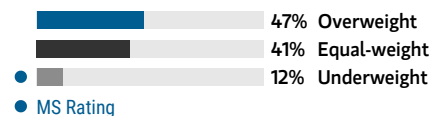
Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of {{date}} 02 Aug, 2023. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

Source: Refinitiv, Morgan Stanley Research

UNDERWEIGHT THESIS

With more than 50% of Spirit's revenue derived from 737 MAX production, we feel that Spirit had been in a challenging position amidst the aircraft's grounding alongside COVID-19. Looking forward, easing of international borders and improved airline booking trends are positive catalysts. The diversification efforts through Spirit's Defense growth and Bombardier acquisition also provide portfolio expansion to reduce 737 MAX overexposure. At the same time, the company's balance sheet is highly levered with the future FCF generation trajectory under pressure from past execution missteps. We see potential for further execution risks as the company ramps production of 737 MAX and 787 aircraft.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Contrarian: *Negative*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE	\$34.00	BASE CASE	\$22.00	BEAR CASE	\$6.00
~13x P/E multiple on CY2025E EPS (implied)		~10x P/E multiple on CY2025E EPS (implied)		~7x P/E multiple on CY2025E EPS (implied)	
Our bull case is reflective of the following in 2025E:		Our base case is reflective of the following in 2025E:		Our bear case is reflective of the following in 2025E:	
Multiple: ~13x P/E		Multiple: ~10x P/E		Multiple: ~7x P/E	
Revenue: Incremental expansion of ~50 bps		Revenue: Annual growth of ~16% CAGR (2021-2026)		Revenue: Additional reduction of ~1 point	
Operating Margin: Incremental expansion of ~50bps		EBITDA Margin: (~9.8%)		Operating Margin: Additional reduction of ~150bps	
Tax Rate: ~15%		Tax Rate: ~15%		Tax Rate: ~15%	

Risk Reward – Spirit AeroSystems Holdings Inc (SPR.N)

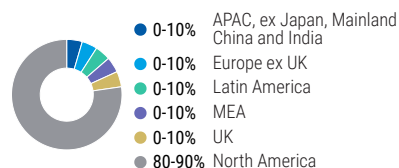
KEY EARNINGS INPUTS

Drivers	2022	2023e	2024e	2025e
Sales (mm)	NA	NA	7,625	8,157
EPS	NA	NA	0.40	2.45
Operating Income (mm)	NA	NA	299	568
Free Cash Flow (mm)	NA	NA	(157)	54

INVESTMENT DRIVERS

- COVID-19 and global air traffic demand
- 737 MAX: Recovery from grounding, outstanding order, and airlines eligible for cancellations
- Bombardier integration and A220 exposure
- Spirit Defense and outstanding new contract bids
- 787 and A350 execution

GLOBAL REVENUE EXPOSURE



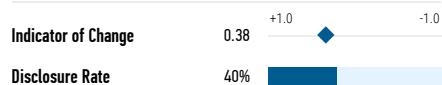
Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	5/5 MOST	3 Month Horizon
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Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

SUSTAINABILITY & ESG



RISKS TO PT/RATING

RISKS TO UPSIDE

- Vaccine accelerates return to normalized air traffic levels
- Strong 737 MAX demand after re-entry converts inventory into cash
- Better execution improves margins and FCF

RISKS TO DOWNSIDE

- 2nd wave of COVID-19 weighs on return to normalized air traffic levels
- Stagnant global growth weighs on return to normalized air traffic levels
- Potential additional delays to 737 MAX or 787 create additional downside risk

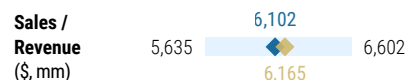
OWNERSHIP POSITIONING

Inst. Owners, % Active	67.6%	<div style="width: 67.6%; height: 10px; background-color: #0070C0;"></div>
HF Sector Long/Short Ratio	1.4x	<div style="width: 1.4; height: 10px; background-color: #0070C0;"></div>
HF Sector Net Exposure	7%	<div style="width: 7%; height: 10px; background-color: #0070C0;"></div>

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2023e



◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - [Options_Probabilities_Exhibit_Link.pdf](#)
2. View descriptions of Risk Rewards Themes - [RR_Themes_Exhibit_Link.pdf](#)
3. View explanation of regional hierarchies - [Microsoft PowerPoint - Exhibit Links.pptx](#)
4. View explanation of 'Indicator of Change' methodology - [ESG_Indicator_of_Change_External_Link.pdf](#)
5. View explanation of Theme/Exposure methodology - [ESG_Sustainable_Solutions_External_Link.pdf](#)
6. View explanation of HERS methodology - [ESG_HERS_External_Link.pdf](#)

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(as of July 31, 2023)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1347	37%	276	43%	20%	609	39%
Equal-weight/Hold	1659	46%	294	46%	18%	717	46%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	604	17%	69	11%	11%	227	15%
Total	3,613		639			1554	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Stock Price, Price Target and Rating History (See Rating Definitions)

Spirit AeroSystems Holdings Inc (SPR.N) - As of 8/2/23 in USD
Industry : Aerospace



Stock Rating History: 8/1/18 : O/A; 11/22/19 : NA/A; 4/14/20 : NA/A; 9/2/20 : NA/NR; 9/7/20 : U/C; 3/1/21 : O/C; 3/12/21 : O/A; 9/8/22 : U/A

Price Target History: 7/11/18 : 107; 2/13/19 : 110; 5/19/19 : 103; 8/13/19 : 100; 10/9/19 : 103; 11/22/19 : NA; 4/14/20 : NA; 9/7/20 : 18; 3/1/21 : 50; 3/12/21 : 54; 2/3/22 : 58; 5/5/22 : 54; 8/4/22 : 51; 9/8/22 : 35; 11/4/22 : 27

Source: Morgan Stanley Research Date Format: MM/DD/YY Price Target -- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: Aerospace

COMPANY (TICKER)	RATING (AS OF)	PRICE* (08/02/2023)
Kristine T Liwag		
Boeing Co. (BA.N)	E (01/10/2023)	\$231.38
CAE Inc. (CAE.TO)	O (12/12/2022)	C\$29.85
Curtiss-Wright Corp. (CW.N)	E (12/12/2022)	\$189.49
Heico Corp (HEI.N)	++	\$174.31
Hexcel Corp (HXL.N)	E (09/08/2022)	\$68.30
Howmet (HWM.N)	O (12/03/2021)	\$48.05
Joby Aviation Inc (JOBY.N)	O (09/23/2021)	\$8.29
Moog Inc. (MOGa.N)	U (12/12/2022)	\$108.92
Raytheon Technologies Corp (RTX.N)	E (07/26/2023)	\$85.46
RBC Bearings Inc. (RBC.N)	O (12/03/2021)	\$220.00
Rocket Lab USA Inc (RKL.B.O)	O (01/12/2022)	\$6.98
Spirit AeroSystems Holdings Inc (SPR.N)	U (09/08/2022)	\$22.86
Teledyne Technologies Inc. (TDY.N)	E (12/12/2022)	\$382.57
TransDigm Group Inc. (TDG.N)	O (09/10/2021)	\$887.36
Virgin Galactic Holdings Inc (SPCE.N)	E (01/10/2023)	\$3.96

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* Historical prices are not split adjusted.