

Exhibit 14



TD Cowen
a division of TD Securities

Aerospace & Defense Electronics: Commercial Aerospace

SPiRiT AEROSYSTEMS

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EQUITY RESEARCH

August 2, 2023

Price: \$22.86 (08/2/2023)

Price Target: \$25.00 (Prior \$28.00)

MARKET PERFORM (2)

ESG SCORE: 58/100

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Key Data

Symbol	NYSE: SPR
Beta:	1.64
52-Week Range:	\$38.28-\$21.92
Market Cap:	\$2.4B
Net Debt (MM):	\$3,345.0
Dil. Shares Out (MM):	104.9
Enterprise Value (MM):	\$5,796.9
Dividend:	\$0.04
Yield:	0.17%
Short Interest:	4.7%

FY (Dec)	2023E	2024E	2025E
EPS			
Q1	\$(1.69)A	-	-
Prior Q1	-	-	-
Q2	\$(1.46)A	-	-
Prior Q2	\$(2.10)	-	-
Q3	\$(0.67)	-	-
Prior Q3	\$0.10	-	-
Q4	\$(0.40)	-	-
Prior Q4	\$0.47	-	-
Year	\$(4.21)	\$0.60	\$3.15
Prior Year	\$(3.20)	\$1.65	\$3.35
Adj. EPS			
Consensus EPS	\$(2.28)	\$1.27	\$2.82
Consensus source: FactSet			

Revenue (MM)

Year	2023E	2024E	2025E
Year	\$6,100.0	\$7,400.0	\$8,875.0
Prior Year	\$6,275.0	\$7,385.0	\$8,750.0

COMPANY UPDATE

STILL LOOKING FOR A TURNAROUND SIGNAL

THE TD COWEN INSIGHT

Disappointing Q2 and hiked 2023 cash use guide reflected multiple disruptions (supply chain, 737 rework, IAM strike/settlement). If all goes well, CFPS could reach \$2.75 in 2025. Given risks to this target, we've reset our PT to \$25, an 11% 2025E FCF yield.

Forward Loss Burnoff Spiked In Q2; Apt To Ease in 2024-25

SPR's forward loss burnoff, which is a key factor in period cash flow, spiked from \$110MM in Q1 to \$151MM in Q2, reflecting a combo of supply chain & productivity inefficiencies as 787, A350 and A220 production starts to ramp. Based on the \$330MM in current forward loss provisions at mid-year, the rate of burnoff should drop off over coming Q's as rates ramp and absorption of fixed overhead improves. Forward loss reserves could continue to increase if (1) inefficiencies persist, or (2) SPR extends A350, A220, & 787 accounting blocks beyond current expected end points at y/e '25 (Q1:26 for 787). The latter would entail further charges, but wouldn't affect 2024-25 cash flow.

737 Fittings Overhang Looks Tolerable

SPR completed its 737 fitting rework within its expected \$31M estimate; and it booked a \$23MM charge for a potential claim from BA for its rework on 70-75 units. SPR believes BA is about halfway through its rework and "expects no material liability for units in the fleet." If so, remaining potential overhang should be in the area of a manageable \$25-40MM.

2023 Cash Use Guide Hiked By \$200MM; See Upturn in 2024-25

SPR's current free cash use guide of \$200-250MM accounts for the \$100MM advance from Airbus in cash flow where the prior cash use guide of \$100-150MM had it below the line. So "apples-to-apples" cash use guide has been raised by \$200MM. The new guide includes \$35MM cash impact from the IAM work stoppage and settlement, primarily in H2. But it excludes any placeholder for 737 fittings rework claims from Boeing or possible benefit from price relief it hopes to secure from its major customers. It assumes B/E cash flow in Q3 & Q4, but we think Q3 will have difficulty climbing out of the red. 2024 is expected to be cash flow positive, aided by higher 737 deliveries and a downtrend in forward loss burnoff of perhaps \$200MM. But with \$90MM of advance repayments below the line, we expect net debt to hold relatively flat next year.

Debt Refi Will Be A Focus In H2:24

SPR's ~\$1.2B of 7.5% senior secured second lien notes mature in April 2025; and SPR likely will start to consider refi options in H2:24. Depending on how cash flow looks at that point will be a key factor in the company's ability to achieve a refi on favorable terms.

Q2 Recap - Another Tough Outing

Adj. Q2 loss of \$1.46 missed Street's \$0.87 loss despite higher sales of \$1.365B (+8%) on stronger than expected BA & AB deliveries (288 vs. 271E), led by MAX (74 vs. 68E). Ex fwd losses (\$105MMM) and unfavorable cum catches (\$22MM), which included \$35MM of IAM strike/settlement charges, "normalized" gross margin was 7.0% vs. Q1's 8.5%. Free cash use of \$211MM "beat" Street's \$225MM outflow, which assumed the \$50MM advance from Airbus would be classified as a financing item and not part of cash flow. 6/30 net debt = \$3.345B, approx. 7.4x TEV/LTM EBITDA.

AT A GLANCE

Our Investment Thesis

Disappointing Q2 & hiked 2023 cash use guide reflected multiple disruptions (supply chain, 737 rework, IAM strike/settlement). If all goes well, CFPS could reach \$2.75 in 2025. Given risks to this target, we've reset our PT to \$25, an 11% 2025E FCF yield.

Base Case Assumptions

- 387 737 shipset deliveries in 2023
- Aftermarket & Defense (25% of sales) show solid gains
- Slow recovery on loser 787/A350/A220 programs
- No additional forward losses or negative EACs in 2023

Price Performance



Source: Bloomberg

Forthcoming Catalysts

- Q3:23 results (large cash use)
- 737/A320 delivery ramps

Upside Scenario

- Price relief from BA & AB
- China MAX deliveries resume
- Strong global air traffic recovery
- 737 ramp exceeds our estimate

Downside Scenario

- Supply chain/inflation issues persist
- IAM Strike in June
- Tough debt refi in H2:2024

Company Description

SPR is the #1 tier one aerostructures supplier with ~42% of est. 2023 revenues derived from the 737 program.

Analyst Top Picks

	Ticker	Price (08/2/2023)	Price Target	Rating
General Dynamics	GD	\$226.25	\$285.00	Outperform
Booz Allen	BAH	\$123.71	\$144.00	Outperform
Raytheon Technologies	RTX	\$85.46	\$109.00	Outperform

TD COWEN ESG SCORES

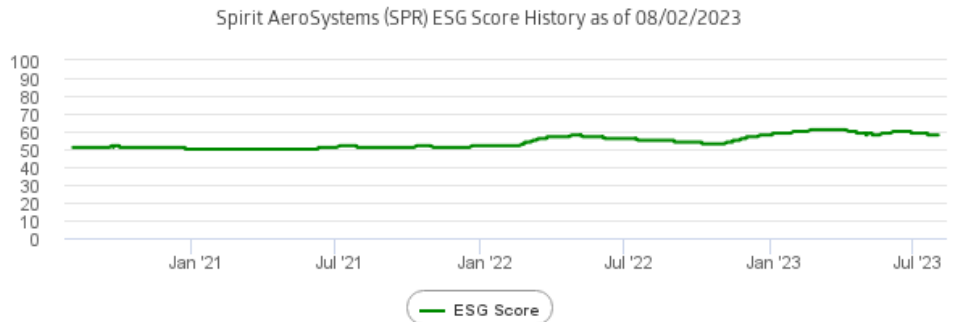
Spirit AeroSystems
NYSE: SPR

ESG Score: 58/100

ESG Industry Percentile: 40th

Spirit AeroSystems(SPR) ESG Material Category Rankings as of August 2, 2023

Top 3 Material ESG Categories	Dynamic Materiality™	Score
Labor Practices	80%	57
Employee Engagement	7%	67
Supply Chain	6%	62



ESG performance is scored on a 0 to 100 scale. A score of 50 represents a neutral impact. Scores above 50 indicate more positive performance, and scores below reflect more negative performance. A blank chart means the company has an ESG performance score of N/A. A score of N/A means not enough data is available on the company to generate a score.
Source: Truvalue Labs

ESG MATERIALITY

Establishing **materiality** is critical to evaluating a company’s ESG performance. Factors most material in one sector (or to a particular company) may not be as important to another. In addition, the factors that are material – and the degree to which factors are material – can change over time.

Applying data to frameworks established by SASB (the Sustainability Accounting Standards Board) and by Truvalue Labs, we present in the chart above the three most material ESG factors that investors should focus on for the company that is the subject of this report; the Dynamic Materiality™ of each factor (i.e., what percentage of overall materiality the category represents for the subject company); and a Score for the subject company in each of these three categories (on a 0 to 100 basis, with 50 being average).

We also calculate an **overall ESG Score** for the subject company, which is presented above (in green) and on the cover of this report. A full explanation of how this ESG Score is derived is presented below.

HOW ARE TD COWEN’S ESG SCORES CALCULATED?



TD Cowen leverages technology from Truvalue Labs to generate our ESG scores. Truvalue Labs uses artificial intelligence to capture the stakeholder view of how companies are performing on ESG metrics, using the Sustainability Accounting Standards Board (SASB) materiality framework (www.sasb.org). These data are leveraged to calculate a score for each company, which allows TD Cowen to have a **common framework** and uniform way to approach ESG discussions with our clients. TD Cowen ESG scores appear on Company and Company Quick Take notes and are updated daily.

HOW DOES THE PROCESS WORK?

The process begins with capturing unstructured data from more than 100,000 sources, in 14 languages. These data are culled from a wide range of sources with varied perspectives, including industry publications, news outlets, NGOs, trade unions, government sources, legal and regulatory filings, and academic publications.

Natural language processing is used to interpret semantic content from the original sources and generate analytics by applying criteria consistent with established sustainability and ESG frameworks. Performance is scored on a 0 to 100 scale. **A score of 50 represents a neutral impact.** Scores above 50 indicate more positive performance, and scores below reflect more negative performance. A score of NA means not enough data is available on the company to generate a score.

Figure 1 Est. Spirit AeroSystems P&L (\$MM)

	2022				2023E							
Revenues	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	2022	2023E	2024E	2025E
Commercial	938	1,031	1,035	1,064	1,149	1,083	1,270	1,469	4,068	4,970	6,140	7,400
Defense	159	146	162	183	188	190	187	190	650	755	840	975
Aftermarket	78	80	80	73	95	92	93	95	311	375	420	500
Total	\$1,175	\$1,258	\$1,277	\$1,320	\$1,431	\$1,365	\$1,550	\$1,754	\$5,030	\$6,100	\$7,400	\$8,875
% ch	30%	26%	30%	23%	22%	8%	21%	33%	27%	21%	21%	20%
COGS	1,140	1,278	1,194	1,370	1,432	1,396	1,445	1,617	4,981	5,890	6,625	7,750
Gross Profit	\$34.8	(\$19.6)	\$82.9	(\$49.5)	(\$0.8)	(\$30.8)	\$105.0	\$136.6	\$49	\$210	\$775	\$1,125
Gross Margin %	3.0%	(1.6%)	6.5%	(3.7%)	(0.1%)	(2.3%)	6.8%	7.8%	1.0%	3.4%	10.5%	12.7%
AMJP/Russia	33	(28)	0	0	0	0			\$5	0		
Fwd Losses	(24)	(64)	(49)	(114)	(110)	(105)			(250)	(215)	-	-
Net Cum Catches	(26)	(8)	(5)	(59)	(12)	(22)			(98)	(34)	-	-
Adj. Gross Profit	52	80	137	122	121	96	105	137	392	459	775	1,125
Adj. Gross Margin	4.4%	6.4%	10.7%	9.3%	8.5%	7.0%	6.8%	7.8%	7.8%	7.5%	10.5%	12.7%
SG&A												
Core	\$56.3	\$60.1	\$58.7	\$67.5	\$68.4	\$59.8	\$65.8	\$71.1	\$243	\$265	\$285	\$300
Addnl. Stock Comp	8.2	10.1	10.4	7.9	9.0	10.8	11.3	12.0	37	43	50	55
Total	\$64.5	\$70.2	\$69.1	\$75.4	\$77.4	\$70.6	\$77.0	\$83.0	279	308	335	355
% Sales	5.5%	5.6%	5.4%	5.7%	5.4%	5.2%	5.0%	4.7%	5.6%	5.0%	4.5%	4.0%
R&D Expense	\$12.3	\$14.9	\$9.3	\$13.9	\$10.6	\$13.2	\$12.0	\$12.2	\$50	\$48	\$50	\$50
% Sales	1.0%	1.2%	0.7%	1.1%	0.7%	1.0%	0.8%	0.7%	1.0%	0.8%	0.7%	0.6%
Restructuring/Other Costs	0.2	0.0	0.0	0.0	6.3	5.8	0.0	0.0	0.2	12.1	0.0	0.0
Severe Weather	0.0	0.0	0.0	\$0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	(\$42.2)	(\$104.7)	\$4.5	(\$138.8)	(\$95.1)	(\$120.4)	\$16.0	\$41.4	(\$281.2)	(\$158.1)	\$390.0	\$720.0
% Sales	(3.6%)	(8.3%)	0.4%	(10.5%)	(6.6%)	(8.8%)	1.0%	2.4%	(5.6%)	(2.6%)	5.3%	8.1%
Interest, net	59	55	57	73	72	74	77	77	244	300	310	300
Other Inc. net	38	35	(42)	(44)	(117)	(10)	(4)	(4)	(14)	(135)	(2)	0
Pretax	(\$63)	(\$125)	(\$94)	(256.4)	(\$285)	(\$204)	(\$65)	(39.3)	(539)	(593)	78	420
Eff. Tax Rate	17.4%	2.8%	(34.9%)	5.1%	1.5%	(1%)	8%	6%	(1.0%)	(1.0%)	18.0%	19.0%
Tax Provision	(11.0)	(3.5)	32.9	(13.2)	(4.3)	3.0	5.0	2.2	5	6	14	80
Equity In Afil.	(0.4)	(0.5)	(0.3)	0.1	(0.7)	0.5	(0.3)	(0.5)	(1)	(1)	0	0
Net income (loss)	(\$52.8)	(\$122.2)	(\$127.6)	(\$243.1)	(\$281.3)	(\$206.4)	(\$70.3)	(\$42.0)	(\$545.7)	(\$600.0)	\$64.0	\$340.2
EPS	(\$0.51)	(\$1.17)	(\$1.22)	(\$2.32)	(\$2.68)	(\$1.96)	(\$0.67)	(\$0.40)	(\$5.22)	(\$5.70)	\$0.60	\$3.15
Restructuring Costs									\$0.00	\$0.00		
Pension Items			(\$0.49)	(\$0.24)	(\$0.49)				(\$0.73)	(\$0.49)		
Defd Tax Revers/BA MOU	(\$0.54)	\$0.11	(\$0.58)	(\$0.62)	(\$0.50)	(\$0.50)			(\$1.63)	(\$1.00)		
Russia Sanctions		(\$0.25)							(\$0.25)	\$0.00		
BBD/Asco Acq / Debt / Other		\$0.18							\$0.18	\$0.00		
Adjusted EPS	\$0.03	(\$1.21)	(\$0.15)	(\$1.46)	(\$1.69)	(\$1.46)	(\$0.67)	(\$0.40)	(\$2.79)	(\$4.21)	\$0.60	\$3.15
Avg. Shares	104.4	104.6	104.7	104.8	104.9	105.2	105.3	105.6	104.6	105.3	107.0	108.0
% Ch. -EPS	(103%)	292%	(87%)	73%	(5039%)	21%	349%	(73%)	(19%)	51%	NMF	427%
Cash	\$1,152	\$770	\$671	\$659	\$568	\$526	\$468	\$535	\$659	\$535	\$678	\$884
Debt	3,783	3,773	3,783	3,869	3,871	3,871	3,865	3,865	3,869	3,865	4,000	4,000
Net Debt	\$2,631	\$3,002	\$3,113	\$3,210	\$3,303	\$3,345	\$3,397	\$3,330	\$3,210	\$3,330	\$3,322	\$3,116
Net Debt/Adj. EBITDA	15.3x	15.1x	9.1x	7.9x	7.9x	7.4x	8.4x	8.1x	7.9x	8.1x	4.8x	3.1

Source: TD Cowen

Figure 2 Est. Spirit AeroSystems Cash Flow (\$MM)

Free Cash Flow	2022				2023E				2022	2023E	2024E	2025E
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E				
Net Income	(\$53)	(\$122)	(\$128)	(\$243)	(\$281)	(\$206)	(\$70)	(\$42)	(\$546)	(\$600)	\$64	\$340
D&A	85	84	84	84	80	78	80	82	337	320	295	270
Stock Comp	8	10	10	8	9	11	11	14	37	45	50	55
AMJP	14	24	0	0	0	0	0	0	38			
Payroll/UK tax	(15)	0	0	(17)	0			0	(32)			
Cash vs. Book Interest	30	(25)	25	(11)	24	(20)	22	(10)	19	16	12	12
Defd. Tax	(27)	14	7	7	(16)	15		0		(1)	0	0
BA MAX Prepayments	(39)	(25)	(28)	0	0			0	(92)			
BA/AB Advances	(30)	(31)	(31)	(31)	0	50		50	(123)	100		(100)
BA 787 Advances	0	(2)	(4)	(6)	(6)	(7)	(7)	(7)	(12)	(27)	(35)	(45)
Fwd Loss, Net Burnoff	(34)	(21)	(63)	27	12	(46)	(115)	(81)	(91)	(230)	(150)	(100)
Op Working Cap., etc.	(159)	29	(63)	18	(78)	(90)	20	73	(175)	(75)	0	35
BBD UK Pension	0	13	0	0				0	13			
Profit Sharing	(44)	(1)	15	20	(18)			0	(10)	(18)	(30)	(35)
SPR Pension				0	179	(36)	0	0		143		
Litigation/Other	(7)	(8)	140	118	50	69	45	33	243	197	17	4
Capital Expenditures	(28)	(18)	(38)	(39)	(23)	(28)	(31)	(38)	(122)	(120)	(125)	(140)
Free Cash Flow	(\$298)	(\$79)	(\$73)	(\$66)	(\$69)	(\$211)	(\$45)	\$75	(\$516)	(\$250)	\$98	\$296
% Revenues	(25.4%)	(6.3%)	(5.7%)	(5.0%)	(4.8%)	(15.5%)	(2.9%)	4.3%	(10.3%)	(4.1%)	1.3%	3.3%
CFPS	(\$2.85)	(\$0.76)	(\$0.70)	(\$0.63)	(\$0.66)	(\$2.00)	(\$0.43)	\$0.71	(\$4.93)	(\$2.38)	\$0.92	\$2.74
Adj. Free Cash Flow	(\$229)	(\$21)	(\$10)	(\$29)	(\$63)	(\$254)	(\$38)	\$355	(\$289)	(\$323)	\$133	\$441
Discretionary												
M&A				(31)					(31)			
Dividend	(1)	(1)	(1)	(1)					(4)			
UK Launch Aid		(279)		0					(279)			
Advances						180				180	(90)	(90)
Other	(19)	(12)	(37)	1	(24)	(11)	(7)	(8)	(66)	(50)		
Total	(\$20)	(\$292)	(\$38)	(\$31)	(\$24)	\$169	(\$7)	(8)	(\$380.2)	\$130.0	(\$90.0)	(\$90.0)
Change In Net Debt	(\$318)	(\$371)	(\$111)	(\$97)	(\$93)	(\$42)	(\$52)	\$67	(\$896.4)	(\$120.0)	\$8.0	\$206.2
Cash	\$1,152	\$770	\$671	\$659	\$568	\$526	\$468	\$535	\$659	\$535	\$678	\$500
Debt	3783	3,773	3,783	3,869	3871	3,815	3,865	3,865	3,869	3,865	3,800	3,616
Net Debt	\$2,631	\$3,002	\$3,113	\$3,210	\$3,303	\$3,345	\$3,397	\$3,330	\$3,210	\$3,330	\$3,322	\$3,116
Adj. Net Debt/LTM EBITDA	15.3x	15.1x	9.1x	7.9x	7.9x	7.4x	8.4x	8.1x	7.9x	8.1x	4.8x	3.1

Source: TD Cowen

Figure 3 Est. Spirit AeroSystems Forward Loss Provision (\$MM)

	Q1:22	Q2:22	Q3:22	Q4:22	Q1:23	Q2:23A	Q3:23E	Q4:23E	2021	2022	2023E
Beginning	\$766	\$733	\$712	\$649	\$675	\$688	\$642	\$522	\$746	\$766	\$675
Additions	24	64	49	114	110	105	0	0	242	250	215
BurnOff	(57)	(85)	(112)	(88)	(97)	(151)	(120)	(85)	(222)	(341)	(453)
Ending	\$733	\$712	\$649	\$675	\$688	\$642	\$522	\$437	\$766	\$675	\$437
Next 12 mos. Burnoff	263	309	284	306	324	331			\$245	\$306	

Source: TD Cowen

Figure 4 Est. Spirit AeroSystems Shipset Deliveries

Shipset Deliveries	2022				2023E							
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	2022	2023E	2024E	2025E
Boeing												
737	60	71	69	81	95	74	93	125	281	387	500	575
747	1								1			
767	8	8	7	8	8	9	8	5	31	30	30	30
777	5	6	8	7	7	7	7	9	26	30	32	40
787	3	4	6	7	6	10	11	16	20	43	65	95
Total BA	77	89	90	103	116	100	119	155	359	490	627	740
Airbus												
A220	18	16	12	14	13	14	22	31	60	80	110	130
A320	155	147	145	144	142	152	160	126	591	580	725	775
A330/340	6	6	7	8	9	9	7	5	27	30	32	36
A350 XWB	15	11	11	11	12	13	17	18	48	60	62	85
Total AB	194	180	175	177	176	188	206	180	726	750	929	1,026
Bizjet	50	49	50	63	54	54	60	67	212	235	250	260
Grand Total	321	318	315	343	346	342	385	402	1,297	1,475	1,806	2,026

Source: TD Cowen

Figure 5 Spirit AeroSystems Revenue Buildup Est. (\$MM)

Revenues	2022				2023E							
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	2022	2023E	2024E	2025E
737	\$396	\$469	\$455	\$535	\$627	\$488	\$614	\$767	\$1,855	\$2,496	\$3,225	\$3,709
747	14	0	0	0	0	0	0	0	14	0	0	0
767	50	50	44	50	50	57	50	32	195	189	189	189
777	52	62	82	72	72	72	72	93	268	309	330	412
787	20	26	39	46	39	65	72	104	130	280	423	618
Interco.	(71)	(37)	24	(13)	(89)	(52)	(8)	(0)	(96)	(149)	(116)	(77)
BA Comml	\$460	\$570	\$645	\$690	\$700	\$630	\$800	\$995	\$2,365	\$3,125	\$4,050	\$4,850
A220	\$81	\$72	\$54	\$63	\$59	\$63	\$99	\$140	\$270	\$360	\$495	\$585
A320	140	132	131	130	128	137	144	113	532	522	653	698
A350 XWB	75	55	65	45	60	65	65	110	240	300	310	425
Other AB	9	21	(12)	6	54	45	12	19	23	130	143	143
AB Total	\$304	\$280	\$237	\$244	\$300	\$310	\$320	\$320	\$1,065	\$1,250	\$1,600	\$1,850
Bizjet	85	90	90	85	91	97	105	107	350	400	450	475
Other	89	91	63	45	58	46	45	47	288	195	175	225
Comml. Total	\$938	\$1,031	\$1,035	1064	\$1,149	\$1,083	\$1,270	1469	\$4,068	\$4,970	\$6,140	\$7,400
Defense	159	146	162	183	188	190	187	190	650	755	840	975
Aftermarket	78	80	80	73	95	92	93	95	311	375	420	500
Total	\$1,175	\$1,258	\$1,277	\$1,320	\$1,431	\$1,365	\$1,550	\$1,754	\$5,030	\$6,100	\$7,400	\$8,875

Source: TD Cowen

Figure 6 SPR Q2:23 Results (\$MM)

	Q2:22	% Sales	Q1:23	% Sales	Q2:23	% Sales
Revenues	\$1,257.9		\$1,431.4		\$1,364.7	
COGS	1,277.5	101.6%	1,432.2	100.1%	1,395.5	102.3%
Gross Profit	(19.6)	(1.6%)	(0.8)	(0.1%)	(30.8)	(2.3%)
Adj. Gross Margin		6.4%		8.5%		7.0%
SG&A	70.2	5.6%	77.4	5.4%	70.6	5.2%
Restructuring Costs	0.0	0.0%	6.3	0.4%	5.8	0.4%
R&D	14.9	1.2%	10.6	0.7%	13.2	1.0%
EBIT	(\$104.7)	(8.3%)	(\$95.1)	(6.6%)	(\$120.4)	(8.8%)
Other income, net	34.6	2.8%	(117.4)	(8.2%)	(9.9)	(0.7%)
Interest exp (inc.), net	55.1		72.4		73.6	
Pretax	(125.2)		(284.9)		(203.9)	
Eff. Tax Rate	2.8%		1.5%		(1.5%)	
Tax Provision	(3.5)		(4.3)		3.0	
Net income (loss)	(122.2)	(9.7%)	(281.3)	(19.7%)	(206.4)	(15.1%)
Adj EPS	(\$1.21)		(\$1.69)		(\$1.46)	
Avg. Shares	104.6		104.9		105.2	
Net Debt	\$3,002.3		\$3,303.0		\$3,345.2	
Free Cash Flow	(\$79)		(\$69)		(\$211)	

VARIANCE ANALYSIS VS. TD COWEN ESTIMATE						
	Our Estimate		Actual		Variance Pos (Neg)	
Revenues	\$1,325.0	% Sales	\$1,364.7	% Sales	\$39.7	Bps
Gross Profit	(67.0)	(5.1%)	(30.8)	(2.3%)	36.2	280.0
SG&A	76.0	5.7%	70.6	5.2%	5.4	(56.3)
R&D	10.0	0.8%	13.2	1.0%	(3.2)	21.3
EBIT	(153.0)	(11.5%)	(120.4)	(8.8%)	32.6	272.5
Other income, net	6.0		(9.9)		(\$15.9)	
Interest exp (inc.), net	73.0		73.6		(\$0.6)	
Adj. EPS	(\$2.10)		(\$1.46)		0.63	
Free Cash Flow	(325.0)		(211.1)		113.9	
Eff Tax Rate	0.0%		(1.5%)		(1.5%)	
Avg. Shares	105.2		105.2		0.0	

Adjusted EPS	
Consensus (Eikon)	(\$0.87)
TD Cowen	(\$2.10)
Actual	(\$1.46)

Source: TD Cowen

VALUATION METHODOLOGY AND RISKS

Valuation Methodology

Aerospace & Defense Electronics:

Price target methodology: We use a combination of Price-to-earnings (P/E), total enterprise value to EBITDAP (P = FAS/CAS pension adjustment), free cash flow yield (on stock price), and cash flow yield. We tend to favor GAAP P/Es for most commercial aerospace companies and TEV/EBITDAP for defense primes with large defined benefit plans with share Y/Y swings in FAS/CAS. We also use sum-of-the-parts for companies with sharply disparate businesses of meaningful size (GD, TXT, SAIC).

We make investment recommendations on certain early stage, pre-revenue companies based upon an assessment of their business model, technology, probability of market success, and the potential market opportunity, balanced by an assessment of applicable risks. Such companies may not be assigned a price target.

Investment Risks

Commercial Aerospace sector risks -

- Cyclical slowing in growth of global GDP, passenger & cargo air traffic
- Sharp lift in interest rates to short circuit replacement demand
- Spike in oil prices dampening airline profitability (and traffic if ticket prices are hiked to offset)
- Growth in airline capacity from new deliveries exceeding the rate of air traffic growth
- Execution risk of bringing new products to market.
- Ability of U.S. airlines to gain labor scope clause changes permitting use of larger RJ's
- Competition from new foreign entrants
- Threat to suppliers from Boeing's Partner for Success program
- Raw material availability

Risks To The Price Target

Upside Risks:

- China starts taking deliveries of 737 MAXes
- 737 MAX rate hikes accelerate
- Supply chain constraints ease quicker than expected

Downside Risks:

- 737 vertical fin fittings issue requires a greater amount of rework costs
- Global economic recession curtails demand for air travel

ADDENDUM

Stocks Mentioned In Important Disclosures

Ticker	Company Name
BAH	Booz Allen
GD	General Dynamics
RTX	Raytheon Technologies
SPR	Spirit AeroSystems

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United Technologies Corp. (UTX) and Raytheon (RTN) merged effective April 3, 2020. Raytheon Technologies Corp. (RTX) began trading on April 3, 2020. Ratings and price targets prior to April 3, 2020 are for the previously covered United Technologies Corp. (UTX).

Spirit AeroSystems Rating History as of 08/01/2023

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