

Exhibit 6

INDUSTRIALS: Commercial Aerospace

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Spirit AeroSystems Holdings, Inc. (SPR)

FCF Reduced (Again) Amid Fewer Deliveries; Execution and Supply Chain In Focus

We maintain our BUY rating/\$42 PT post-1Q23 earnings. Lower 737 and A320 deliveries, a reduced FCF outlook, more A220 charges, and ongoing supply chain challenges hit the stock. The 2H23 recovery requires improved execution and cooperation from the supply chain and remain risk factors. Customer cash advances provide a buffer but raise concerns about future unknown burn potential, another risk in our view. However, with rate increases across all platforms progressing and the 737 issue seemingly contained we still see FCF improving in 24/25 and model for FCF of \$4.52/share or \$473.2M in 2025, representing a 15% yield.

Stock Rating **BUY**
Unchanged

Price Target **\$42.00**
Unchanged

TR to Target	40.3%
Price (May 2, 2023)	\$29.96
52-Wk Range	\$42.37-\$21.92
Market Cap (\$M)	\$3,146
ADTV	1,697,629
Shares Out (M)	105
Short Interest Ratio/% Of Float	6.4%
Dividend/Yield	\$0.04/0.1%
Enterprise Value (\$M)	\$6,453
Cash & Equivalents (\$M)	\$568
Total Debt (\$M)	\$3,871
Minority Interest (\$M)	\$4

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Reasons for this report

- ✓ EPS Recap Report
- ✓ Updating Estimates

1Q23 Results Recap: 1Q sales rose 22% YOY to \$1.43B, a 5.5% miss vs consensus of \$1.52B. Commercial sales increased 22% YOY to \$1.1B (10% miss). Deliveries in the quarter totaled 346 shipsets (vs 321 YOY) including 95 for the MAX (60 in 1Q22). Defense & Space sales rose 19% YOY to \$188.4M (5% beat) while Aftermarket sales rose 22% YOY to \$94.5M (7% beat) on higher spare parts sales. Adj segment operating margins of 11% dipped 130bps YOY with Commercial adj op margin of 10.1% sinking 110bps YOY, Defense segment adj margins of 12% declining 120bps YOY, and Aftermarket segment adj margins declining 280bps YOY. 1Q adj EPS was -\$1.69, below consensus of -\$0.29. FCF in the quarter was -\$69M, significantly better than consensus of -\$177M.

1Q23 Key Takeaways:

- **FCF revised down; cash advances provide operational cushion.** SPR revised down its full-year FCF guidance, now anticipating FCF usage of \$100M-\$150M (previously breakeven or better) as a result of pressure from forward losses resulting from the 737 rework. As this will also delay previously anticipated deliveries during the quarter, SPR expects cash burn will be at its worst for the year in 2Q. SPR did announce that it is receiving \$280M of interest-free cash advances during the year, with \$230M scheduled to be received in 2Q. We note the company had \$590M of cash (incl restricted) on hand at the end of 1Q and do not expect 2Q cash burn will exceed that level (we anticipate something more likely in the \$300M-\$350 range). SPR indicated the advances were simply a precaution to provide the company with the \$300M-\$500M cushion it targets to run its business, and also noted that as a financing cash flow, repayment will not impact future FCF generation.
- **737 vertical fin fix appears manageable; possibly ~500 in-fleet planes need to be inspected.** We do not believe the size of the customer cash advances should be interpreted as an estimate of the total expected costs for the MAX rework. SPR noted that rework costs for units currently in its Wichita facility will be \$100k-\$150k per unit, and noted that of the 30 currently available for delivery only 19 actually required rework. Beyond the units still in inventory, Boeing (BA, NR) noted on its 1Q earnings call that ~75% of its 225 MAX in inventory will require the re-work, and SPR estimated that within the in-service fleet ~500 planes need to be inspected to determine if re-work is necessary. While SPR does not currently have a per-unit estimate for that re-work we expect it would be at least modestly higher than the per-unit costs at its own facilities given the need for additional removal of surrounding parts and systems.

EPS	2022A				2023E			2024E		
	FYE Dec		New	Old	Cons	New	Old	Cons		
Q1	\$0.03	(\$1.69)	(\$0.48)	--	\$0.37	\$0.35	--			
Q2	(\$1.21)	(\$0.54)	\$0.01	--	\$0.42	\$0.43	--			
Q3	(\$0.15)	\$0.06	\$0.07	--	\$0.54	--	--			
Q4	(\$1.46)	\$0.08	\$0.10	--	\$0.65	--	--			
Year	(\$2.81)	(\$2.09)	(\$0.31)	(\$0.10)	\$1.98	\$1.97	\$1.72			
P/E	NM	NM			15.1x					

Adjusted EPS

- **Supply chain remains the potential risk in the system; Delivery updates by platform.** Supply chain fragility remains the biggest challenge to SPR as it aims to increase rates throughout the year. This is highlighted by the \$46M forward loss recorded this quarter to support a distressed supplier. In certain cases, some capabilities are being brought in-house by SPR to ensure reliability. SPR targets to deliver 40-45 787 shipsets (no change), 60 A350 shipsets (no change), and 75-80 A220 shipsets (about in line with prior target of 80). In response to an updated delivery schedule from Airbus (AIR-FR, NR), 85 fewer A320 shipset deliveries are now planned for the year for an annual total of 580 (previously 650-680). As discussed below in more detail, 390-420 737 fuselages are now expected to be delivered this year, accounting for the recent disruption on the program.
- **Still planning for 38/month and 42/month, stronger operational 2H23.** We estimate that in response to the vertical fin defect production was likely paused for ~4 weeks this quarter. Despite this, SPR re-iterated its intent to ramp to 38 units a month in August and up to 42 per month in October. In addition to the congestion caused by the pause in production, SPR has also identified 19 737 units that need to be overhauled to address the defect within its inventory, with work completed on three. The overall delay in deliveries caused by this issue is expected to most severely impact deliveries in 2Q, but SPR intends to continue to pull in higher inventory levels as a ramp to higher rate production later in the year progresses.

Lowering 2023 revenue, FCF and EPS amid 737 timing, charges, and other production changes. We have reduced our 2023 estimates to reflect mgmt's updated outlook, but given planned rate increases by Boeing and Airbus we note that our 2024 ests remain largely unchanged. Details are below:

SPR Truist Securities Revised Ests	2023E		2024E	
	New	Prior	New	Prior
<i>\$ in millions except per-share items</i>				
Revenue	\$5,735.2	\$5,912.0	\$7,132.8	\$7,124.4
<i>Consensus</i>	\$6,339.4		\$7,401.7	
EPS	(\$2.09)	(\$0.31)	\$1.98	\$1.97
<i>Consensus</i>	<i>(\$0.10)</i>		\$1.72	
FCF	(\$160.3)	\$4.4	\$176.1	\$179.7
Trading P/E Multiple	-14.1x	-94.6x	14.9x	15.0x
Price Target	\$42	\$42	\$42	\$42
Implied P/E Multiple		-135.0x	21.2x	9.2x

Source: Company filings, Factset, Truist Securities estimates

SPR - 1Q23 Results vs Our Estimates and Consensus

SPR - Estimate Variance (\$ in millions)	Truist Securities 1Q23				Vs. Our Estimate		YOY Comparison		Vs. Consensus	
	Prior Year	Actuals	Estimates	Consensus	% Δ	\$ Δ	% Δ	\$ Δ	% Δ	\$ Δ
Segment Data										
Revenue										
Commercial	938.4	1148.5	1167.4	1280.1	-1.6%	-18.9	22.4%	210.1	-10.3%	(131.6)
Defense & Space	158.5	188.4	166.4	180.1	13.2%	22.0	18.9%	29.9	4.6%	8.3
Aftermarket	77.8	94.5	89.5	88.4	5.6%	5.0	21.5%	16.7	6.9%	6.1
Total Revenue	1174.7	1431.4	1423.3	1514.8	0.6%	8.1	21.9%	256.7	-5.5%	(83.4)
Operating Income (GAAP)										
Commercial	-3.4	-45.5	93.4	88.4	-148.7%	-138.9	1238.2%	(42.1)		
Defense & Space	20.0	19.2	16.6	19.5	15.4%	2.6	-4.0%	(0.8)		
Aftermarket	18.0	19.2	17.9	17.6	7.3%	1.3	6.7%	1.2		
Total Operating Inc. (Corp.)	-42.2	-95.1	7.9	51.0	-1299.5%	-103.0	125.4%	(52.9)	-286.3%	(146.1)
Operating Margin (GAAP)										
Commercial	-0.4%	-4.0%	8.0%	6.9%	-149.5%		993.4%			
Defense & Space	12.6%	10.2%	10.0%	10.8%	1.9%		-19.2%			
Aftermarket	23.1%	20.3%	20.0%	19.9%	1.6%		-12.2%			
Total Operating Mgn (Corp.)	-3.6%	-6.6%	0.6%	3.4%	-7.2%		84.9%			
Income Statement										
Total Revenue	1174.7	1431.4	1423.3	1514.8	0.6%	8.1	21.9%	256.7	-5.5%	(83.4)
SG&A	64.5	77.4	110.0		-29.6%	-32.6	20.0%	12.9		
R&D	12.3	10.6	10.0		6.0%	0.6	-13.8%	(1.7)		
Total Operating Expenses	76.8	88.0	120.0		-26.7%	-32.0	14.6%	11.2		
Operating Income	(42.2)	(95.1)	7.9	51.0	-1299.5%	-103.0	125.4%	(52.9)	-286.3%	(146.1)
EBITDA	44.8	(13.5)	92.9	127.6	-114.5%	-106.4	-130.1%	(58.3)	-110.6%	(141.1)
Tax Rate	17.4%	22.0%	22.0%		0.0%		26.8%			
Net Income	(52.8)	(281.3)	(50.8)	-35.1	454.2%	-230.5	432.8%	(228.5)	701.3%	(246.2)
Diluted EPS - Adjusted	\$0.03	(\$1.69)	(\$0.48)	(\$0.29)	249.3%	-1.21	-5038.6%	(\$1.73)	485.1%	(\$1.40)
Diluted Shares Outstanding	104.4	104.9	104.8		0.1%	0.1	0.5%	0.5		

Source: SPR filings, FactSet, Truist Securities estimates

Company Description

Spirit AeroSystems Holdings, Inc. (SPR) designs and manufactures aerostructure components for commercial and military aircraft primarily for use by OE aircraft manufacturers. The company is the sole source supplier on roughly 95% of its products sold to Boeing and Airbus. These products include fuselage sections, nacelles that surround the engines, struts and pylons which connect the engine/nacelle to the wing, flight control surfaces such as flaps and slats, empennages, and wing structures. Spirit also provides aftermarket parts and MRO services primarily for Boeing aircraft.

Investment Thesis

We believe the risk/reward profile on SPR remains favorable, as the company has outsized exposure to the 737 MAX (>50% of revenues pre-crisis) and we expect it will be among the biggest beneficiaries in the aero supply chain as monthly production gradually increases. Moreover, we believe the company's key wide body programs (787 and A350) appear to be at trough and are positioned to grow more significantly in the coming years. In our view, the combination of MAX rate increases and overhead absorption tied to wide body production increases should enable SPR to drive margin expansion in 2023/24, with positive FCF generation likely in 2H23 and into 2024 once the current MAX re-work issues are behind the company. We rate SPR shares Buy.

Valuation and Risks

Our \$42 price target is based on a 21x P/E multiple applied to our 2024 EPS estimate of \$1.98, a discount vs the sector peer group five-year average forward multiple of 28x given the company's elevated leverage.

Risks to our rating and price target include ongoing production rate uncertainty surrounding major commercial aero platforms including the 737 MAX, 787, A350, 777X, A330, and A320, the potential for renewed inventory destocking, difficulties absorbing and managing excess capacity costs, and ongoing integration risks.

Companies Mentioned in This Note

Airbus SE (AIR-FR, NR)
Boeing Company (BA, NR)

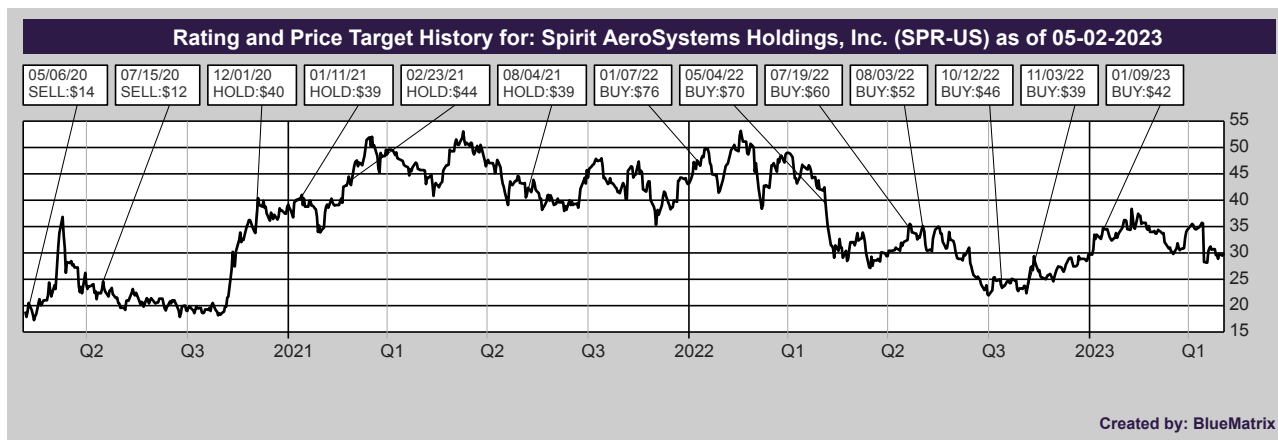
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