

ing, mining, logging, agriculture, petroleum, and general construction. Products include tractors, scrapers, graders, compactors, loaders, off-highway truck engines, and pipelayers. Also makes diesel & turbine engines and lift trucks. Foreign sales 67% of total;

than 1.0% of common stock; State Street, 10.5%; The Vanguard Group, 5.4% (4/14 proxy). Chairman & Chief Executive Officer: Douglas R. Oberhelman. Inc.: DE. Addr.: 100 Northeast Adams St., Peoria, IL 61629. Tel.: 309-675-1000. Web: www.caterpillar.com.

27297 27295 **ANNUAL RATES** Past Est'd '11-'13 Past 5 Yrs. 4.5% to '17-'19 of change (per sh) 10 Yrs. 4.0% 2.5% 5.0% Sales "Cash Flow" 12.0% 16.5% 19.5% 11.0% 7.0% Earnings Dividends Book Value 3.5% 8.5% 11.5%

42524

12391

10611

29755

6753

Current Assets

Accts Payable Debt Due

Current Liab

37968

6731

11290 9274

38335

11031

6560

9706

Cal-	QUARTERLY SALES (\$ mill.)				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2011	12949	14230	15716	17243	60138
2012	15981	17374	16445	16075	65875
2013	13210	14621	13423	14402	55656
2014	13241	14440	13800	14719	56200
2015	14041	15240	14600	15619	59500
Cal-	EARNINGS PER SHARE A				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2011	1.84	1.72	1.93	2.32	7.81
2012	2.37	2.54	2.54	1.91	9.36
2013	1.31	1.45	1.45	1.58	5.79
2014	1.61	1.50	1.45	1.69	6.25
2015	1.81	1.70	1.65	1.94	7.10
Cal-	QUARTERLY DIVIDENDS PAID B=				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2010	.42	.42	.44	.44	1.72
2011	.44	.44	.46	.46	1.80
2012	.46	.46	.52	1.04	2.48
2013		.52	.60	.60	1.72
2014	.60	.60			

Caterpillar has reported better-thananticipated results to start 2014. Firstquarter sales, at \$13.24 billion, were essentially even with the year-earlier tally, with momentum in the Construction Industries and Energy & Transportation end markets compensating for sluggishness in Mining equipment (part of the Resource Industries division). Despite business and economic uncertainties globally, and a secular downturn in CAT's bread-andbutter mining business, a tight rein on expenses buoyed Caterpillar's share net. Excluding restructuring costs, this entity reported share earnings of \$1.61, which eclipsed our \$1.22 estimate and the yearearlier profit of \$1.31 a share.

These healthy results were a surprise, given the mixed dealer data that have **been released of late.** Dealer statistics showed a worsening deterioration in global demand for Caterpillar mining equipment. In particular, the manufacturing company noted that sales of earth-moving equipment fell 12% year over year in March, after declining 8% in both January and February. However, purchases by customers in the mining space plummeted 46% in

March, following 37% declines in both January and February. The falloff in orders was most notable in the Asia Pacific region, previously an engine of growth, and in South America, where policies by newly elected governments have made mining prohibitively expensive.

The company's sales outlook for 2014

remains unchanged at \$56.0 billion. However, there are a range of macroeconomic and geopolitical uncertainties that could prove detrimental for global GDP and, thus, weigh on demand for Caterpillar's products. Given the solid performance in the March term, this manufacturer has increased its 2014 profit expectations by \$0.25, to \$6.10 a share, excluding restructuring costs. Our top- and bottom-line estimates are currently \$56.2 billion and \$6.25, respectively.

These shares have forged ahead recently, setting a new 52-week high. The likelihood of an eventual turnaround has led to improved investor sentiment. That said, this stock's long-term appreciation potential is somewhat limited, given its recent price strength.

Dominic B. Silva May 23, 2014

(A) Diluted earnings. Excl. net nonrecurring gain (losses): '03, (6¢); '06, (8¢); '07, 5¢; '08, (5¢); '11, (41¢); '12, (88¢). Includes 75¢ of restructuring costs in '09; est'd Health Care

Reform chg of 11¢ in 1Q, '10. Next egs report late July. (B) Div'ds historically paid mid-February, May, August, November. '13 1Q Divd's paid in '12 4Q. ■ Div'd reinvestment plan | basis.

avail. (C) Incl. equip. purch. for leasing.
(D) Incl. intang. In '13: \$10.6 bill., \$16.43/sh.
(E) In mill., adjusted for split. (F) Accelerated

Company's Financial Strength Stock's Price Stability A+ 50 Price Growth Persistence 80 **Earnings Predictability** 45