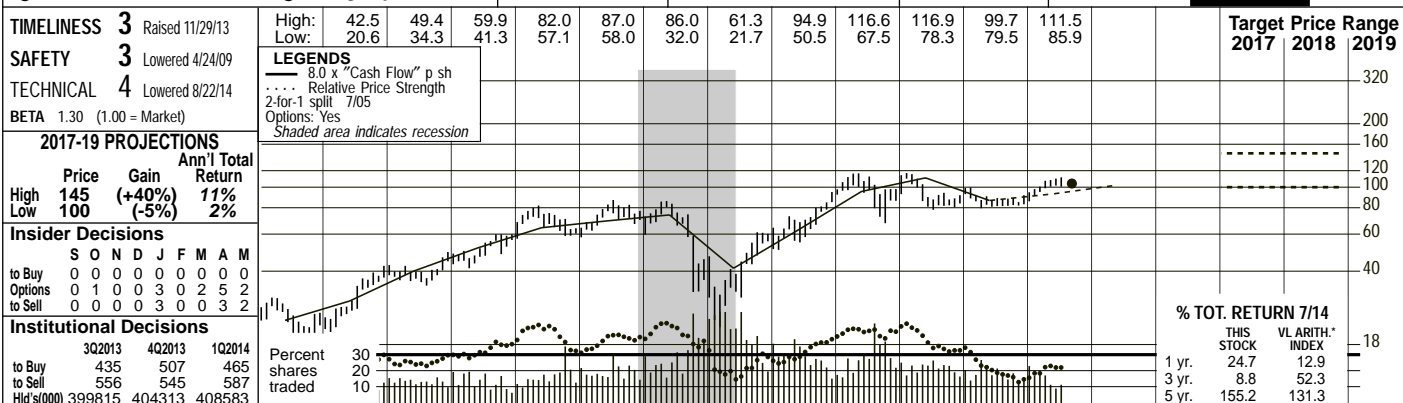


<b>CATERPILLAR INC. NYSE-CAT</b>				RECENT PRICE	104.33	P/E RATIO	16.1 (Trailing: 16.5 Median: 13.0)	RELATIVE P/E RATIO	0.90	DIV'D YLD	2.7%	VALUE LINE
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1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
29.36	27.72	29.38	29.78	29.27	33.11	44.11	54.17	64.29	73.22	85.32	51.86	66.67	92.87	100.57	87.26	88.30	93.70	Sales per sh	118.25
3.33	2.66	3.02	2.87	2.93	3.62	5.00	6.46	8.03	8.64	9.25	5.17	7.82	11.93	13.87	17.89	11.60	12.75	"Cash Flow" per sh	16.90
2.06	1.32	1.51	1.16	1.15	1.62	2.88	4.04	5.25	5.32	5.71	1.43	4.15	7.81	9.36	5.79	6.30	7.20	Earnings per sh <sup>A</sup>	10.20
.58	.64	.67	.70	.70	.71	.80	.96	1.15	1.38	1.62	1.68	1.74	1.82	2.02	2.32	2.60	2.80	Div'ds Decl'd per sh <sup>B</sup>	2.96
1.78	1.28	1.35	1.60	2.58	2.57	3.08	3.60	4.14	4.95	6.67	3.71	4.05	6.06	7.75	6.97	6.15	5.65	Cap'l Spending per sh <sup>C</sup>	6.95
7.18	7.69	8.15	8.17	7.95	8.84	10.89	12.57	10.62	14.47	10.12	14.12	16.94	19.97	26.84	32.73	33.95	35.20	Book Value per sh <sup>D</sup>	43.10
714.40	710.78	686.79	686.75	688.51	687.52	685.87	670.87	645.81	613.99	601.53	624.72	638.82	647.53	655.05	637.82	624.00	620.00	Common Shs Outst'g <sup>E</sup>	620.00
12.3	20.6	12.8	21.0	20.9	18.8	13.9	12.6	13.1	13.7	11.4	29.4	16.6	12.4	10.0	15.1	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	12.0
.64	1.17	.83	1.08	1.14	1.07	.73	.67	.71	.73	.69	1.96	1.06	.78	.64	.85			Relative P/E Ratio	.75
2.3%	2.4%	3.5%	2.9%	2.3%	2.0%	1.9%	1.7%	1.9%	1.9%	2.5%	4.0%	2.5%	1.9%	2.2%	2.7%			Avg Ann'l Div'd Yield	2.1%

<b>CAPITAL STRUCTURE as of 6/30/14</b>				30251	36339	41517	44958	51324	32396	42588	60138	65875	55656	55100	58100	Sales (\$mill)	73310
Total Debt \$34.6 bill. Due in 5 Yrs \$29.8 bill.				15.4%	16.6%	18.3%	17.5%	14.8%	12.2%	16.8%	19.3%	20.1%	18.7%	18.5%	18.5%	Operating Margin	19.0%
LT Debt \$27.3 bill. LT Interest \$1.3 bill.				1397.0	1477.0	1602.0	1797.0	1980.0	2336.0	2296.0	2527.0	2813.0	3087.0	3170	3310	Depreciation (\$mill) <sup>F</sup>	3960
Incl. \$25.0 bill. in debt held by CAT Financial.				2035.0	2854.0	3587.0	3509.0	3586.0	895.0	2700.0	5201.0	6270.0	3815.0	4060	4605	Net Profit (\$mill)	6530
(LT interest earned: 8.1x; Total interest coverage: 5.3x) (56% of Cap'l)				27.0%	28.7%	28.9%	30.0%	21.3%	--	25.8%	24.6%	28.6%	25.6%	28.0%	28.0%	Income Tax Rate	28.0%
				6.7%	7.9%	8.6%	7.8%	7.0%	2.8%	6.3%	8.6%	9.5%	6.9%	7.4%	7.9%	Net Profit Margin	8.9%

<b>Leases, Uncapitalized</b> Annual rentals \$244.0 mill.				4646.0	3698.0	3841.0	3232.0	5564.0	7497.0	9790.0	9567.0	12769	11038	10260	10440	Working Cap'l (\$mill)	9685
<b>Pension Assets-12/13</b> \$19.3 bill. <b>Oblig.</b> \$19.0 bill.				15837	15677	17680	17829	22834	21847	20437	24944	27752	26719	25900	24890	Long-Term Debt (\$mill)	23800
<b>Pfd Stock</b> None				7467.0	8432.0	6859.0	8883.0	6087.0	8823.0	10824	12929	17582	20878	21180	21830	Shr. Equity (\$mill)	26710

<b>Common Stock</b> 627,846,602 shs.				9.8%	13.1%	16.3%	14.8%	14.0%	4.5%	10.1%	14.8%	14.7%	8.8%	10.0%	11.0%	Return on Total Cap'l	14.0%
<b>MARKET CAP: \$65.1 billion (Large Cap)</b>				27.3%	33.8%	52.3%	39.5%	58.9%	10.1%	24.9%	40.2%	35.7%	18.3%	19.0%	21.0%	Return on Shr. Equity	24.5%
<b>CURRENT POSITION</b> 2012 2013 6/30/14 (\$MILL.)				20.1%	26.5%	41.7%	30.0%	43.3%	NMF	14.9%	31.3%	26.5%	13.0%	11.5%	13.0%	Retained to Com Eq	17.5%
				26%	22%	20%	24%	27%	115%	40%	22%	26%	29%	40%	38%	All Div'ds to Net Prof	28%

<b>Cash Assets</b> 5490				7927	7927	7927	7927	7927	7927	7927	7927	7927	7927	7927	7927	7927	7927	7927	7927
<b>Receivables</b> 18952				17176	17176	17176	17176	17176	17176	17176	17176	17176	17176	17176	17176	17176	17176	17176	17176
<b>Inventory (LIFO)</b> 15547				12625	12625	12625	12625	12625	12625	12625	12625	12625	12625	12625	12625	12625	12625	12625	12625
<b>Other</b> 2535				2453	2453	2453	2453	2453	2453	2453	2453	2453	2453	2453	2453	2453	2453	2453	2453
<b>Current Assets</b> 42524				38335	38335	38335	38335	38335	38335	38335	38335	38335	38335	38335	38335	38335	38335	38335	38335
<b>Accts Payable</b> 6753				6560	6560	6560	6560	6560	6560	6560	6560	6560	6560	6560	6560	6560	6560	6560	6560
<b>Debt Due</b> 12391				11031	11031	11031	11031	11031	11031	11031	11031	11031	11031	11031	11031	11031	11031	11031	11031
<b>Other</b> 10611				9706	9706	9706	9706	9706	9706	9706	9706	9706	9706	9706	9706	9706	9706	9706	9706
<b>Current Liab.</b> 29755				27297	27297	27297	27297	27297	27297	27297	27297	27297	27297	27297	27297	27297	27297	27297	27297

<b>ANNUAL RATES</b> Past 10 Yrs. Past 5 Yrs. Est'd '11-'13 of change (per sh)				10 Yrs.	5 Yrs.	Est'd '11-'13	to '17-19
Sales				12.0%	4.5%	4.0%	
"Cash Flow"				16.5%	11.0%	2.5%	
Earnings				19.5%	7.0%	5.0%	
Dividends				11.5%	8.0%	3.5%	
Book Value				12.5%	17.5%	8.5%	

Cal-endar	QUARTERLY SALES (\$mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	12949	14230	15716	17243	60138
2012	15981	17374	16445	16075	65875
2013	13210	14621	13423	14402	55656
2014	13241	14150	13800	13909	55100
2015	14040	15020	14600	14440	58100

EARNINGS PER SHARE <sup>A</sup>					Full Year
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	
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	1.69	1.38	1.62	6.30
2015	1.81	1.75	1.65	1.99	7.20

helped this entity to mitigate this weakness, though. Improvement within Caterpillar's Construction Industries division and record profit at the Energy & Transportation segment loomed large.

**Despite a secular downturn in the company's bread-and-butter mining**

is now looking for sales in a range of \$54 billion to \$56 billion, compared to a previous range of \$53 billion to \$59 billion. Too, the company's revised profit outlook is \$6.20 per share, an improvement from the \$6.10 previously expected. We have increased our bottom-line estimate by \$0.05,

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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	.70		

**business, a tight rein on expenses buoyed Caterpillar's bottom line.** In fact, strict cost controls enabled CAT to save \$500 million in the manufacturing, SG&A, and R&D realms. Excluding restructuring costs, this Illinois-based entity reported share earnings of \$1.69,

to \$6.30, on sales of \$55.10 billion. **This equity is not appealing at the current juncture.** Despite a likely acceleration in earnings growth, this issue's appreciation potential falls below that of the *Value Line* median.

*Dominic B. Silva* *August 22, 2014*

<b>(A)</b> 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 eggs report late October. <b>(B)</b> Div'ds historically paid mid-February; '12, August, November. '13 1Q Div'd paid in '12 4Q. ■ Div'd reinvestment plan	avail. <b>(C)</b> Incl. equip. purch. for leasing. <b>(D)</b> Incl. intang. In '13: \$10.6 bill., \$16.43/sh. <b>(E)</b> In mill., adjusted for split. <b>(F)</b> Accelerated basis.	Company's Financial Strength A+ Stock's Price Stability 60 Price Growth Persistence 65 Earnings Predictability 45
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**Caterpillar reported solid second-quarter operating results in the face of a challenging operating environment.** Sales of \$14.15 billion fell below the \$14.62 billion reported during the year-earlier period, as weakness in Resource Industries, which is essentially mining operations, cast a shadow over the company's top line. This is not surprising, though. Caterpillar's mining-related sales are often a bellwether of companywide results. With end-user demand from mining entities still soft, Caterpillar's dealers have cut back on orders. Diversification helped this entity to mitigate this weakness, though. Improvement within Caterpillar's Construction Industries division and record profit at the Energy & Transportation segment loomed large.

**Despite a secular downturn in the company's bread-and-butter mining business, a tight rein on expenses buoyed Caterpillar's bottom line.** In fact, strict cost controls enabled CAT to save \$500 million in the manufacturing, SG&A, and R&D realms. Excluding restructuring costs, this Illinois-based entity reported share earnings of \$1.69,

which eclipsed our \$1.50 estimate and the year-earlier profit of \$1.45 a share. **A lower share count should buffer some of the pressure on the bottom line.** The recent performance enabled Caterpillar to shore up its balance sheet. Increased financial wherewithal led this company's board of directors to return capital to shareholders, including the planned repurchase \$2.5 billion worth of CAT stock during the third quarter. This is part of a \$10 billion share-buyback initiative previously approved. With the first half of 2014 in the rearview mirror, management is now looking for sales in a range of \$54 billion to \$56 billion, compared to a previous range of \$53 billion to \$59 billion. Too, the company's revised profit outlook is \$6.20 per share, an improvement from the \$6.10 previously expected. We have increased our bottom-line estimate by \$0.05, to \$6.30, on sales of \$55.10 billion. **This equity is not appealing at the current juncture.** Despite a likely acceleration in earnings growth, this issue's appreciation potential falls below that of the *Value Line* median.

Dominic B. Silva

August 22, 2014