

CATERPILLAR INC. NYSE-CAT

RECENT PRICE **83.90** P/E RATIO **15.4** (Trailing: 13.2 Median: 13.0) RELATIVE P/E RATIO **0.84** DIV'D YLD **3.3%** VALUE LINE

TIMELINESS 3 Lowered 2/6/15
SAFETY 2 Raised 11/21/14
TECHNICAL 3 Raised 1/16/15
BETA 1.25 (1.00 = Market)

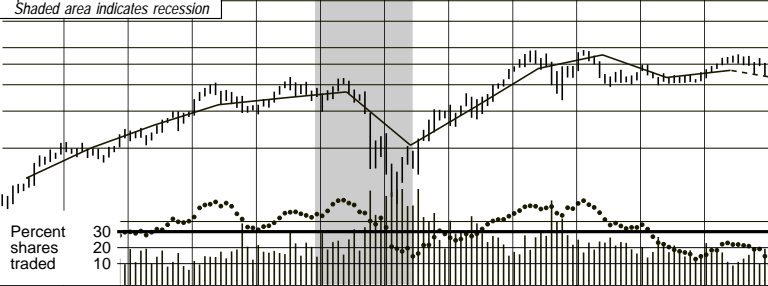
High: 49.4 59.9 82.0 87.0 86.0 61.3 94.9 116.6 116.9 99.7 111.5 92.4
 Low: 34.3 41.3 57.1 58.0 32.0 21.7 50.5 67.5 78.3 79.5 85.9 78.8

LEGENDS
 — 8.0 x "Cash Flow" p sh
 Relative Price Strength
 2-for-1 split 7/05
 Options: Yes
 Shaded area indicates recession

2018-20 PROJECTIONS
 Price Gain Ann'l Total
 High 130 (+55%) 14%
 Low 100 (+20%) 8%

Insider Decisions
 M A M J J A S O N
 to Buy 0 0 0 0 0 0 0 0 0 0
 Options 2 5 2 0 2 1 1 1 2
 to Sell 0 3 2 0 1 1 0 0 0

Institutional Decisions
 10/2014 20/2014 30/2014
 to Buy 465 452 419
 to Sell 587 565 565
 Hld's(000) 408583 420905 408176



1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
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	91.06	82.65	82.35	Sales per sh	106.55
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	10.82	11.71	10.40	10.60	"Cash Flow" per sh	15.50
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	6.37	5.00	5.10	Earnings per sh ^A	9.60
.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	2.80	Div'ds Decl'd per sh ^B	3.08
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	5.58	5.80	6.20	Cap'l Spending per sh ^C	6.50
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	27.77	25.95	24.20	Book Value per sh ^D	27.85
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	606.00	605.00	605.00	Common Shs Outst'g ^E	605.00
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	15.8	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	12.0
1.17	.83	1.08	1.14	1.07	.73	.67	.71	.73	.69	1.96	1.06	.78	.64	.85	.86			Relative P/E Ratio	.75
2.4%	3.5%	2.9%	2.9%	2.3%	2.0%	1.9%	1.7%	1.9%	2.5%	4.0%	2.5%	1.9%	2.2%	2.7%	2.6%			Avg Ann'l Div'd Yield	2.7%

CAPITAL STRUCTURE as of 12/31/14
 Total Debt \$39.2 bill. Due in 5 Yrs \$29.8 bill.
 LT Debt \$27.7 bill. LT Interest \$1.3 bill.
 Incl. \$25.0 bill. in debt held by CAT Financial.
 (LT interest earned: 8.1x;
 Total interest coverage: 5.3x) (56% of Cap'l)

Leases, Uncapitalized Annual rentals \$244.0 mill.
Pension Assets-12/13 \$19.3 bill. **Oblig.** \$19.0 bill.
Pfd Stock None

Common Stock 606,000,000 shs.

MARKET CAP: \$50.8 billion (Large Cap)

CURRENT POSITION	2012	2013	12/31/14
(SMILL.)			
Cash Assets	5490	6081	7341
Receivables	18952	17176	16764
Inventory (LIFO)	15547	12625	12205
Other	2535	2453	2557
Current Assets	42524	38335	38867
Accts Payable	6753	6560	6515
Debt Due	12391	11031	11501
Other	10611	9706	9861
Current Liab.	29755	27297	27877

ANNUAL RATES	Past 10 Yrs	Past 5 Yrs	Est'd '11-'13 to '18-'20
of change (per sh)			
Sales	12.0%	4.5%	2.5%
"Cash Flow"	14.5%	7.0%	4.5%
Earnings	19.5%	7.0%	4.0%
Dividends	11.5%	8.0%	6.5%
Book Value	12.5%	17.5%	6.0%

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	15981	17374	16445	16075	65875
2013	13210	14621	13423	14402	55656
2014	13241	14150	13549	14244	55184
2015	12370	12780	12470	12380	50000
2016	12320	12730	12420	12350	49820

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	1.72	1.35	6.37
2015	1.34	1.36	1.40	.90	5.00
2016	1.37	1.38	1.42	.93	5.10

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	.70	2.60
2015	.70				

BUSINESS: Caterpillar Incorporated is the world's largest producer of earthmoving equipment. Major global markets include road building, 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;

Shares of Caterpillar recently tested 52-week lows, after its fourth-quarter earnings missed the mark. While December-period sales of \$14.244 billion eclipsed our \$14.010 billion estimate, year-over-year comparisons were unfavorable. On balance, the Energy & Transportation division had a record performance, benefiting from higher demand for oil and gas, transportation, and power generation applications. Strength in the U.S. real estate market overcame sluggishness overseas, buoying the Construction Industries division. Weakened commodity prices, however, led to lower sales for the Resource Industries segment. Management worked to mitigate the effects on operations by emphasizing cost management and cash flow. Nevertheless, sales pressures cast a large shadow over net profits, leading to share earnings of \$1.35, which was well below our \$1.58 estimate.

The company noted that 2015 is setting up to be a challenging year. Looking ahead, management expects the world economy to show minuscule gains this year. When combined with the likelihood of depressed commodity prices, this should

prove detrimental to sales. Meanwhile, the environment surrounding the company's bread and butter Resource business should remain dour. The climate encircling CAT's Energy & Transportation segment has worsened of late. Moreover, the Construction Industries division is apt to feel the pinch of slowing building activity in China. All told, Caterpillar is looking for 2015 sales to hover around \$50 billion, which implies an 8%-10% decline from 2014's level.

This manufacturer expects restructuring activities this year. The company's profit outlook for 2015 is about \$4.60 per share, or \$4.75 per share excluding restructuring costs amounting to \$0.15 per share. While this appears conservative, we have materially tempered our top- and bottom-line estimates, to \$50 billion and \$5.00 a share, respectively.

Still, given this equity's steep price decline since our last report, patient investors may find CAT to be a rebound candidate. Too, the stock's lofty dividend yield makes waiting for a recovery more palatable.

Dominic B. Silva February 20, 2015

(A) Diluted earnings. Excl. net nonrecurring gain (losses): '03, (6c); '06, (8c); '07, 5c; '08, (5c); '11, (41c); '12, (88c). Includes 75c of restructuring costs in '09; est'd Health Care	Reform chg of 11¢ in 1Q, '10. Next eggs report late April. (B) Div'ds historically paid mid-February; '12, August, November. '13 1Q Div'd paid in '12 4Q. Div'd reinvestment plan	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 basis.	Company's Financial Strength A+ Stock's Price Stability 60 Price Growth Persistence 65 Earnings Predictability 45
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