| CAFERP\||AR |NG |  |  |  |  |  |  |  | $\left\lvert\, \begin{array}{ll} \text { RECENT } \\ \text { PRICE } \end{array} \quad 72.51\right.$ |  | $\begin{array}{ll} \hline \text { P/E } & 20.4\left(\begin{array}{l} \text { Trailing: } 21.1 \\ \text { RATIO } \\ \text { Median: } 14.0 \end{array}\right) \end{array}$ |  |  |  | $\begin{aligned} & \text { RELATIVE } \\ & \text { PIE RATIO } 1,12 \end{aligned}$ |  | $2 \left\lvert\, \begin{array}{l\|l} \text { DIV'D } \\ \hline \end{array}\right.$ | $4.2 \%$ |  | $\begin{aligned} & \text { VALUE } \\ & \text { LINE } \end{aligned}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| TIMELINESS $\mathbf{3}$ Raised $4129 / 16$ <br> SAFETY $\mathbf{2}$ Raised $11 / 21 / 14$ <br> TECHNICAL 3 Raised $56 / 16$  <br> BETA 1.25 $(1.00=$ Market) $)$ |  |  |  | High: Low: | 59.9 41.3 | 82.0 57.1 | 87.0 58.0 | $\begin{aligned} & 86.0 \\ & 32.0 \end{aligned}$ | $\begin{aligned} & 61.3 \\ & 21.7 \end{aligned}$ | $\begin{aligned} & 94.9 \\ & 50.5 \end{aligned}$ | $\begin{array}{r} 116.6 \\ 67.5 \end{array}$ | $\begin{array}{r} 116.9 \\ 78.3 \end{array}$ | $\begin{aligned} & \hline 99.7 \\ & 79.5 \end{aligned}$ | $\begin{array}{r} 111.5 \\ 85.9 \end{array}$ | $\begin{aligned} & 92.4 \\ & 63.0 \end{aligned}$ | $\begin{aligned} & 80.9 \\ & 56.4 \end{aligned}$ |  |  | Target Pric 2019 2020 | Range 2021 |
|  |  |  |  | LEGENDS <br> $\ldots .0$. 8.0 Cash Flow" $p$ sh <br> 2 Relative Price Strength <br> 2-for-1 split $7 / 05$ <br> Options. YYe <br> Shaded area indicates recession |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $-200$ |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | -160 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | , |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  | $1{ }^{114}$ | 1 | , |  | 1 | 1 |  |  |  | II |  |  |  |  |  |
|  |  |  |  |  |  | 戌出 | , | 4 |  | 1 |  |  |  |  | \| |  |  |  |  | 60 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 40 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 30 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | RETURN 4/16 |  |
| Institutional Decisions |  |  |  | Percent shares traded |  |  |  |  |  |  |  |  |  |  |  |  |  |  | THIS VLARIT |  |
|  | 202015 463 | 302015 457 | 402015 397 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{rr} \text { STOCK } & \text { INDEX } \\ -6.7 & -3.4 \end{array}$ |  |
| to Buy | $\begin{aligned} & 463 \\ & 543 \end{aligned}$ | $\begin{aligned} & 457 \\ & 560 \end{aligned}$ | $\begin{array}{r} 397 \\ 594 \end{array}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 3 yr . | $\begin{array}{ll} -6.7 \\ -0.2 & -3.4 \\ \hline \end{array}$ |  |
| Hild's(000) 3 | 397089 | 398234 | 409312 |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 5 yr . | -23.6 47.7 |  |
| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | $\bigcirc{ }^{\circ}$ VAL | JE LINE PUB. LLC | 19-21 |
| 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 | 91.04 | 80.73 | 68.45 | 67.10 | Sales |  | 92.30 |
| 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 | 11.82 | 10.00 | 8.85 | 9.05 | "Cash | ow" per sh | 13.45 |
| 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 | 4.62 | 3.55 | 3.55 | Earning | per sh A | 7.50 |
| . 67 | . 70 | . 70 | . 71 | . 80 | . 96 | 1.15 | 1.38 | 1.62 | 1.68 | 1.74 | 1.82 | 2.02 | 2.32 | 2.70 | 3.01 | 3.08 | 3.08 | Div'ds | ecl'd per sh ${ }^{\text {B }}$ - | 3.24 |
| 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 | 5.57 | 5.60 | 2.50 | 2.40 | Cap'I | ending per sh ${ }^{\text {c }}$ | 3.55 |
| 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 | 27.76 | 25.56 | 26.85 | 27.55 | Book V | lue per sh ${ }^{\text {D }}$ | 36.55 |
| 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 | 606.17 | 582.32 | 583.80 | 580.00 | Comm | Shs Outst'g E | 565.00 |
| 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 | 17.1 | Bold figu | are | Avg A | IP/E Ratio | 14.0 |
| . 83 | 1.08 | 1.14 | 1.07 | . 73 | . 67 | . 71 | . 73 | . 69 | 1.96 | 1.06 | . 78 | . 64 | . 85 | . 83 | . 86 |  | Line | Relative | P/E Ratio | . 90 |
| 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\% | 2.7\% | 3.8\% | estim | ates | Avg An | I Div'd Yield | 3.1\% |
| CAPITAL STRUCTURE as of $3 / 31 / 16$ <br> Total Debt $\$ 30.4$ bill. Due in 5 Yrs $\$ 21.4$ bill. LT Debt $\$ 24.4$ bill. LT Interest $\$ 1.4$ bill. Incl. $\$ 25.0$ bill. in debt held by CAT Financial. (LT interest earned: 6.8x; Total interest coverage: 4.2 x ) <br> (63\% of Cap'l) |  |  |  |  |  | 41517 | 44958 | 51324 | 32396 | 42588 | 60138 | 65875 | 55656 | 55184 | 47011 | 39960 | 38910 | Sales |  | 52150 |
|  |  |  |  |  |  | 18.3\% | 17.5\% | 14.8\% | 12.2\% | 16.8\% | 19.3\% | 20.1\% | 18.7\% | 19.5\% | 19.0\% | 18.5\% | 19.0\% | Operati | g Margin | 19.5\% |
|  |  |  |  |  |  | 1602.0 | 1797.0 | 1980.0 | 2336.0 | 2296.0 | 2527.0 | 2813.0 | 3087.0 | 3163.0 | 3046.0 | 3090 | 3180 | Depre | tion (\$mill) F | 3310 |
|  |  |  |  |  |  | 3587.0 | 3509.0 | 3586.0 | 895.0 | 2700.0 | 5201.0 | 6270.0 | 3815.0 | 4003.0 | 2778.0 | 2090 | 2075 | Net Pro | (\$mill) | 4280 |
|  |  |  |  |  |  | 28.9\% | 30.0\% | 21.3\% | $\cdots$ | 25.8\% | 24.6\% | 28.6\% | 25.6\% | 25.6\% | 21.0\% | 28.0\% | 28.0\% | Income | Tax Rate | 28.0\% |
|  |  |  |  |  |  | 8.6\% | 7.8\% | 7.0\% | 2.8\% | 6.3\% | 8.6\% | 9.5\% | 6.9\% | 7.3\% | 5.9\% | 5.2\% | 5.3\% | Net Pro | Margin | 8.2\% |
| Leases, Uncapitalized Annual rentals $\$ 237.0$ mill. Pension Assets-12/15 $\$ 15.9$ bill. Oblig. $\$ 20.1$ bill. Pfd Stock None |  |  |  |  |  | 3841.0 | 3232.0 | 5564.0 | 7497.0 | 9790.0 | 9567.0 | 12769 | 11038 | 10990 | 8115.0 | 7535 | 7765 | Work | Cap'I (\$mill) | 9790 |
|  |  |  |  |  |  | 17680 | 17829 | 22834 | 21847 | 20437 | 24944 | 27752 | 26719 | 27784 | 25247 | 24370 | 24210 | Long-T | m Debt (\$mill) | 23000 |
|  |  |  |  |  |  | 6859.0 | 8883.0 | 6087.0 | 8823.0 | 10824 | 12929 | 17582 | 20878 | 16826 | 14885 | 15680 | 15980 | Shr. Eq | ity (\$mill) | 20640 |
| Common Stock $583,868,746$ shs. |  |  |  |  |  | 16.3\% | 14.8\% | 14.0\% | 4.5\% | 10.1\% | 14.8\% | 14.7\% | 8.8\% | 9.7\% | 7.7\% | 6.5\% | 6.5\% | Return | Total Cap'l | 11.0\% |
|  |  |  |  |  |  | 52.3\% | 39.5\% | 58.9\% | 10.1\% | 24.9\% | 40.2\% | 35.7\% | 18.3\% | 23.8\% | 18.7\% | 13.5\% | 13.0\% | Return | Shr. Equity | 20.5\% |
| MARKET CAP: $\$ 42.3$ billion (Large Cap) |  |  |  |  |  | 41.7\% | 30.0\% | 43.3\% | NMF | 14.9\% | 31.3\% | 26.5\% | 13.0\% | 14.2\% | 6.9\% | 2.0\% | 2.0\% | Retaine | to Com Eq | 12.0\% |
| $\begin{gathered} \text { CURRENT POSITION } \\ \text { (\$MILLL.) } \end{gathered}$ |  |  | 2014 | 2015 | 3/31/16 | 20\% | 24\% | 27\% | 115\% | 40\% | 22\% | 26\% | 29\% | 40\% | 63\% | 86\% | 86\% | All Div' | to Net Prof | 43\% |


| Cash Assets | 7341 | 6460 | 5886 |
| :--- | ---: | ---: | ---: |
| Receivables | 16764 | 15686 | 16166 |
| Inventory (LIFO) | 12205 | 9700 | 9849 |
| Other | 2557 | 2572 | 1847 |
| Current Assets | 38867 | 34418 | 33748 |
| Accts Payable | 6515 | 5023 | 5101 |
| Debt Due | 7204 | 6319 | 6076 |
| Other | 14158 | 14961 | 15038 |
| Current Liab. | $\underline{27877}$ | $\underline{26303}$ | $\underline{26215}$ |


| ANNUAL RATES | Past | Past | Est'd '13-'15 |
| :--- | ---: | ---: | :---: |
| of change (per sh) | 10 Yrs. | 5 Yrs. | to'19-'21 |
| Sales | $7.0 \%$ | $5.0 \%$ | $1.0 \%$ |
| "Cash Flow" | $8.0 \%$ | $8.0 \%$ | $3.5 \%$ |
| Earnings | $7.0 \%$ | $8.0 \%$ | $5.0 \%$ |
| Dividends | $12.5 \%$ | $10.0 \%$ | $3.0 \%$ |
| Book Value | $10.5 \%$ | $16.0 \%$ | $4.0 \%$ |


| Calendar | QUARTERLY SALES (\$ mill.) |  |  |  | Full Year |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Mar. 31 | Jun. 30 | Sep. 30 | Dec. 31 |  |
| 2013 | 13210 | 14621 | 13423 | 14402 | 55656 |
| 2014 | 13241 | 14150 | 13549 | 14244 | 55184 |
| 2015 | 12702 | 12317 | 10962 | 11030 | 47011 |
| 2016 | 9461 | 10000 | 10000 | 10499 | 39960 |
| 2017 | 9350 | 9970 | 9590 | 10000 | 38910 |
| Calendar | EARNINGS PER SHARE A |  |  |  | Full Year |
|  | Mar. 31 | Jun. 30 | Sep. 30 | De |  |
| 2013 | 1.31 | 1.45 | 1.45 | 1.58 | 5.79 |
| 2014 | 1.61 | 1.69 | 1.72 | 1.35 | 6.37 |
| 2015 | 1.86 | 1.27 | . 75 | . 74 | 4.62 |
| 2016 | . 67 | . 98 | . 92 | . 98 | 3.55 |
| 2017 | . 75 | . 95 | . 90 | . 95 | 3.55 |
| Calendar | QUARTERLY DIVIDENDS PAID $\mathrm{B}_{\text {m }}$ |  |  |  | Full |
|  | Mar. 31 | Jun. 30 | Sep. 30 | Dec. 31 | Year |
| 2012 | . 46 | . 46 | . 52 | 1.04 | 2.48 |
| 2013 | -- | . 52 | . 60 | . 60 | 1.72 |
| 2014 | . 60 | . 60 | . 70 | . 70 | 2.60 |
| 2015 | . 70 | . 70 | . 77 | . 77 | 2.94 |
| 2016 | . 77 | 77 |  |  |  |

BUSINESS: Caterpillar Incorporated is the world's largest producer velopment: 4.6\% of sales. 2015 depreciation rate: $9.5 \%$. Has about of earthmoving equipment. Major global markets include road building, mining, logging, agriculture, petroleum, and general construction. Products include tractors, scrapers, compactors, loaders, off highway truck engines, and pipelayers. Also makes diesel \& turbine engines and lift trucks. Foreign sales $47 \%$ of total; research \& de-
Caterpillar prepared Wall Street for a weaker-than-expected start to 2016. In March, the company warned that soft demand and a strong dollar remained stumbling blocks. More recently, and ahead of disappointing first-quarter results, management disclosed weak retail sales comparisons for the latest quarter. Monthly figures for the March period showed year-over-year declines between $13 \%$ and $21 \%$. Despite an improvement in commodities markets, which is likely partly due to a modest recent pullback in the U.S. dollar, industrywide investment on new long-term energy projects remains at depressed levels. In fact, retail sales there fell more than $40 \%$ in the first quarter, punctuated by a $50 \%$ drop in March. Conditions within the Resource Industries unit were also poor, as tepid demand for new machines in the Asia/Pacific region, notably China, resulted in a $25 \%$ plunge in sales.
Even though management is seeing signs of stabilization, it is taking a cautious stance for the remainder of this year. Crude prices have improved in
velopment: $4.6 \%$ of sales. 2015 depreciation rate: $9.5 \%$. Has about 105,700 employees. Officers \& directors own less than $1.0 \%$ of common stock; State Street, 9.9\%; The Vanguard Group, 6.3\% (4/16 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.
loosen their purse strings. In fact, management is looking for a steep sales decline at the Energy \& Transportation division in the current year. Moreover, the glut of supply in the mining arena is liable to result in lingering softness there, with Caterpillar anticipating a $15 \%-20 \%$ sales pullback in the Resource Industries unit. Caterpillar has lowered the midpoint of this year's sales forecast by $2 \%$, leaving the current range at $\$ 40$ billion- $\$ 42$ billion. The profit outlook is now $\$ 3.70$ per share, excluding estimated restructuring costs of $\$ 550$ million. We have tempered our 2016 top- and bottom-line estimates, which are $\$ 39.9$ billion and $\$ 3.55$ a share, respectively.
Caterpillar shares have come back nicely of late. However, given that the company faces myriad challenges resulting from depressed commodities markets and a decline in heavy equipment sales, the near term may still prove to be quite volatile for Caterpillar stock. For those with a longer-term investment horizon, this goodquality stock offers decent risk-adjusted capital gains potential.
Dominic B. Silva

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[^0]:    (A) Diluted earnings. Excl. net nonrecurring gain (losses): '03, (6c); '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 avail. (C) Incl. equip. purch. for leasing. late July. (B) Div'ds historically paid mid- $\quad$ (D) Incl. intang. In '15: $\$ 13.7$ bill., $\$ 23.32 / \mathrm{sh}$. $\begin{array}{ll}\text { February, May, August, November. '13 1Q } & \text { (E) In mill., adjusted for split. (F) Accelerated }\end{array}$ Divd's paid in '12 4Q. - Div'd reinvestment plan basis.

