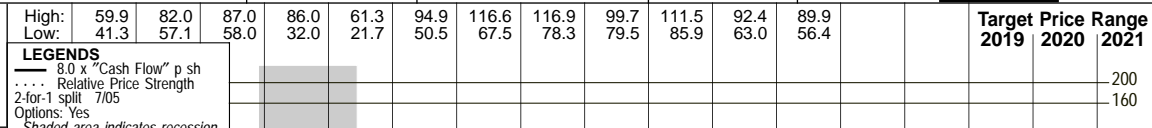


CATERPILLAR INC. NYSE-CAT

RECENT PRICE **84.68** P/E RATIO **27.0** (Trailing: 25.3; Median: 14.0) RELATIVE P/E RATIO **1.50** DIV'D YLD **3.6%** **VALUE LINE**

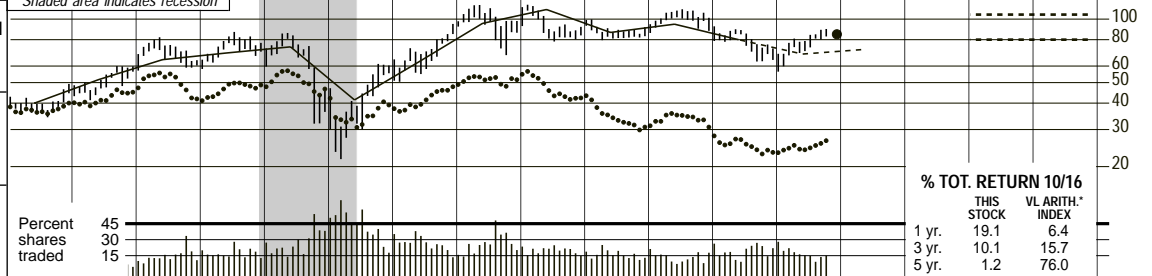
TIMELINESS 3 Raised 9/2/16
SAFETY 2 Raised 11/21/14
TECHNICAL 1 Raised 11/18/16
BETA 1.20 (1.00 = Market)



2019-21 PROJECTIONS
 Price **105** Gain **(+25%)** Ann'l Total Return **9%**
 High **105** Low **80** Gain **(-5%)** Return **2%**

Insider Decisions
 J F M A M J J A S
 to Buy 0 1 0 1 1 0 0 1 0
 Options 0 13 2 1 0 0 3 0
 to Sell 0 0 0 0 1 1 0 2 0

Institutional Decisions
 4Q2015 1Q2016 2Q2016
 to Buy 397 509 443
 to Sell 594 466 505
 Hld's(000) 409312 414737 405105



| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | © VALUE 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 | 66.60 | 65.65 | Sales per sh | 88.55 |
| 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 | 8.45 | 8.60 | "Cash Flow" per sh | 12.50 |
| 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 | 3.25 | 3.25 | Earnings per sh ^A | 6.60 |
| .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 Decl'd per sh ^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 | 2.30 | 2.30 | Cap'l Spending per sh ^C | 2.15 |
| 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 | 27.10 | 27.55 | Book Value per sh ^D | 35.30 |
| 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 | Common 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 | 14.0 | 14.0 | Avg Ann'l P/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 | .86 | .86 | 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% | 3.8% | 3.8% | Avg Ann'l Div'd Yield | 3.5% |

CAPITAL STRUCTURE as of 9/30/16
 Total Debt \$30.1 bill. Due in 5 Yrs \$21.4 bill.
 LT Debt \$23.6 bill. LT Interest \$945 mill.
 Incl. \$25.0 bill. in debt held by CAT Financial.
 (LT interest earned: 6.8x;
 Total interest coverage: 4.2x) (63% of Cap'l)

Leases, Uncapitalized Annual rentals \$237.0 mill.
Pension Assets-12/15 \$15.9 bill. **Oblig.** \$20.1 bill.
Pfd Stock None

Common Stock 585,072,585 shs.

MARKET CAP: \$49.5 billion (Large Cap)

| CURRENT POSITION | 2014 | 2015 | 9/30/16 |
|------------------|--------------|--------------|--------------|
| Cash Assets | 7341 | 6460 | 6113 |
| Receivables | 16764 | 15686 | 14516 |
| Inventory (LIFO) | 12205 | 9700 | 9478 |
| Other | 2557 | 2572 | 1892 |
| Current Assets | 38867 | 34418 | 31999 |
| Accts Payable | 6515 | 5023 | 4713 |
| Debt Due | 7204 | 6319 | 6523 |
| Other | 14158 | 14961 | 14054 |
| Current Liab. | 27877 | 26303 | 25290 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs | Past 5 Yrs | Est'd '13-'15 to '19-'21 |
|---------------------------------|-------------|------------|--------------------------|
| Sales | 7.0% | 5.0% | .5% |
| "Cash Flow" | 8.0% | 8.0% | 2.5% |
| Earnings | 7.0% | 8.0% | 3.0% |
| Dividends | 12.5% | 10.0% | 3.0% |
| Book Value | 10.5% | 16.0% | 3.5% |

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, compactors, loaders, off-highway truck engines, and pipelayers. Also makes diesel & turbine engines and lift trucks. Foreign sales 47% of total; research & development: 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.

Global economic weakness continues to hurt Caterpillar. In North America, an abundance of used construction machines and idle locomotives weighed on orders in the third quarter. Similarly, a well-stocked market for used mining equipment zapped demand internationally. Despite sluggish end markets, a focus on cost cutting helped the company post better-than-expected bottom-line results in the period. Specifically, share net of \$0.85 eclipsed our \$0.80 estimate and the \$0.75 reported in the prior-year period.

In all likelihood, 2016 will be the fourth-consecutive year of falling sales. Guidance calls for sales of about \$39 billion and share profit of \$3.25, both of which are down from their respective previous forecasts of \$40.0 billion-\$40.5 billion and \$3.55. This implies a sequential and year-over-year erosion at the bottom line during the fourth quarter, to \$0.64 a share. We were previously looking for Caterpillar to earn nearly \$1.00 a share in the December term. Looking further out, management stated that operating conditions in 2017 will be similar to those of 2016. However, Caterpillar ex-

pects its performance after a likely slow start in 2017 to gradually improve as the year progresses. For 2017, we are now looking for share net of \$3.25 on sales of slightly more than \$38 billion. **Perhaps some recent changes at the executive level will help bring a fresh perspective to this struggling company.** Under the exiting direction of Douglas R. Oberhelman, Caterpillar spent a significant amount of capital on acquisitions. In a move that suggests Caterpillar's board of directors wants to diversify responsibilities and authority, the jobs of CEO and chairman will be divided, with Jim Umpleby taking over as CEO on January 1st.

The near-term road looks like it will remain bumpy for this heavy equipment maker. However, patient investors willing to wait for an improvement in Caterpillar's end markets may want to take a look at this blue-chip company. A well-covered, above-average dividend pay-out would make the wait for a turnaround here a bit more palatable, especially for income-oriented investors.

Dominic B. Silva November 18, 2016

(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 egs report late Jan. (B) Div'ds historically paid mid-February, May, 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 '15: \$13.7 bill., \$23.32/sh. (E) In mill., adjusted for split. (F) Accelerated basis.