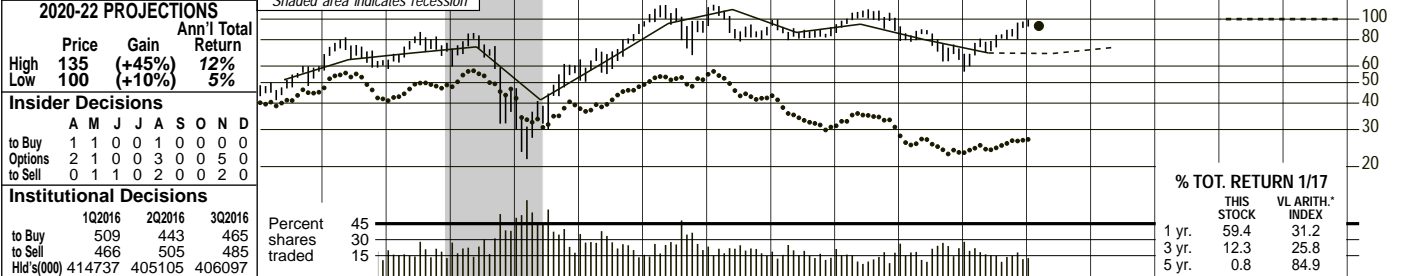


# CATERPILLAR INC. NYSE-CAT

RECENT PRICE **92.87** P/E RATIO **27.9** (Trailing: 27.0; Median: 14.0) RELATIVE P/E RATIO **1.44** DIV'D YLD **3.3%** VALUE LINE

TIMELINESS <b>2</b> Raised 2/3/17	High: 82.0	87.0	86.0	61.3	94.9	116.6	116.9	99.7	111.5	92.4	97.4	99.5							Target Price Range
SAFETY <b>2</b> Raised 11/21/14	Low: 57.1	58.0	32.0	21.7	50.5	67.5	78.3	79.5	85.9	63.0	56.4	92.2							2020 2021 2022
TECHNICAL <b>3</b> Lowered 1/27/17	<b>LEGENDS</b> — 8.0 x "Cash Flow" p sh ... Relative Price Strength 2-for-1 split 7/05 Options: Yes Shaded area indicates recession																		
BETA 1.20 (1.00 = Market)																			



2020-22 PROJECTIONS		© VALUE LINE PUB. LLC 20-22																		
Price	Gain	Ann'l Total Return	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
High 135	(+45%)	12%	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	65.95	<b>65.40</b>	<b>66.90</b>
Low 100	(+10%)	5%	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	8.64	<b>8.60</b>	<b>9.20</b>
			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	3.44	<b>3.25</b>	<b>3.70</b>
			.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	<b>3.08</b>	<b>3.16</b>
			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	5.01	<b>2.30</b>	<b>2.10</b>
			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	22.61	<b>22.10</b>	<b>22.05</b>
			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	584.30	<b>580.00</b>	<b>575.00</b>
			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	22.8	<b>Bold figures are Value Line estimates</b>	
			1.08	1.14	1.07	.73	.67	.71	.73	.69	1.96	1.06	.78	.64	.85	.83	.86	1.20		
			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%		
			Sales per sh <b>88.95</b> "Cash Flow" per sh <b>13.35</b> Earnings per sh <sup>A</sup> <b>7.55</b> Div's Decl'd per sh <sup>B</sup> <b>3.40</b> Cap'l Spending per sh <sup>C</sup> <b>2.15</b> Book Value per sh <sup>D</sup> <b>28.25</b> Common Shs Outst'g <sup>E</sup> <b>565.00</b> Avg Ann'l P/E Ratio <b>15.5</b> Relative P/E Ratio <b>.95</b> Avg Ann'l Div'd Yield <b>2.9%</b>																	

CAPITAL STRUCTURE as of 9/30/16		© VALUE LINE PUB. LLC 20-22																	
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)																			
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
44958	51324	32396	42588	60138	65875	55656	55184	47011	38537	<b>37920</b>	<b>38470</b>	Sales (\$mill)	<b>50250</b>						
17.5%	14.8%	12.2%	16.8%	19.3%	20.1%	18.7%	19.5%	19.0%	<b>17.2%</b>	<b>17.5%</b>	<b>18.0%</b>	Operating Margin	<b>19.5%</b>						
1797.0	1980.0	2336.0	2296.0	2527.0	2813.0	3087.0	3163.0	3046.0	3034.0	<b>3080</b>	<b>3120</b>	Depreciation (\$mill) <sup>F</sup>	<b>3230</b>						
3509.0	3586.0	895.0	2700.0	5201.0	6270.0	3815.0	4003.0	2778.0	2015.6	<b>1900</b>	<b>2165</b>	Net Profit (\$mill)	<b>4300</b>						
30.0%	21.3%	--	25.8%	24.6%	28.6%	25.6%	25.6%	21.0%	<b>28.0%</b>	<b>28.0%</b>	<b>28.0%</b>	Income Tax Rate	<b>28.0%</b>						
7.8%	7.0%	2.8%	6.3%	8.6%	9.5%	6.9%	7.3%	5.9%	5.2%	<b>5.0%</b>	<b>5.6%</b>	Net Profit Margin	<b>8.6%</b>						
3232.0	5564.0	7497.0	9790.0	9567.0	12769	11038	10990	8115.0	5835.0	<b>7210</b>	<b>8975</b>	Working Cap'l (\$mill)	<b>11245</b>						
17829	22834	21847	20437	24944	27752	26719	27784	25247	22818	<b>22700</b>	<b>22700</b>	Long-Term Debt (\$mill)	<b>21500</b>						
8883.0	6087.0	8823.0	10824	12929	17582	20878	16826	14885	13213	<b>12830</b>	<b>12690</b>	Shr. Equity (\$mill)	<b>15950</b>						
14.8%	14.0%	4.5%	10.1%	14.8%	14.7%	8.8%	9.7%	7.7%	6.9%	<b>6.5%</b>	<b>7.5%</b>	Return on Total Cap'l	<b>12.5%</b>						
39.5%	58.9%	10.1%	24.9%	40.2%	35.7%	18.3%	23.8%	18.7%	15.3%	<b>15.0%</b>	<b>17.0%</b>	Return on Shr. Equity	<b>27.0%</b>						
30.0%	43.3%	NMF	14.9%	31.3%	26.5%	13.0%	14.2%	6.9%	1.6%	<b>1.0%</b>	<b>2.5%</b>	Retained to Com Eq	<b>15.0%</b>						
24%	27%	115%	40%	22%	26%	29%	40%	63%	89%	<b>94%</b>	<b>84%</b>	All Div'ds to Net Prof	<b>45%</b>						

**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: \$54.3 billion (Large Cap)**

**CURRENT POSITION (SMILL.)**

	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	<b>38867</b>	<b>34418</b>	<b>31999</b>
Accts Payable	6515	5023	4713
Debt Due	7204	6319	6523
Other	14158	14961	14054
Current Liab.	<b>27877</b>	<b>26303</b>	<b>25290</b>

**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.

**While Caterpillar sees positive signs in various end markets, the overall economic environment remains somewhat challenging.** Commodity prices have regained some ground, which resulted in higher quoting and order activity in the fourth quarter. This indicates that mining-related sales (the company's bread-and-butter business) have bottomed. These developments augur well for CAT's Resource Industries unit. Still, management expects miners' capital spending to be flat in 2017, after several years of cuts. The Construction Industries segment is looking forward to better days, as China and Brazil are recovering, and Europe has stabilized. Still, the ample supply of used equipment, which weighed on results last year, is likely to linger into 2017. Business from countries that rely on oil revenues to drive economic growth will probably remain tepid, at best. Higher oil prices portend well for Caterpillar's line of drilling and servicing offerings made by the Energy & Transportation division. Unfortunately for this venerable company, rail lines remain saddled with low traffic volume, while both power generation and shipbuilding operations appear set to be laggards in the coming quarters.

**Management has lowered revenue expectations for 2017 from \$38 billion to a range of \$36 billion to \$39 billion.** Excluding about \$500 million in estimated restructuring costs, CAT is looking for share net of \$2.90. We feel that management is being cautious. Instead, we are maintaining our 2017 share-net estimate of \$3.25 on sales of nearly \$38 billion. Our initial take for 2018 calls for top and bottom lines of \$38.47 billion and \$3.70, respectively.

**Prospective policy has buoyed the equities of industrial companies.** This, together with the possibility of tax reform, bears watching. Moreover, a surge in CAT shares toward the tail end of 2016 helped it become one of the better performers among the 30 stocks included in the Dow Jones Industrial Average. What's more, Caterpillar stock is ranked to outperform the broader market during the next six to 12 months. However, its long-term total return potential out to 2020-2022 is below average.

*Dominic B. Silva* February 17, 2017

(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 Apr. (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.	Company's Financial Strength <b>A+</b> Stock's Price Stability <b>70</b> Price Growth Persistence <b>40</b> Earnings Predictability <b>45</b>
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