

CATERPILLAR INC. NYSE-CAT

RECENT PRICE **114.41** P/E RATIO **21.7** (Trailing: 25.7; Median: 15.0) RELATIVE P/E RATIO **1.14** DIV'D YLD **2.7%** VALUE LINE

TIMELINESS **3** Lowered 3/24/17
 SAFETY **2** Raised 11/21/14
 TECHNICAL **3** Lowered 7/21/17
 BETA 1.20 (1.00 = Market)

High: 82.0 87.0 86.0 61.3 94.9 116.6 116.9 99.7 111.5 92.4 97.4 115.3
 Low: 57.1 58.0 32.0 21.7 50.5 67.5 78.3 79.5 85.9 63.0 56.4 90.3

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

2020-22 PROJECTIONS

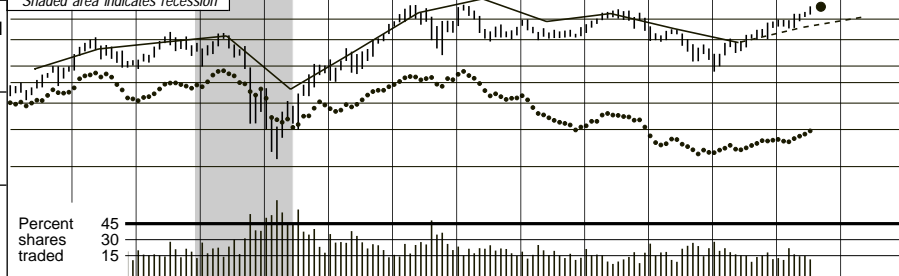
	Price	Gain	Ann'l Total Return
High	155	(+35%)	10%
Low	115	(Nil)	3%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	1	0	0	0	0
Options	0	5	0	1	2	12	0	2	0
to Sell	0	2	0	0	1	0	0	0	0

Institutional Decisions

	3Q2016	4Q2016	1Q2017
to Buy	465	488	431
to Sell	485	526	624
Hlds(000)	406097	419685	462730



Target Price Range
 2020 2021 2022

Year	Target Price
2020	100
2021	120
2022	140

% TOT. RETURN 7/17

Period	THIS STOCK	VL ARITH. INDEX
1 yr.	42.2	14.4
3 yr.	25.0	26.9
5 yr.	56.3	95.3

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
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	73.00	80.00	Sales per sh	94.80
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	10.15	11.45	"Cash Flow" per sh	14.30
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	5.00	6.00	Earnings per sh ^A	8.50
.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	3.16	Div's Decl'd per sh ^B	3.48
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	2.05	2.15	Cap'l Spending per sh ^C	2.30
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	24.45	27.75	Book Value per sh ^D	40.80
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	589.00	575.00	Common Shs Outst'g ^E	565.00
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	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	16.0
1.08	1.14	1.07	.73	.67	.71	.73	.69	1.96	1.06	.78	.64	.85	.83	.86	1.20			Relative P/E Ratio	1.00
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%			Avg Ann'l Div'd Yield	2.6%

CAPITAL STRUCTURE as of 6/30/17
 Total Debt \$30.4 bill. Due in 5 Yrs \$20.8 bill.
 LT Debt \$23.8 bill. LT Interest \$950 mill.
 Incl. \$25.0 bill. in debt held by CAT Financial.
 (LT interest earned: 4.6%;
 Total interest coverage: 3.0x) (63% of Cap'l)

Leases, Uncapitalized Annual rentals \$211.0 mill.
Pension Assets-12/16 \$15.2 bill. **Oblig.** \$20.7 bill.
Pfd Stock None

Common Stock 590,972,792 shs.

MARKET CAP: \$67.6 billion (Large Cap)

44958	51324	32396	42588	60138	65875	55656	55184	47011	38537	43000	46000	Sales (\$mill)	53000
17.5%	14.8%	12.2%	16.8%	19.3%	20.1%	18.7%	19.5%	19.0%	17.2%	17.5%	18.0%	Operating Margin	19.5%
1797.0	1980.0	2336.0	2296.0	2527.0	2813.0	3087.0	3163.0	3046.0	3034.0	3010	3120	Depreciation (\$mill) ^F	3230
3509.0	3586.0	895.0	2700.0	5201.0	6270.0	3815.0	4003.0	2778.0	2015.6	2980	3470	Net Profit (\$mill)	4845
30.0%	21.3%	--	25.8%	24.6%	28.6%	25.6%	25.6%	21.0%	25.0%	25.0%	25.0%	Income Tax Rate	25.0%
7.8%	7.0%	2.8%	6.3%	8.6%	9.5%	6.9%	7.3%	5.9%	5.2%	6.9%	7.5%	Net Profit Margin	9.1%
3232.0	5564.0	7497.0	9790.0	9567.0	12769	11038	10990	8115.0	5835.0	7400	8835	Working Cap'l (\$mill)	14515
17829	22834	21847	20437	24944	27752	26719	27784	25247	22818	22700	22700	Long-Term Debt (\$mill)	21500
8883.0	6087.0	8823.0	10824	12929	17582	20878	16826	14885	13213	14400	15950	Shr. Equity (\$mill)	23050
14.8%	14.0%	4.5%	10.1%	14.8%	14.7%	8.8%	9.7%	7.7%	6.9%	9.5%	10.0%	Return on Total Cap'l	12.0%
39.5%	58.9%	10.1%	24.9%	40.2%	35.7%	18.3%	23.8%	18.7%	15.3%	20.5%	22.0%	Return on Shr. Equity	21.0%
30.0%	43.3%	NMF	14.9%	31.3%	26.5%	13.0%	14.2%	6.9%	1.6%	8.0%	10.5%	Retained to Com Eq	12.5%
24%	27%	115%	40%	22%	26%	29%	40%	63%	89%	60%	52%	All Div's to Net Prof	40%

CURRENT POSITION (SMILL.)

	2015	2016	6/30/17
Cash Assets	6460	7168	10232
Receivables	15686	14503	15595
Inventory (LIFO)	9700	8614	9388
Other	2572	1682	1776
Current Assets	34418	31967	36991
Accts Payable	5023	4614	5778
Debt Due	6319	6662	6597
Other	14961	14856	15758
Current Liab.	26303	26132	28133

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '13-'15 of change (per sh) to '20-'22

Sales	7.0%	5.0%	3.0%
"Cash Flow"	8.0%	8.0%	6.0%
Earnings	7.0%	8.0%	10.0%
Dividends	12.5%	10.0%	2.5%
Book Value	10.5%	16.0%	8.5%

QUARTERLY SALES (\$ mill.)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2014	13241	14150	13549	14244	55184
2015	12702	12317	10962	11030	47011
2016	9461	10342	9160	9574	38537
2017	9822	11331	10747	11100	43000
2018	11050	12150	11250	11550	46000

EARNINGS PER SHARE ^A

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2014	1.61	1.69	1.72	1.35	6.37
2015	1.86	1.27	.75	.74	4.62
2016	.67	1.09	.85	.83	3.44
2017	1.28	1.49	1.11	1.12	5.00
2018	1.55	1.75	1.35	1.35	6.00

QUARTERLY DIVIDENDS PAID ^B

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	--	.52	.60	.60	1.72
2014	.60	.60	.70	.70	2.60
2015	.70	.70	.77	.77	2.94
2016	.77	.77	.77	.77	3.08
2017	.77	.77	.78		

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 59% of total; research & development: 5.1% of sales. 2016 depreciation rate: 9.5%. Has about 95,400 employees. Officers & directors own less than 1.0% of common stock; State Street, 9.2%; The Vanguard Group, 6.4% (4/17 proxy). Chairman: Douglas R. Oberhelman. Chief Executive Officer: Jim Umpleby. Inc.: DE. Addr.: 100 Northeast Adams St., Peoria, IL 61629. Tel.: 309-675-1000. Web: www.caterpillar.com.

Shares of Caterpillar rose to a 52-week high after the manufacturer's second-quarter results beat Wall Street expectations. Sales of \$11.33 billion eclipsed our \$10.62 billion estimate, sparked by improvement in the Construction Industries division. Similarly, the Resource Industries unit benefited from better end-user demand for aftermarket parts and the favorable impact of changes in dealer inventories. Lastly, the Energy & Transportation segment took advantage of greater demand for parts and services. Progress in various end markets, when combined with controlled costs, helped CAT generate higher income. Excluding nonrecurring items, share profit of \$1.49 surged past our estimate of \$1.10, as well as the year-earlier figure of \$1.09.

Due to healthier demand across a multitude of end markets and disciplined cost controls, the company has raised its 2017 outlook. The world's biggest manufacturer of earth-moving equipment expects sales of \$42 billion-\$44 billion, up from its previous forecast of \$38 billion-\$41 billion. It also is looking for share net of \$5.00, up from \$3.75. Growth

in orders has led newly appointed CEO Jim Umpleby to call for investments to maintain the company's leading position in the industry. In particular, Mr. Umpleby has placed an emphasis on accelerated digital capabilities and accelerating technology updates to products.

A number of factors have contributed to the recent rise in CAT's share price. The biggest is accelerating global economic activity, which should support sales of heavy equipment in the second half of 2017. Another positive is the likelihood that the worst of the mining industry's secular decline is in the rearview mirror. Equipment sales are apt to stabilize, if not grow, in 2017, following a massive 40% plunge in total spending during 2016. Improved demand and expenditures by rental companies helped this venerable company to increase prices. Taking these factors together, we have sharply raised our 2017 top- and bottom-line estimates, to \$43 billion and \$5.00, respectively.

Due to the recent run-up in share price, though, Caterpillar stock holds limited appeal.

Dominic B. Silva August 18, 2017

(A) Diluted earnings. Excl. net nonrecurring gain (losses): '03, (6c); '06, (8c); '07, 5c; '08, (5c); '11, (41c); '12, (88c); '13, (4c); '14, (49c); '15, (\$1.12); '16, (\$3.55). Includes 75¢ of restructuring costs in '09; est'd Health Care Reform chg of 11¢ in '10. '10. Next exp. report late Oct. (B) Div's historically paid mid-February, May, August, November. '13 1Q Div'd paid in '12 4Q. (C) Div'd reinvestment plan avail. (C) Incl. equip. purch. for leasing. (D) Incl. intang. In '16: \$8.3 bill., \$14.30/sh. (E) In mill., adjusted for split. (F) Accelerated basis.