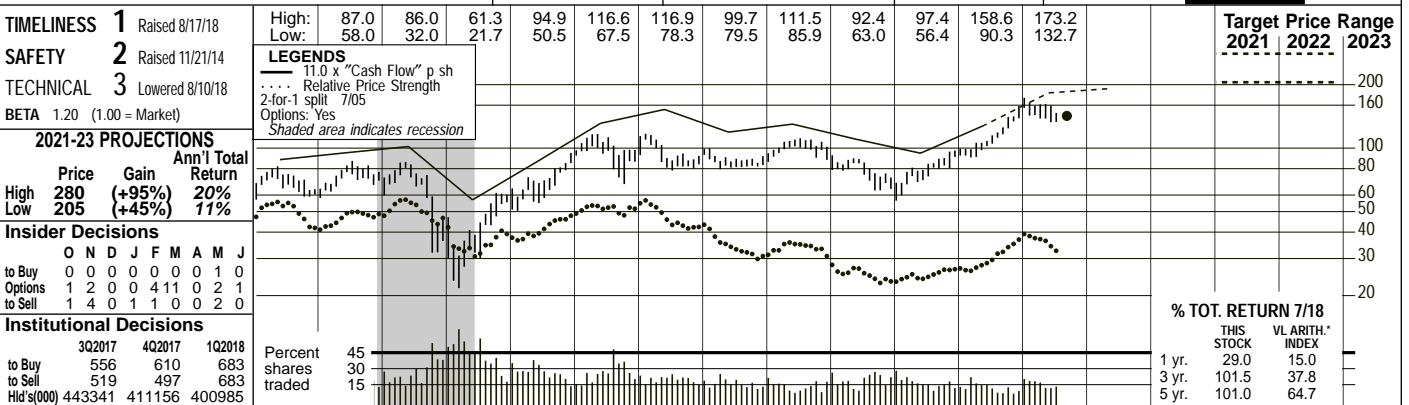


CATERPILLAR INC. NYSE-CAT

RECENT PRICE **142.38** P/E RATIO **12.3** (Trailing: 14.4 Median: 16.0) RELATIVE P/E RATIO **0.67** DIV'D YLD **2.4%** VALUE LINE



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
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	65.71	76.07	92.10	100.00	Sales per sh	120.35
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	8.60	11.68	16.60	17.50	"Cash Flow" per sh	20.65
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	6.88	11.50	11.90	Earnings per sh ^A	14.30
.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	3.11	3.28	3.42	Div'ds Decl'd per sh ^B	3.68
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	4.99	3.91	4.80	4.40	Cap'l Spending per sh ^C	4.65
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	22.53	23.03	28.05	36.30	Book Value per sh ^D	67.55
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	586.49	597.63	585.00	570.00	Common Shs Outst'g ^E	570.00
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	16.4	16.4	16.4	Avg Ann'l P/E Ratio	17.0
1.14	1.07	.73	.67	.71	.73	.69	1.96	1.06	.78	.64	.85	.83	.86	1.20	.82	1.20	1.20	Relative P/E Ratio	.95
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%	3.9%	2.8%	2.8%	2.8%	Avg Ann'l Div'd Yield	1.8%

CAPITAL STRUCTURE as of 6/30/18		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Debt \$29.9 bill.	Due in 5 Yrs \$21.9 bill.	51324	32396	42588	60138	65875	55656	55184	47011	38537	45462	53870	57000	Sales (\$mill)	65000				
LT Debt \$23.7 bill.	LT Interest \$970 mill.	14.8%	12.2%	16.8%	19.3%	20.1%	18.7%	19.5%	19.0%	17.2%	22.5%	22.5%	22.5%	Operating Margin	23.0%				
Incl. \$25.0 bill. in debt held by CAT Financial.	(LT interest earned: 6.9x; Total interest coverage: 5.7x) (63% of Cap'l)	1980.0	2336.0	2296.0	2527.0	2813.0	3087.0	3163.0	3046.0	3034.0	2877.0	2920	3080	Depreciation (\$mill) ^F	3300				
Leases, Uncapitalized Annual rentals \$331.0 mill.	Pension Assets-12/17 \$17.7 bill. Oblig. \$21.9 bill.	3586.0	895.0	2700.0	5201.0	6270.0	3815.0	4003.0	2778.0	2010.0	4104.0	6785	6900	Net Profit (\$mill)	7860				
Pfd Stock None		21.3%	--	25.8%	24.6%	28.6%	25.6%	25.6%	21.0%	8.7%	26.3%	22.0%	22.0%	Income Tax Rate	22.0%				
Common Stock 596,200,000 shs.		7.0%	2.8%	6.3%	8.6%	9.5%	6.9%	7.3%	5.9%	5.2%	9.0%	12.6%	12.1%	Net Profit Margin	12.1%				
MARKET CAP: \$84.9 billion (Large Cap)		5564.0	7497.0	9790.0	9567.0	12769	11038	10990	8115.0	5835.0	9313.0	9620	10650	Working Cap'l (\$mill)	14660				
CURRENT POSITION		22834	21847	20437	24944	27752	26719	27784	25247	22818	23847	23000	22200	Long-Term Debt (\$mill)	21500				
		6087.0	8823.0	10824	12929	17582	20878	18626	14885	13213	13766	16400	20700	Shr. Equity (\$mill)	36480				
		14.0%	4.5%	10.1%	14.8%	14.7%	8.8%	9.7%	7.7%	6.4%	12.2%	18.5%	17.0%	Return on Total Cap'l	14.5%				
		58.9%	10.1%	24.9%	40.2%	35.7%	18.3%	23.8%	18.7%	15.2%	29.8%	41.5%	33.5%	Return on Shr. Equity	21.5%				
		43.3%	NMF	14.9%	31.3%	26.5%	13.0%	14.2%	6.9%	1.6%	16.5%	30.0%	24.5%	Retained to Com Eq	16.5%				
		27%	115%	40%	22%	26%	29%	40%	63%	90%	45%	28%	28%	All Div'ds to Net Prof	25%				

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. 2017 depreciation rate: 9.1%. Has about 98,400 employees. Officers & directors own less than 1.0% of common stock; State Street, 8.3%; The Vanguard Group, 7.3% (4/18 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.

Caterpillar fared well in the second quarter. Sales of \$14.01 billion beat our \$13.28 billion call, as the company benefited from favorable conditions in most end markets. Caterpillar experienced higher demand across its three segments, led by Construction Industries. The division capitalized on increased spending on construction equipment, primarily in the oil and gas and nonresidential construction arenas. Economies of scale helped the company overcome higher manufacturing costs, which were due to increased freight and materials expenses. Too, a reduction in the U.S. corporate tax rate supported net income. In all, share profits of \$2.97 eclipsed our \$2.65 estimate.

Markets continue to improve, order rates remain healthy, and the backlog is strong (\$17.7 billion). A gradual strengthening in crude prices has led to commensurate gains in orders from energy producers. Altogether, we have raised our 2018 sales estimates by \$1.88 billion, to \$53.87 billion. Based on the very impressive performance posted in the June period and continued strength in end markets, management boosted its share-profit outlook from a range of \$10.25-\$11.25, to \$11.00-\$12.00. It is looking for recently imposed tariffs to lead to \$100 million-\$200 million in incremental costs during the second half of 2018. However, the company ought to offset this impact through recently implemented price hikes and cost discipline. Share repurchases ought to also help. After buying back \$2.25 billion of CAT shares during the first half of 2018, the company has \$4.20 billion remaining under its current authorization. We look for similar spending on this front in the second half of 2018. In all, we have bolstered our bottom-line estimate by \$0.75, to \$11.50.

For investors with a long-term outlook, these shares remain appealing. The stock had been on a two-year run and even established a new all-time high earlier this year, but has since pulled back in price as investors have grown worried about a potentially intensifying trade war. While higher tariffs would hurt the capital goods manufacturer's international operations, leadership expects to manage the recently implemented policy.

Dominic B. Silva August 17, 2018

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Company's Financial Strength	A+
Stock's Price Stability	30
Price Growth Persistence	75
Earnings Predictability	45