

# CATERPILLAR INC. NYSE-CAT

RECENT PRICE **129.33** P/E RATIO **10.8** (Trailing: 12.0 Median: 16.0) RELATIVE P/E RATIO **0.65** DIV'D YLD **2.7%** VALUE LINE

TIMELINESS <b>3</b> Lowered 10/19/18	High: 87.0	86.0	61.3	94.9	116.6	116.9	99.7	111.5	92.4	97.4	158.6	173.2							Target Price Range
SAFETY <b>2</b> Raised 11/21/14	Low: 58.0	32.0	21.7	50.5	67.5	78.3	79.5	85.9	63.0	56.4	90.3	112.1							2021 2022 2023
TECHNICAL <b>2</b> Raised 11/9/18	<b>LEGENDS</b> — 11.0 x "Cash Flow" p sh ... Relative Price Strength 2-for-1 split 7/05 Options: Yes Shaded area indicates recession																		
BETA 1.30 (1.00 = Market)	320 200 160 120 100 80 60 40 20 0 -18																		

**2021-23 PROJECTIONS**

Price	Gain	Ann'l Total Return
High <b>280</b>	<b>(+115%)</b>	<b>23%</b>
Low <b>205</b>	<b>(+60%)</b>	<b>14%</b>

**Insider Decisions**

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	1	0	0	0	0
Options	0	4	1	0	2	1	0	0	1
to Sell	1	1	0	0	2	0	0	0	0

**Institutional Decisions**

	4Q2017	1Q2018	2Q2018
to Buy	610	683	681
to Sell	497	683	618
Hld's(000)	411156	400985	404910

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	<b>92.20</b>	<b>101.05</b>	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	<b>16.75</b>	<b>18.15</b>	"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	<b>11.60</b>	<b>12.50</b>	Earnings per sh <sup>A</sup>	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	<b>3.28</b>	<b>3.42</b>	Div'ds Decl'd per sh <sup>B</sup>	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	<b>4.75</b>	<b>4.40</b>	Cap'l Spending per sh <sup>C</sup>	6.65
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	<b>27.80</b>	<b>36.50</b>	Book Value per sh <sup>D</sup>	44.80
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	<b>590.00</b>	<b>570.00</b>	Common Shs Outst'g <sup>E</sup>	540.00
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	<b>17.0</b>	<b>16.4</b>	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	<b>1.20</b>	<b>.82</b>	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%	<b>3.9%</b>	<b>2.8%</b>	Avg Ann'l Div'd Yield	1.8%

**CAPITAL STRUCTURE as of 9/30/18**  
 Total Debt \$31.2 bill. Due in 5 Yrs \$21.9 bill.  
 LT Debt \$25.4 bill. LT Interest \$970 mill.  
 Incl. \$25.0 bill. in debt held by CAT Financial.  
 (LT interest earned: 6.9%;  
 Total interest coverage: 5.7x) (63% of Cap'l)

**Leases, Uncapitalized** Annual rentals \$331.0 mill.  
**Pension Assets-12/17** \$17.7 bill. **Oblig.** \$21.9 bill.  
**Pfd Stock** None

**Common Stock** 592,100,000 shs.

**MARKET CAP: \$76.6 billion (Large Cap)**

**CURRENT POSITION**

	2016	2017	9/30/18
Cash Assets	7168	8261	8007
Receivables	5981	7436	8028
Inventory (LIFO)	8614	10018	11814
Other	10204	10529	10659
Current Assets	31967	36244	38508
Accts Payable	4614	6487	6842
Debt Due	6662	6194	5811
Other	14856	14250	13434
Current Liab.	26132	26931	26087

**ANNUAL RATES**

Past 10 Yrs.	Past 5 Yrs.	Est'd '15-'17
change (per sh)		to '21-'23
Sales	4.0%	7.0%
"Cash Flow"	4.5%	11.0%
Earnings	1.5%	17.5%
Dividends	11.5%	2.5%
Book Value	8.5%	17.5%

**QUARTERLY SALES (\$ mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2015	12702	12317	10962	11030	47011
2016	9461	10342	9160	9574	38537
2017	9822	11331	11413	12896	45462
2018	12859	14011	13510	14020	54400
2019	13600	14800	14200	15000	57600

**EARNINGS PER SHARE <sup>A</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2015	1.86	1.27	.75	.74	4.62
2016	.67	1.09	.85	.83	3.44
2017	1.28	1.49	1.95	2.16	6.88
2018	2.82	2.97	2.86	2.95	11.60
2019	3.00	3.20	3.05	3.25	12.50

**QUARTERLY DIVIDENDS PAID <sup>B</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	.60	.60	.70	.70	2.60
2014	.70	.70	.77	.77	2.94
2015	.77	.77	.77	.77	3.08
2016	.77	.77	.78	.78	3.10
2017	.78	.78	.86	.86	

**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.

**Operating conditions appear to be sound for Caterpillar.** In fact, most end markets continue to gain strength, and order rates and backlog remain at healthy levels. Amid strong global demand and U.S. tariffs, however, the price of various metals (steel has risen nearly 30% this year) has surged. Wall Street is concerned that trade frictions will remain at the forefront. In order to offset higher input costs, the company continues to rely on price hikes. We are not sure this is a sustainable policy since the manufacturer sells to certain industries that have probably reached their cyclical peaks.

**Third-quarter results beat lofty expectations.** Sales surged 18% over the year-ago period, to \$13.5 billion, and eclipsed our \$13.0 billion call. The top line was driven by higher volumes across all three segments. It helped Caterpillar overcome a rise in transportation and manufacturing costs, which reflected increased material expenses (especially for steel) due to tariffs. Freight costs advanced because of supply chain efficiencies, as the industry continues to respond to strong global demand. Altogether, Caterpillar reported a

47% share-net gain over the year-ago period, to \$2.86, which beat our \$2.81 estimate. This was the best third-quarter profit performance in the company's long history. Despite the solid showing, the aforementioned geopolitical factors likely led Caterpillar to maintain its 2018 adjusted profit-per-share outlook of \$11.00-\$12.00. This seems somewhat conservative, leading us to modestly raise our top-and bottom-line estimates, to \$54.40 billion and \$11.60, respectively. Due to pent-up demand, sales and profit comparisons should be favorable in 2019.

**The recent share price serves as a potential entry at a favorable valuation.** The stock had been on a two-year run and even established a new all-time high earlier this year, but has since fallen roughly 30% in price as investors have grown wary of a potentially prolonged trade war. Due to this moderation, CAT stock is trading at a P/E multiple (10.8x) that is well below the level we expect out to 2021-2023. Moreover, the issue's 3- to 5-year total return potential eclipses that of the Value Line median.

Dominic B. Silva November 16, 2018

(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 1Q, '10. Next eggs report late January. (B) Div'ds historically paid mid-April, May, August, November. ■ Div'd rein-

vestment 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.

Company's Financial Strength	A+
Stock's Price Stability	65
Price Growth Persistence	35
Earnings Predictability	45