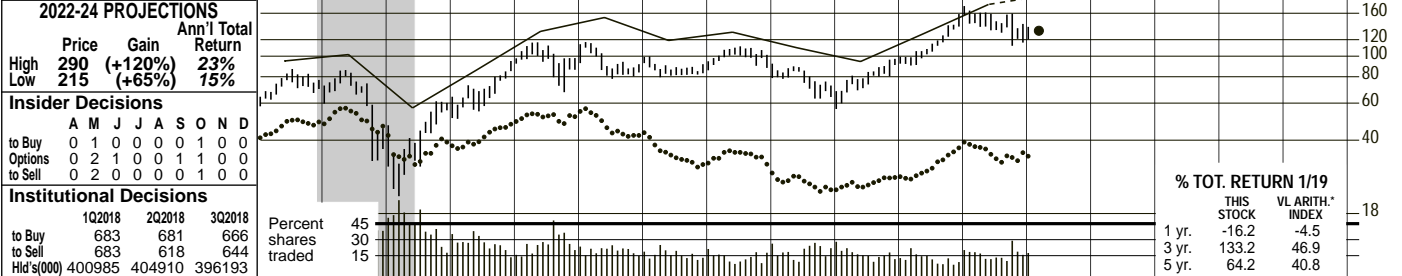


CATERPILLAR INC. NYSE-CAT

RECENT PRICE **132.00** P/E RATIO **11.2** (Trailing: 11.8; Median: 16.0) RELATIVE P/E RATIO **0.66** DIV'D YLD **2.6%** VALUE LINE

TIMELINESS 3 Lowered 10/19/18	High: 86.0 Low: 32.0	61.3 21.7	94.9 50.5	116.6 67.5	116.9 78.3	99.7 79.5	111.5 85.9	92.4 63.0	97.4 56.4	158.6 90.3	173.2 112.1	137.7 120.4	Target Price Range 2022 2023 2024
SAFETY 2 Raised 11/21/14	LEGENDS 11.0 x "Cash Flow" p sh Relative Price Strength Options: Yes Shaded area indicates recession												
TECHNICAL 3 Raised 2/1/19	320 200 160 120 100 80 60 40												
BETA 1.30 (1.00 = Market)	% TOT. RETURN 1/19 THIS STOCK VL ARITH. INDEX 1 yr. -16.2 -4.5 3 yr. 133.2 46.9 5 yr. 64.2 40.8												



2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	© VALUE LINE PUB. LLC	22-24
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	92.53	101.75	103.95	Sales per sh	124.45
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	16.00	17.90	18.75	"Cash Flow" per sh	21.15
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	11.18	12.50	13.00	Earnings per sh ^A	14.80
.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	3.48	Div's Decl'd per sh ^B	3.68
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	4.73	4.40	4.45	Cap'l Spending per sh ^C	4.65
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	23.81	33.30	42.30	Book Value per sh ^D	70.85
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	597.40	570.00	560.00	Common Shs Outst'g ^E	540.00
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	12.9	17.00	17.00	Avg Ann'l P/E Ratio	17.0
1.07	.73	.67	.71	.73	.69	1.96	1.06	.78	.64	.85	.83	.86	1.20	.82	.66	1.20	1.20	Relative P/E Ratio	.95
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%	2.3%	2.8%	2.8%	Avg Ann'l Div'd Yield	1.8%

CAPITAL STRUCTURE as of 12/31/18		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Debt \$30.8 bill.	Due in 5 Yrs \$21.9 bill.	32396	42588	60138	65875	55656	55184	47011	38537	45462	54722	58000	58200	Sales (\$mill)	67200				
LT Debt \$25.0 bill.	LT Interest \$970 mill.	12.2%	16.8%	19.3%	20.1%	18.7%	19.5%	19.0%	17.2%	22.5%	24.0%	23.5%	23.0%	Operating Margin	23.0%				
Incl. \$25.0 bill. in debt held by CAT Financial.	(LT interest earned: 6.9x;	2336.0	2296.0	2527.0	2813.0	3087.0	3163.0	3046.0	3034.0	2877.0	2766.0	2940	3100	Depreciation (\$mill) ^F	3280				
Total interest coverage: 5.7x)	(63% of Cap'l)	895.0	2700.0	5201.0	6270.0	3815.0	4003.0	2778.0	2010.0	4104.0	6698.0	7255	7400	Net Profit (\$mill)	8140				
Leases, Uncapitalized Annual rentals \$331.0 mill.	Pension Assets-12/17 \$17.7 bill. Oblig. \$21.9 bill.	--	25.8%	24.6%	28.6%	25.6%	25.6%	21.0%	8.7%	26.3%	22.0%	22.0%	22.0%	Income Tax Rate	22.0%				
Pfd Stock None		2.8%	6.3%	8.6%	9.5%	6.9%	7.3%	5.9%	5.2%	9.0%	12.2%	12.5%	12.7%	Net Profit Margin	12.1%				
Common Stock 597,400,000 shs.		7497.0	9790.0	9567.0	12769	11038	10990	8115.0	5835.0	9313.0	10385	10930	11430	Working Cap'l (\$mill)	11770				
MARKET CAP: \$78.9 billion (Large Cap)		21847	20437	24944	27752	26719	27784	25247	22818	23847	25000	24500	24500	Long-Term Debt (\$mill)	22000				
CURRENT POSITION 2016 2017 12/31/18		8823.0	10824	12929	17582	20878	16826	14885	13213	13766	14080	18990	23690	Shr. Equity (\$mill)	38270				
Cash Assets 7168.0	8261.0	7857.0												Return on Total Cap'l	14.5%				
Receivables 5981.0	7436.0	8802.0												Return on Shr. Equity	21.5%				
Inventory (LIFO) 8614.0	10018.0	11529.0												Retained to Com Eq	14.5%				
Other 10204.0	10529.0	10415.0												All Div's to Net Prof	31%				
Current Assets 31967.0	36244.0	38603.0																	
Accts Payable 4614.0	6487.0	7051.0																	
Debt Due 6662.0	6194.0	5830.0																	
Other 14856.0	14250.0	15337.0																	
Current Liab. 26132.0	26931.0	28218.0																	

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.: 510 Lake Cook Road, Suite 100, Deerfield, IL 60015. Tel.: 309-675-1000. Web: www.caterpillar.com.

Cal-endar	QUARTERLY SALES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2016	9461	10342	9160	9574	38537
2017	9822	11331	11413	12896	45462
2018	12859	14011	13510	14342	54722
2019	13650	15000	14250	15100	58000
2020	13700	15000	14500	15000	58200

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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	2.55	11.18
2019	3.00	3.20	3.05	3.25	12.50
2020	3.10	3.30	3.20	3.40	13.00

Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2015	.70	.70	.77	.77	2.94
2016	.77	.77	.77	.77	3.08
2017	.77	.77	.78	.78	3.10
2018	.78	.78	.86	.86	3.28
2019					

Caterpillar reported mixed fourth-quarter results. The company registered a sales surprise of \$14.342 billion, which beat our \$14.020 billion call. The increase was due to higher sales volumes, driven by improved demand across all three of its primary operating segments. Favorable price realization, most notably in the Construction Industries unit, also contributed to the performance. Taking a closer look at the divisions, Construction Industries, the largest based on sales, gained from a recovery in oil and gas activity. Meanwhile, Resource Industries registered the biggest year-over-year sales advance (21%). Mining activity was robust, as commodity market fundamentals remained positive, and increased nonresidential construction activity perked up. Adjusted share net of \$2.55 fell short of our \$2.95 estimate, however.

Weaker-than-expected sales guidance for 2019 soured overall market sentiment. Management assumes modest top-line expansion based on the fundamentals across diverse end markets, as well as the current macroeconomic and geopolitical environment. Specifically, an ongoing

slowdown for sales in China, where the economic growth rate has slowed to levels not seen in nearly three decades, and a correction in crude prices were likely reasons for Caterpillar's tepid outlook. To make matters worse, the company also said its order backlog fell \$800 million over the final three months of the year, to \$16.500 billion. Caterpillar intends to maintain focus on cost discipline, while investing in expanded offerings and services, resulting in a profit guidance of \$11.75 to \$12.75. We are maintaining our 2019 top-and-bottom-line estimates of \$58.000 billion and \$12.50, respectively. These conditions should continue into 2020, leading to the likelihood of muted operational gains. **Caterpillar shares dipped on the disappointing report, and they are well off their 52-week high.** However, this has left investors with a more attractive entry point. Indeed, the stock is trading at a P/E multiple that is well below the level we expect over the 3- to 5-year pull. Also, CAT possesses other positive attributes, which are punctuated by the likely continuation of its friendly shareholder policy. *Dominic B. Silva February 15, 2019*