

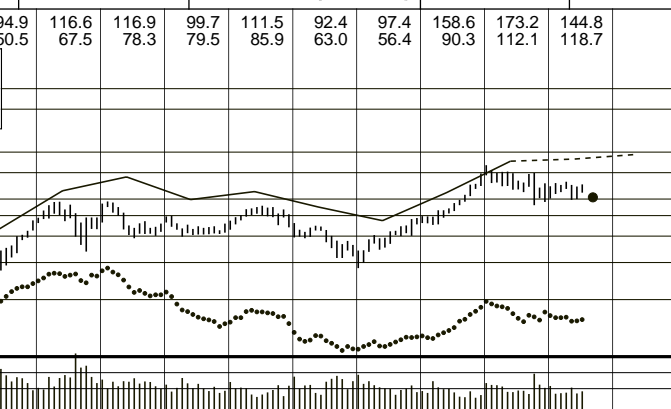
CATERPILLAR INC. NYSE-CAT

RECENT PRICE **122.08** P/E RATIO **10.3** (Trailing: 10.9 Median: 16.0) RELATIVE P/E RATIO **0.64** DIV'D YLD **3.4%** VALUE LINE

TIMELINESS 4 Lowered 7/5/19
SAFETY 2 Raised 11/21/14
TECHNICAL 3 Raised 8/9/19
BETA 1.30 (1.00 = Market)

High: 86.0 61.3 94.9 116.6 116.9 99.7 111.5 92.4 97.4
 Low: 32.0 21.7 50.5 67.5 78.3 79.5 85.9 63.0 56.4

LEGENDS
 — 11.0 x "Cash Flow" p sh
 ... Relative Price Strength
 Options: Yes
 Shaded area indicates recession



Target Price	Range	
2022	2023	2024
400		
320		
200		
160		
120		
100		
80		
60		
40		

2022-24 PROJECTIONS

Price	Gain	Ann'l Total Return
High 290	(+140%)	26%
Low 215	(+75%)	17%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	1	0	0	0	0	0	0	0	0
Options	1	0	0	0	7	11	0	2	0
to Sell	1	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q2018	4Q2018	1Q2019
to Buy	666	725	719
to Sell	644	720	680
Hlds(000)	396193	381813	372115

Percent shares traded

Percent	45	30	15
45			
30			
15			

% TOT. RETURN 7/19	THIS STOCK	VLARITH: INDEX
1 yr.	-6.0	-2.7
3 yr.	72.4	27.9
5 yr.	51.6	41.9

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	95.08	100.30	102.45	Sales per sh	126.80
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	16.48	16.85	17.75	"Cash Flow" per sh	21.20
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	11.20	11.85	12.35	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	3.36	3.76	4.12	Div'ds Decl'd per sh ^B	4.52
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	5.07	4.45	4.55	Cap'l Spending per sh ^C	4.72
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	24.48	27.50	32.35	Book Value per sh ^D	51.50
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	575.54	560.00	550.00	Common Shs Outst'g ^E	530.00
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	17.0	17.0	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	.70	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%	2.3%	Avg Ann'l Div'd Yield	1.8%

CAPITAL STRUCTURE as of 6/30/19
 Total Debt \$31.0 bill. Due in 5 Yrs \$23.3 bill.
 LT Debt \$24.8 bill. LT Interest \$970 mill.
 Incl. \$25.0 bill. in debt held by CAT Financial.
 (LT interest earned: 8.7%;
 Total interest coverage: 8.7x) (64% of Cap'l)

Leases, Uncapitalized Annual rentals \$322.0 mill.
Pension Assets-12/18 \$16.7 bill. **Oblig.** \$20.1 bill.
Pfd Stock None

Common Stock 562,589,191 shs.

MARKET CAP: \$68.7 billion (Large Cap)

CURRENT POSITION 2017 2018 6/30/19 (\$MILL.)

Cash Assets	8261.0	7857.0	7429.0
Receivables	7436.0	8802.0	8996.0
Inventory (LIFO)	10018.0	11529.0	12007.0
Other	10529.0	10415.0	11357.0
Current Assets	36244.0	38603.0	39789.0
Accts Payable	6487.0	7051.0	7022.0
Debt Due	6194.0	5830.0	6248.0
Other	14250.0	15337.0	14465.0
Current Liab.	26931.0	28218.0	27735.0

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '16-'18 to '22-'24

of change (per sh)	10 Yrs.	5 Yrs.	to '22-'24
Sales	0.5%	-3.5%	8.0%
"Cash Flow"	3.5%	-	9.5%
Earnings	3.0%	-1.5%	13.0%
Dividends	8.5%	9.0%	6.0%
Book Value	7.0%	-2.5%	14.0%

QUARTERLY SALES (\$ mill.)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	9461	10342	9160	9574	38537
2017	9822	11331	11413	12896	45462
2018	12859	14011	13510	14342	54722
2019	13446	14432	13600	14702	56180
2020	13450	14450	13640	14800	56340

EARNINGS PER SHARE ^A

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	11.20
2019	2.94	2.83	3.00	3.08	11.85
2020	3.00	3.05	3.10	3.20	12.35

QUARTERLY DIVIDENDS PAID ^B

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	.86	.86	1.03		

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; R&D: 3.4% of sales.

Shares of Caterpillar fell after the company reported mixed second-quarter results, erasing some of the gains generated in recent months. Sales of \$14.432 billion benefited from price hikes and increased volumes, which were driven by improved demand for various product lines. Favorable price realizations, as well as a decrease in SG&A and R&D expenses, helped limit the negative effects of elevated manufacturing costs, partially due to tariffs (see below). Caterpillar reported an operating margin of 15.3% in the June period, which narrowed slightly from the 15.5% recorded in the year-earlier period. In all, share profit of \$2.83 fell short of our \$3.15 estimate.

The recent shortfall highlights a lack of consistency in meeting expectations. Furthermore, it reflects negative factors in foreign markets. Management had warned earlier this year of challenges in China, where intense competition had led to price wars, and construction activity had slowed. To make matters worse, the recent performance was hurt by an increase in the rate of U.S. tariffs (effective in May) on Chinese goods from 10% to

25%. Too, a recent decision by President Trump to impose a 10% tariff on another \$300 billion worth of Chinese goods bears watching.

Meanwhile, management's outlook for the full year remains intact. Caterpillar expects modest sales growth, which assumes a recovery in the oil and gas markets and enhanced results from dealers working through modestly high machine inventory levels. The company is still looking for price increases to help mitigate a recent run-up in manufacturing costs, leading to an earnings-per-share range of \$11.75 to \$12.75. While we expect another record year for profits, we have tempered our outlook. We have lowered our bottom-line call by \$0.55 a share, to \$11.85.

Caterpillar stock retains solid 3- to 5-year prospects. We think the company will rely on a growing portfolio of services and expanding offerings to deliver long-term growth. Too, the uncertain operating backdrop has encouraged the company to focus on establishing a flexible and competitive cost structure, which may pay dividends down the road.

Dominic B Silva August 16, 2019

(A) Diluted earnings. Excl. net nonrecurring gain (losses): '06, (8¢); '07, 5¢; '08, (5¢); '11, (41¢); '12, (88¢); '13, (4¢); '14, (49¢); '15, (\$1.12); '16, (\$3.55); '17, (\$5.62); '18, (94¢). Incl.

cludes 75¢ of restructuring costs in '09; est'd Health Care Reform chg of 11¢ in 1Q, '10. Next eps report late October. (B) Div'ds historically paid mid-May, July, August, November.

Div'd reinvestment plan avail. (C) Incl. equip. purch. for leasing. (D) Incl. intang. In '18: \$8.1 bill., \$14.09/sh. (E) In mill., adjusted for split. (F) Accelerated basis.

Company's Financial Strength	A+
Stock's Price Stability	60
Price Growth Persistence	35
Earnings Predictability	45