

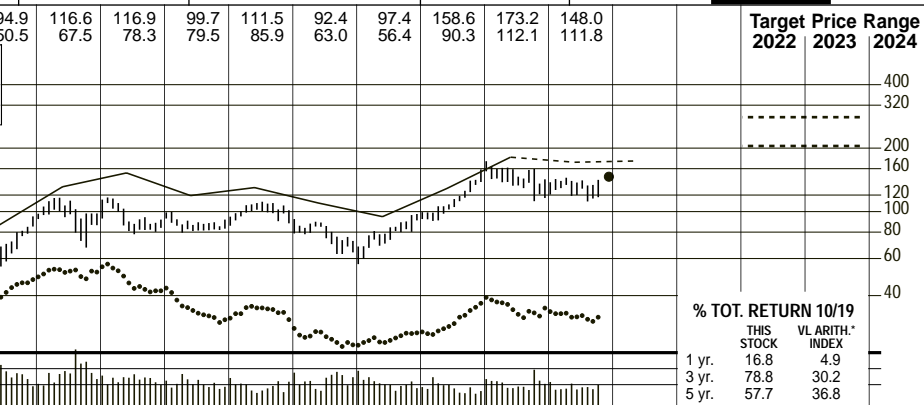
# CATERPILLAR INC. NYSE-CAT

RECENT PRICE **146.37** P/E RATIO **14.2** (Trailing: 13.3; Median: 16.0) RELATIVE P/E RATIO **0.82** DIV'D YLD **2.8%** VALUE LINE

**TIMELINESS** 4 Lowered 7/5/19  
**SAFETY** 2 Raised 11/21/14  
**TECHNICAL** 4 Lowered 11/15/19  
**BETA** 1.35 (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



**18-Month Target Price Range**  
 Low-High Midpoint (% to Mid)  
 \$106-\$223 \$165 (10%)

**2022-24 PROJECTIONS**

	Price	Gain	Ann'l Total Return
High	280	(+90%)	19%
Low	205	(+40%)	11%

**Institutional Decisions**

	4Q2018	1Q2019	2Q2019
to Buy	725	719	655
to Sell	720	680	719
Hlds(000)	381813	372115	371527

Percent shares traded: 45, 30, 15

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	<b>96.40</b>	<b>95.65</b>	Sales per sh	119.20
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	<b>15.60</b>	<b>15.80</b>	"Cash Flow" per sh	19.95
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	<b>10.85</b>	<b>10.75</b>	Earnings per sh <sup>A</sup>	14.25
.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	<b>3.76</b>	<b>4.12</b>	Div'ds Decl'd per sh <sup>B</sup>	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	<b>4.45</b>	<b>4.55</b>	Cap'l Spending per sh <sup>C</sup>	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	<b>27.75</b>	<b>30.55</b>	Book Value per sh <sup>D</sup>	43.40
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	<b>560.00</b>	<b>550.00</b>	Common Shs Outst'g <sup>E</sup>	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	<b>16.8</b>	<b>16.8</b>	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	<b>1.20</b>	<b>1.20</b>	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%	<b>2.8%</b>	<b>2.8%</b>	Avg Ann'l Div'd Yield	1.8%

**CAPITAL STRUCTURE as of 9/30/19**  
 Total Debt \$33.7 bill. Due in 5 Yrs \$23.3 bill.  
 LT Debt \$25.6 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** 565,200,000 shs.

**MARKET CAP: \$82.7 billion (Large Cap)**

CURRENT POSITION	2017	2018	9/30/19
Cash Assets	8261	7857	7906
Receivables	7436	8802	8275
Inventory (LIFO)	10018	11529	12180
Other	10529	10415	10799
Current Assets	36244	38603	39160
Accts Payable	6487	7051	6141
Debt Due	6194	5830	8050
Other	14250	15337	13010
Current Liab.	26931	28218	27201

ANNUAL RATES	Past 10 Yrs	Past 5 Yrs	Est'd '16-'18 to '22-'24
of change (per sh)			
Sales	0.5%	-3.5%	7.0%
"Cash Flow"	3.5%	-	8.5%
Earnings	3.0%	-1.5%	12.0%
Dividends	8.5%	9.0%	6.0%
Book Value	7.0%	-2.5%	11.0%

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	13466	14432	12758	<b>13324</b>	<b>53980</b>
2020	<b>12640</b>	<b>13800</b>	<b>12800</b>	<b>13360</b>	<b>52600</b>

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				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	11.20
2019	2.94	2.83	2.66	<b>2.42</b>	<b>10.85</b>
2020	<b>2.60</b>	<b>2.65</b>	<b>2.70</b>	<b>2.80</b>	<b>10.75</b>

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				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	.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.

**Caterpillar disappointed in the third quarter.** Heightened economic uncertainty, primarily due to the U.S./China trade war, resulted in sales of \$12.8 billion, which fell below our \$13.6 billion call. The miss was due to the unfavorable impact of changes in dealer inventories, partially offset by higher end-user demand across the three primary segments. The decrease in volumes offset the positive impact of price increases and a moderation in both SG&A and research and development expenses. Meantime, the operating profit margin was flat, at 15.8%. In all, share net of \$2.66 missed our \$3.00 mark.

**Continued tepid end-market demand is likely to weigh on December-quarter results, as well.** In particular, dealers are liable to make further inventory reductions due to lingering economic uncertainty. The venerable company is seeking to mitigate the negative impact of the unfavorable backdrop by expanding offerings and investing in services, including digital capabilities.

**Altogether, Caterpillar has lowered its full-year 2019 profit-per-share range to \$10.59-\$11.09, compared to a**

**prior outlook of \$11.75-\$12.75.** This excludes the first-quarter \$0.31-per-share discrete tax benefit. We have cut our top- and bottom-line estimates for the current year by \$1.68 billion and \$0.50 a share, to \$53.98 billion and \$10.85, respectively. The guidance suggests that the deterioration in Asia that the company emphasized in July has worsened. Caterpillar is optimistic that the return of more capital will help retain shareholder interest. Recall, CAT hiked the quarterly dividend 20%, to \$1.03 per share, and has called for more consistent share repurchases.

**Caterpillar stock is up roughly 18% year to date, and it has gained approximately 20% since our August report.** Still, the untimely equity is trading at a P/E ratio that is well below the level we expect for the 3- to 5-year pull, and the recent quotation serves as a good entry point for buy-and-hold investors. The company's growing portfolio of digital capabilities, which should make more meaningful contributions to operations over the same time frame, ought to help lower cyclical fluctuations in CAT shares.

(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. 75¢ of restructuring costs in '09; est'd Health Care Reform chg of 11¢ in 1Q, '10. Next egs report late January. (B) Div'ds historically paid mid-May, July, August, November. (C) Incl. equip. purchase for leasing. (D) Incl. intang. In '18: \$8.1 bill., \$14.09/sh. (E) In mill., adjusted for split. (F) Accelerated basis.

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