



1. Stock View
2. EPS Snapshot
3. Company Dashboard
4. Business Unit Trends

# CATERPILLAR CAT

Everything weak everywhere. Shares are "Cod Liver Oil" Attractive.

Date of Report: 2015.07.24

Earnings Release: 2015.07.23

REVISIONS	
2015 Estimate	
2016 Estimate	
Rating	Not rated
Price Target	
Timing	

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## MARKET DATA

### CATERPILLAR

**Ticker** CAT  
**Price** \$76.23  
**Mcaps** \$0.00

**Current** **Prior**  
**Rating** NA NA  
**Target** NA NA  
**Timing** NA NA

**Est. EPS**  
**2013** \$6.38  
**2014** \$4.98  
**2015** \$4.76  
**2016** \$4.76

**P/E**  
**2013** NA  
**2014** 12x  
**2015** 15x  
**2016** 16x

**Dividend** **Yld**  
**\$3.08** 4.0%

### Pair Trade View

Important disclosures  
on last page.

[www.Langenberg-LLC.com](http://www.Langenberg-LLC.com)

	REVENUE				PROFIT				MARGIN				COMPARISON			
	Act.	L&C Est.	Prior Qtr	Prior Yr	Act.	L&C Est.	Prior Qtr	Prior Yr	Act.	L&C Est.	Prior Qtr	Prior Yr	Y/Y REV	Y/Y EBIT	Q/Q REV	Q/Q EBIT
<b>Total</b>	<b>12,317</b>	<b>-</b>	<b>12,702</b>	<b>14,150</b>	<b>1,130</b>	<b>-</b>	<b>1,527</b>	<b>1,475</b>	<b>9%</b>	<b>#DIV/0!</b>	<b>12%</b>	<b>10%</b>	<b>(13%)</b>	<b>(23%)</b>	<b>(3%)</b>	<b>(26%)</b>
Construction	4,441		4,695	5,407	587		740	674	13%		16%	12%	(18%)	(13%)	(5%)	(21%)
Resource	1,991		1,928	2,241	-		85	133	0%		4%	6%	(11%)	(100%)	3%	(100%)
Energy & Transportation	4,544		4,762	5,175	906		986	1,009	20%		21%	19%	(12%)	(10%)	(5%)	(8%)
All other	637		586	583	217		225	223	34%		38%	38%	9%	(3%)	9%	(4%)
Finance	785		795	834	184		227	244	23%		29%	29%	-	-	-	-
Corporate, Eliminations	(81.0)		(64.0)	(90.0)	(764.0)		(736.0)	(808.0)	943.2%		1150.0%	897.8%	(10%)	(5%)	27%	4%
Interest	(125)		(129)	(120)												
JV, Associate income																
Other income (expense)	(13)		(157)	65												
Misc. charges, gains	-		0	0												
<b>Pre-tax</b>	<b>992</b>		<b>1,241</b>	<b>1,420</b>												
Taxes	(283)		(443)	(419)												
Tax rate	28.5%		35.7%	29.5%												
Net - before items	709		798	1,001												
Discontinued Ops	-		0	0												
Below the line - plug	1		(1)	(2)												
Net	710		797	999												
Avg. Diluted Shares	611		613	638												
EPS: Continuing	\$1.16		\$1.30	\$1.57												
EPS: Discontinued	\$0.00		\$0.00	\$0.00												
EPS: Total	\$1.16		\$1.30	\$1.57												
<b>EPS: Adjusted</b>	<b>\$1.16</b>		<b>\$1.30</b>	<b>\$1.57</b>												
CGS	8,762		8,843	10,197												
SG&A	1,389		1,318	1,437												
R&D	532		546	516												
Gross margin	28.9%		30.4%	27.9%												
SG&A/revenue	11.3%		10.4%	10.2%												

### Key Points

1. **Everything was weak everywhere.** Every region, every end market.

2. **And likely to remain as such or even deteriorate near-term.**

- A. Construction - non res and resi are solid; O&G will continue to more than offset.
- B. Mining - overproduction in the face of low commodity prices continues; not a recipe for an upturn.
- C. Oil & Gas - moving from bad to worse.
- D. Rail - strong pre-buy in '14, no Tier 4 product before '16 = continued weakness.
- E. Industrial - agriculture remains weak.
- F. Power Generation - appears to be in/near a trough.

3. **Which is why the stock is beat up.** CAT is about (30%) off its 52 week high and since the depths of the Great Recession has traded between an \$80 floor and a \$110ish peak. There is nothing I see in the next 3-4 quarters that invites optimism.

4. **Buy the stock.** The "value no catalyst" call is truly the cod liver oil of sell side investment recommendations - it tastes like crap and the customer (buy side) doesn't like it. Then again, the global economy is okay, you get a 3.7% dividend yield to wait and it would take only a little good news for a rally into the 80's again and \$110 longer term.



		COMPARISON							TRADING ORDERS				REVENUE			COMPONENTS					PROFIT			MARGIN			EPS	
		Y/Y			Q/Q		SURP		Stk	Mkt	Rept	Core	Act.	Prior Qtr	Prior Yr	Vol	Price	Deals	FX	Adj.	Act.	Prior Qtr	Prior Yr	Act.	Prior Qtr	Prior Yr	Curr. Yr	Prior Yr
REV	EBIT	EPS	REV	EBIT	REV	EPS																						
CATERPILLAR	CAT	(13%)	(23%)	(19%)	(3%)	(26%)	(2%)	1%	(1)	flat	--	--	12,317	12,702	14,150	(10)	+1	--	(3)	--	1,130	1,527	1,475	9.2%	12.0%	10.4%	1.27	1.57
Construction		(18%)	(13%)		(5%)	(21%)			@10:00AM	--	--	--	4,441	4,695	5,407	(14)	+1	--	(4)	--	587	740	674	13.2%	15.8%	12.5%		Adjusted
Resource		(11%)	(100%)		3%	(100%)			EST	--	--	--	1,991	1,928	2,241	(10)	+0	--	(2)	--	-	85	133	0.0%	4.4%	5.9%	1.16	1.57
Energy & Transportation		(12%)	(10%)		(5%)	(8%)				--	--	--	4,544	4,762	5,175	(9)	+0	--	(4)	--	906	986	1,009	19.9%	20.7%	19.5%		GAAP
All other		9%	(3%)		9%	(4%)				--	--	--	637	586	583	+10	+1	--	(2)	--	217	225	223					
Finance		(6%)	(25%)		(1%)	(19%)				--	--	--	785	795	834	(2)	+0	--	(0)	--	184	227	244					
Corporate, Eliminations		(10%)	(5%)		27%	4%				--	--	--	(81)	(64)	(90)						(764)	(736)	(808)					

Headline: In Line.

Variances (vs. L&C): n/a

Thesis support: Poor fundamentals, stock too cheap to get pounded.

Thesis refutation:

Laterals: MTW, TEX, OSK

Unusual items: (\$0.11) restructuring.

Geography: Strong -

Weak - LatAm off (28%), Asia Pac (22%), EAME (12), N. America (7).

End Markets: Strong -

Weak - Construction, Mining, Rail (share down, no Tier 4), Oil & Gas

Share Repurchase:

Guidance: Unchanged. \$4.70 for '15, \$5.00 ex restructuring.

Sales Δ yy

Construction Sales - off (18%); (14) core, +1 price and (4) FX. Lower end user demand, weak Euro and Yen. New equipment and aftermarket were both down.

Construction Margin - 13.2% - up 70 bps - lower volume drove decline, but margin boosted by lower Yen (CAT is a net exporter from Japan).

Construction 2,319 (3) North America - some resi and non resi strength but more than offset by drop in O&G.

Construction 766 (30) Asia Pacific - China, Japan down. China - weak resi market, Japan - Yen weakness.

Construction 978 (18) EAME - weakness mostly FX. Also dealer inventory cuts.

Construction 378 (47) Latin America - weak in general, particularly Brazil (including big govt order).

Resource Sales - off (11%); (10) volume, (2) FX. Every region fell and while global production remains at high levels management is prudently questioning how long that persists.

Resource Margin - break even versus 5.9% prior year - driven by lower volume, adverse cost absorption. SG&A and R&D were flat on higher new product development spend offset by lower inventive comp.

Resource Mining continues to weaken - new equipment and also aftermarket. Aggregate and quarry up. Customers maintaining high production rate. Not sure how long it holds up. Maintenance capex being pushed out on big trucks.

Resource 802 (7) North America - Aggregate and Quarry had growth but not enough to offset weak coal markets.

Resource 448 (12) Asia Pacific - weak demand, dealer inventory cuts.

Resource 418 (20) EAME - flat end user demand. Dealer destock, FX drove decline.

Resource 323 (6) Latin America - weak demand, dealer inventory cuts.

Energy & Transportation Sales - down (12%); (9) volume (4) FX. All end markets down. Transportation and Oil & Gas are set to continue weakening over the next few quarters.

Energy & Transportation Margin - 19.5% - up 40 bps - lower volume offset by mix and lower comp expense.

Energy & Transportation Transportation - down the most - lower NA locomotives. 2Q14 strong, 2Q15 emission regulations (Tier 4) - CAT Tier 4 not ready until late '16.

Energy & Transportation Oil & Gas - down on lower oil price, capex cuts by energy companies. Brunt of decline in reciprocating, oilfield services. Backlog helped 1H, worsens in 2H.

Energy & Transportation Industrial - down - go to ag, electric power packagers, construction materials, others. Demand down a bit, also FX (especially Europe).

Energy & Transportation Power generation - down the least - mostly FX (Europe).

Energy & Transportation 1,905 (16) North America - everything was down.

Energy & Transportation 1,340 (5) EAME - FX drove decline.

Energy & Transportation 860 (17) Asia Pacific - FX, market weakness contributed to decline.

Energy & Transportation 439 (7) Latin America - Power Gen was weak. O&G, Industrial and Transportation were about flat.

	PERCENT TOT.		CHANGE		REVENUE			COMMENT
	COMPANY	REGION	Y/Y	Q/Q	Act.	Prior	Prior	
						Qtr	Yr	
CATERPILLAR								
Energy & Transportation	15%	35%	(16%)	(15%)	1,905	2,247	2,259	
Construction Industries	19%	43%	(3%)	2%	2,319	2,281	2,402	
Resource Industries	7%	15%	(7%)	6%	802	760	866	
NORTH AMERICA	44%		(7%)	(4%)	5,456	5,687	5,881	
Resource Industries	4%	21%	(12%)	11%	448	404	510	
Energy & Transportation	7%	40%	(17%)	(1%)	860	872	1,040	
Construction Industries	6%	36%	(30%)	(22%)	766	976	1,102	
ASIA PACIFIC	17%		(22%)	(8%)	2,129	2,305	2,713	
Energy & Transportation	11%	48%	(5%)	9%	1,340	1,224	1,406	
Resource Industries	3%	15%	(20%)	(8%)	418	456	523	
Construction Industries	8%	35%	(18%)	(1%)	978	987	1,192	
EAME	23%		(12%)	2%	2,811	2,748	3,202	
Resource Industries	3%	27%	(6%)	5%	323	308	342	
Construction Industries	3%	32%	(47%)	(16%)	378	451	711	
Energy & Transportation	4%	37%	(7%)	5%	439	419	470	
LATIN AMERICA	10%		(26%)	#DIV/0!	1,187		1,595	

REVENUE

REVENUE - BY GEOGRAPHY

- North America
- Asia Pacific
- EAME
- Latin America

PROFIT, MARGIN

BALANCE SHEET

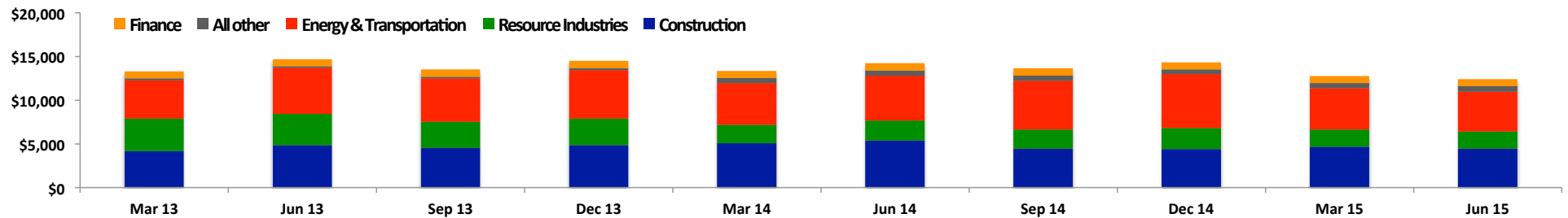
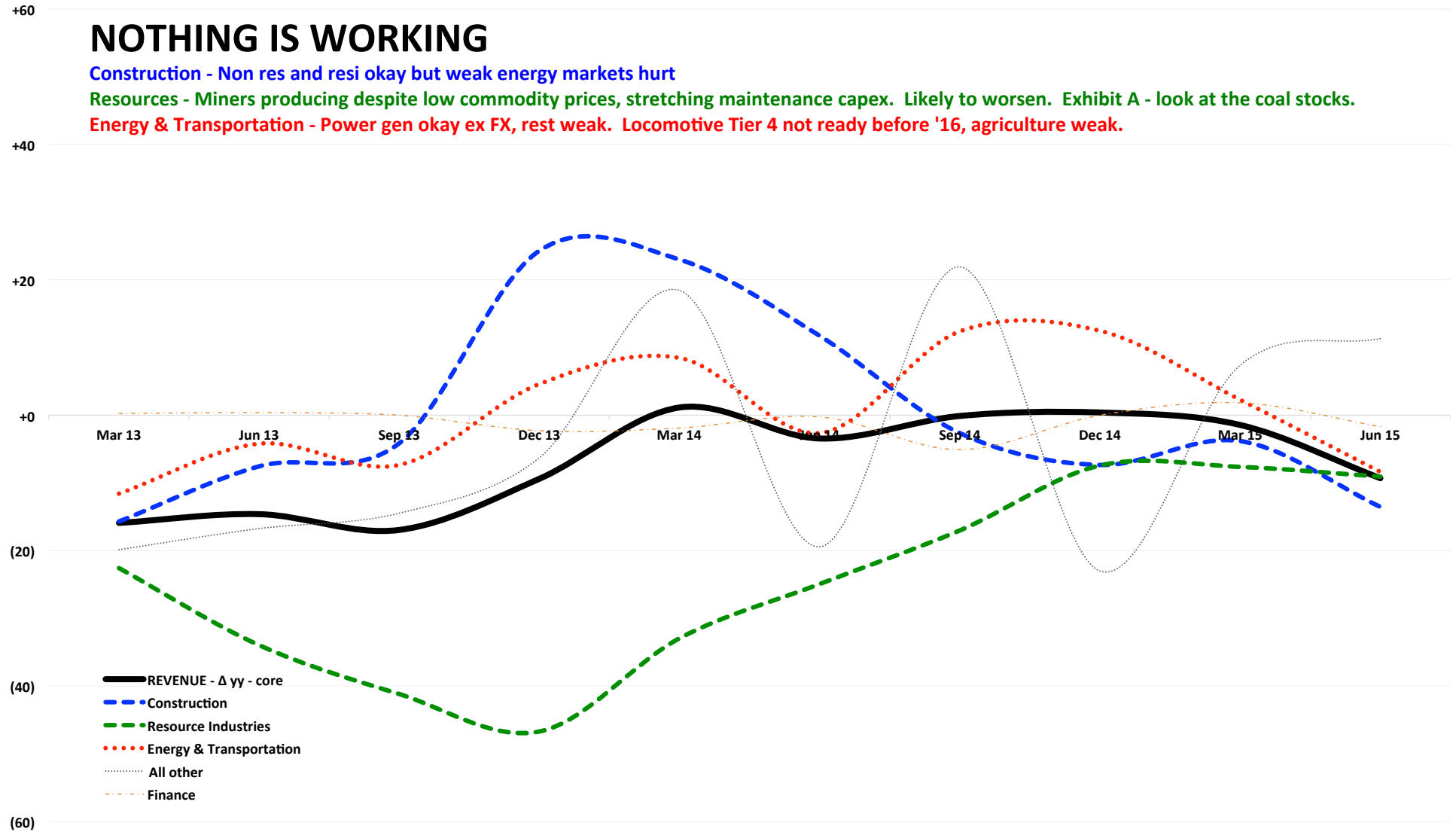
CASH FLOW

## NOTHING IS WORKING

Construction - Non res and resi okay but weak energy markets hurt

Resources - Miners producing despite low commodity prices, stretching maintenance capex. Likely to worsen. Exhibit A - look at the coal stocks.

Energy & Transportation - Power gen okay ex FX, rest weak. Locomotive Tier 4 not ready before '16, agriculture weak.



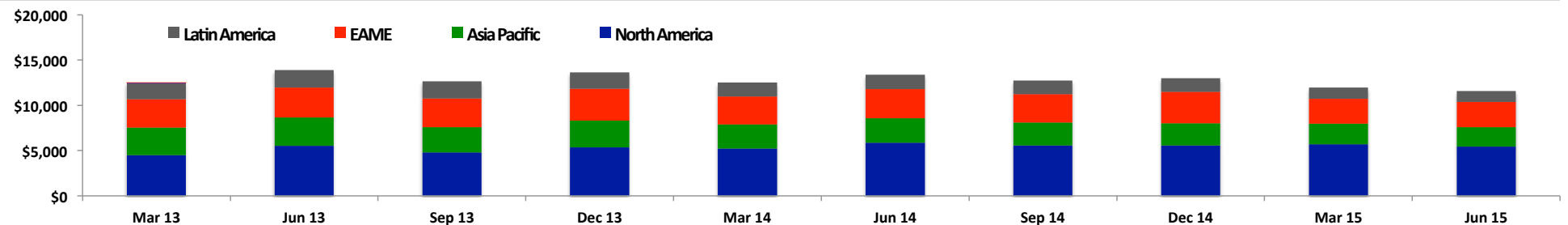
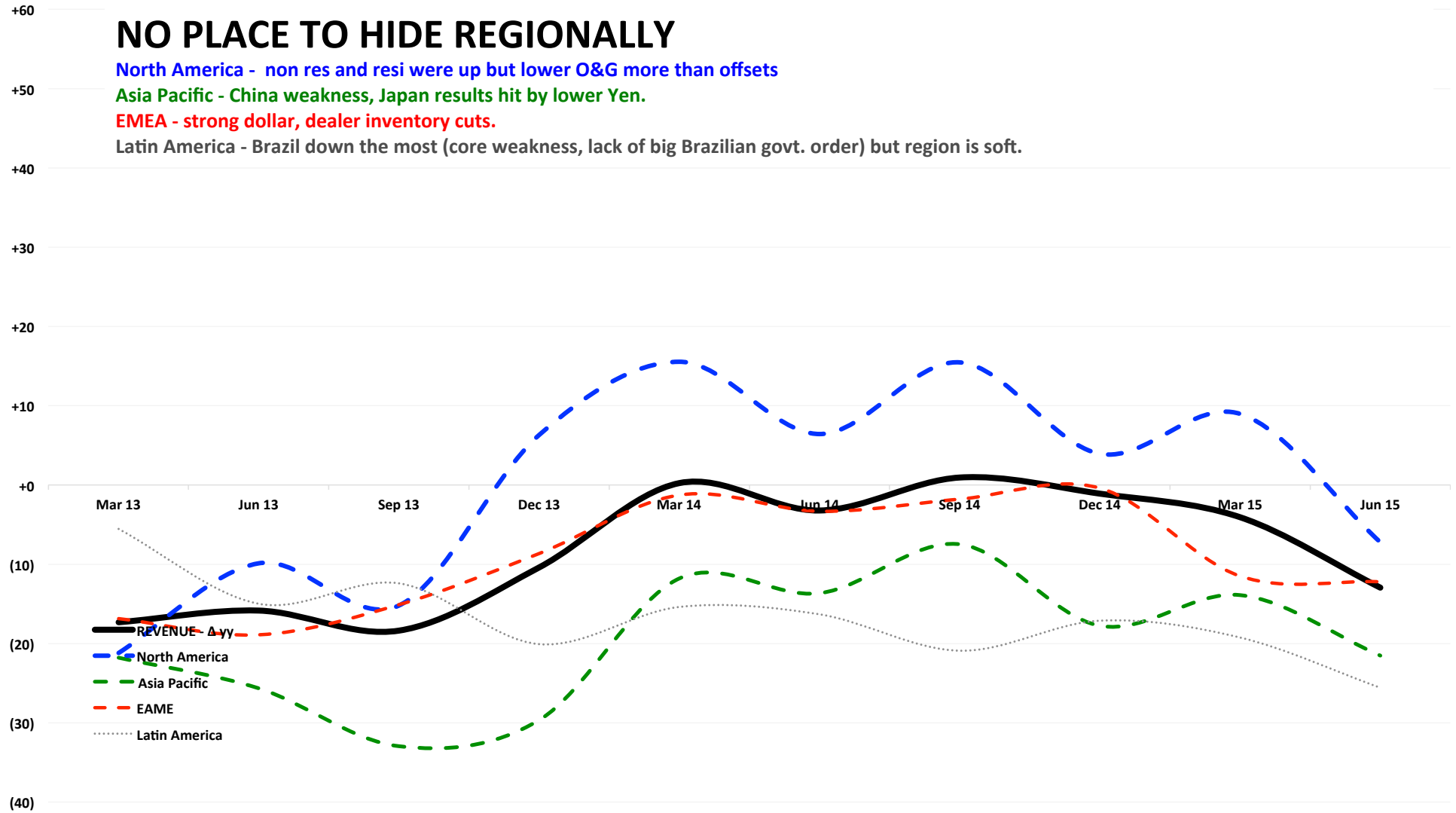
## NO PLACE TO HIDE REGIONALLY

North America - non res and resi were up but lower O&G more than offsets

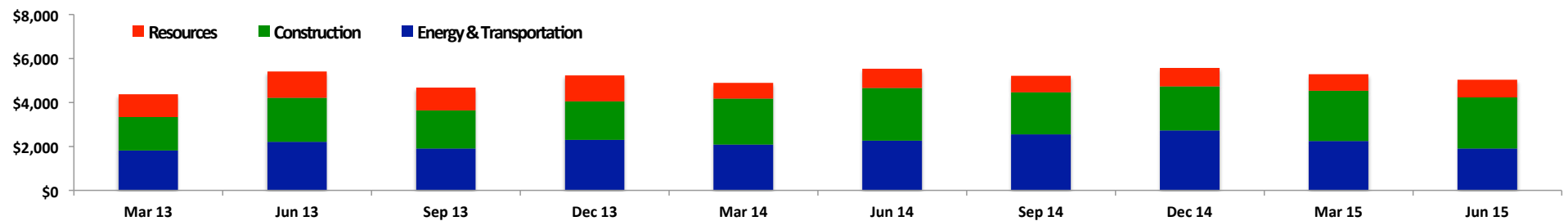
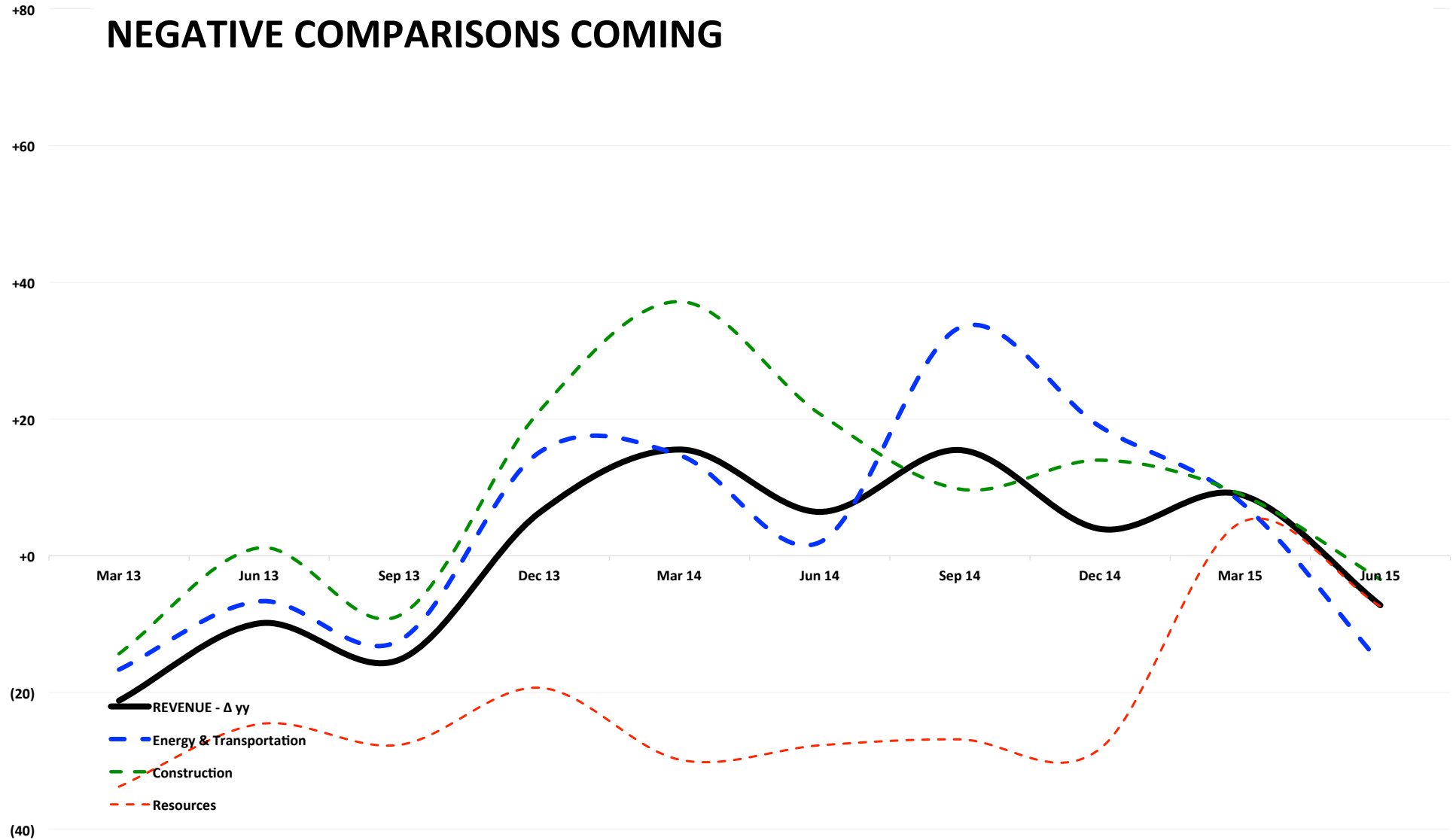
Asia Pacific - China weakness, Japan results hit by lower Yen.

EMEA - strong dollar, dealer inventory cuts.

Latin America - Brazil down the most (core weakness, lack of big Brazilian govt. order) but region is soft.



# NEGATIVE COMPARISONS COMING



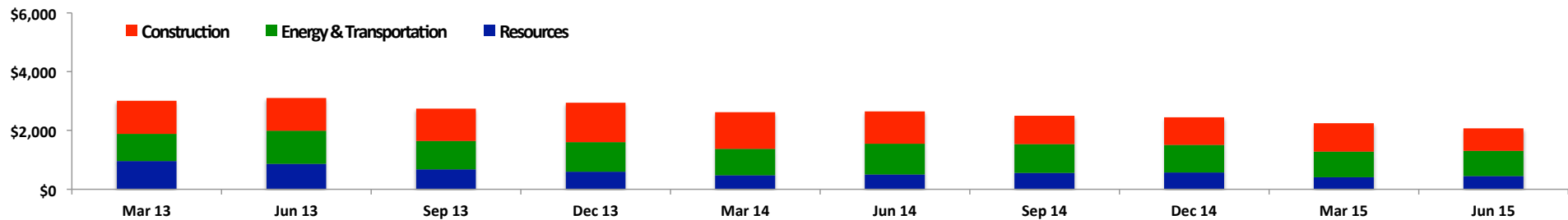
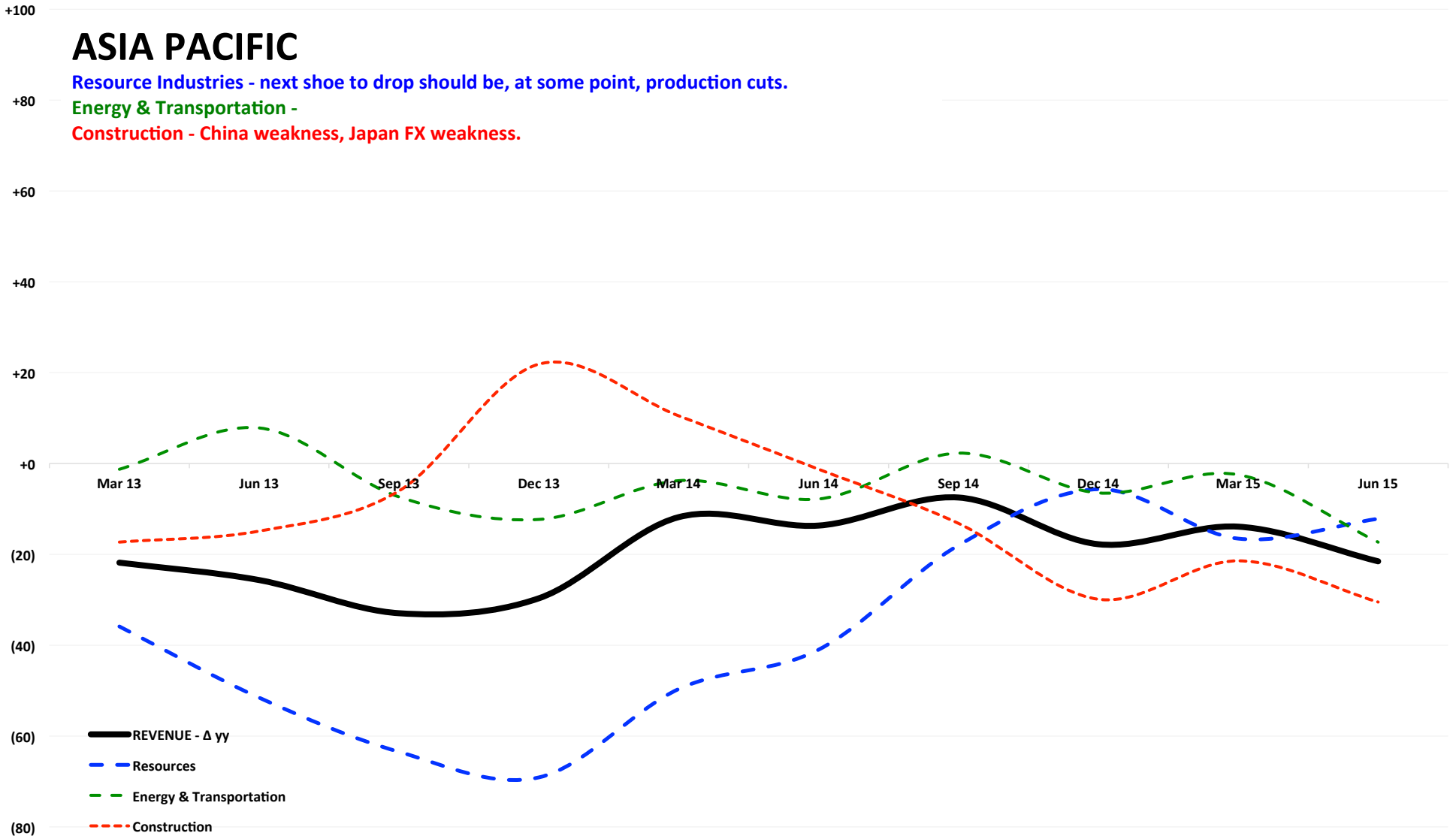


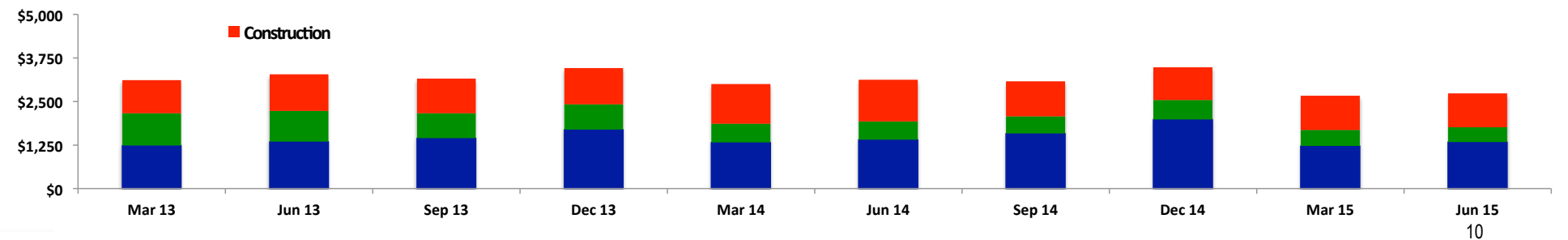
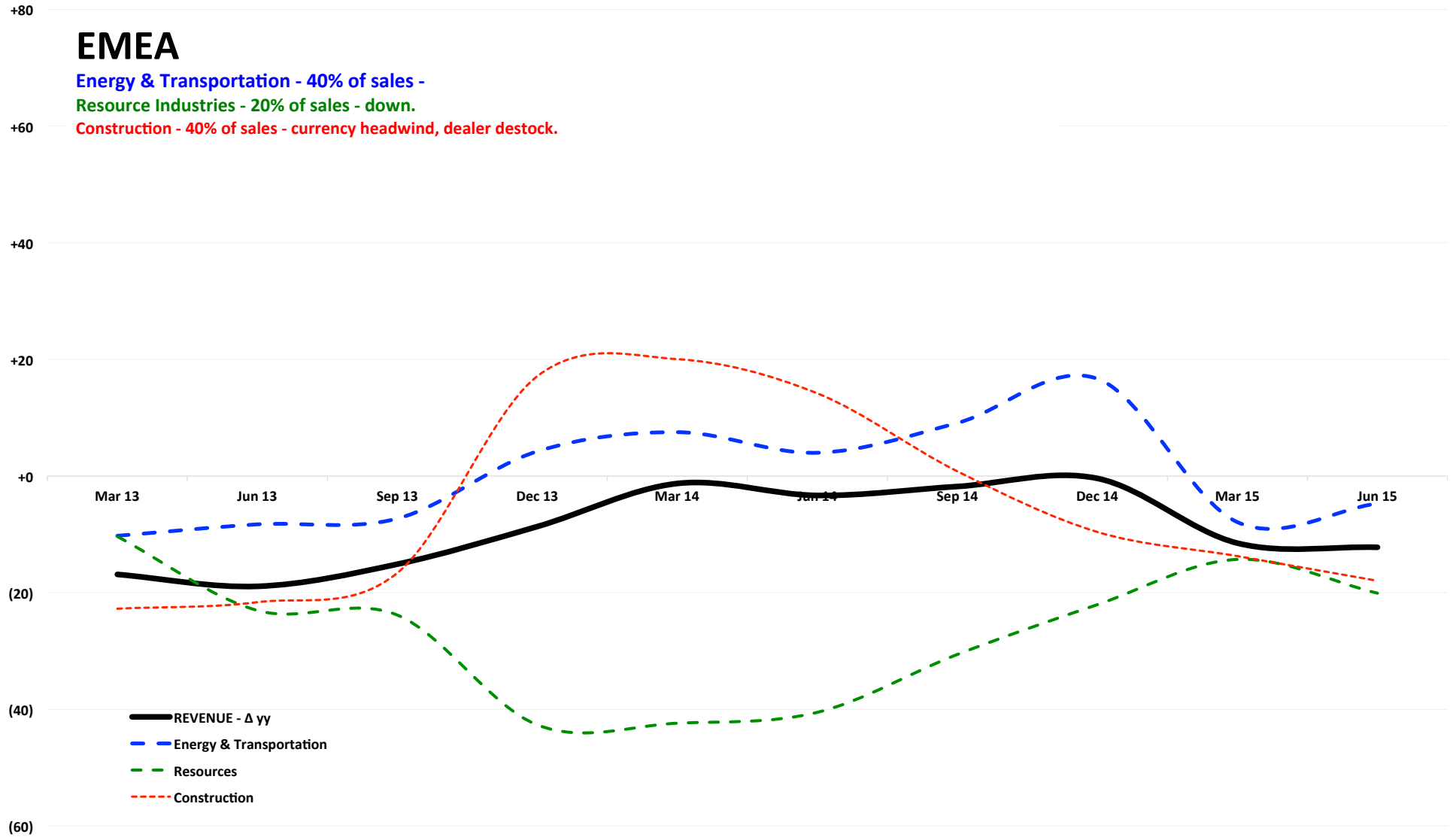
# ASIA PACIFIC

Resource Industries - next shoe to drop should be, at some point, production cuts.

Energy & Transportation -

Construction - China weakness, Japan FX weakness.



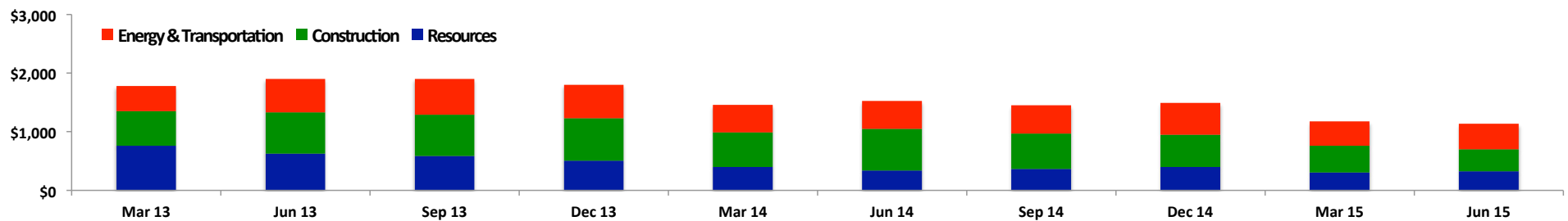
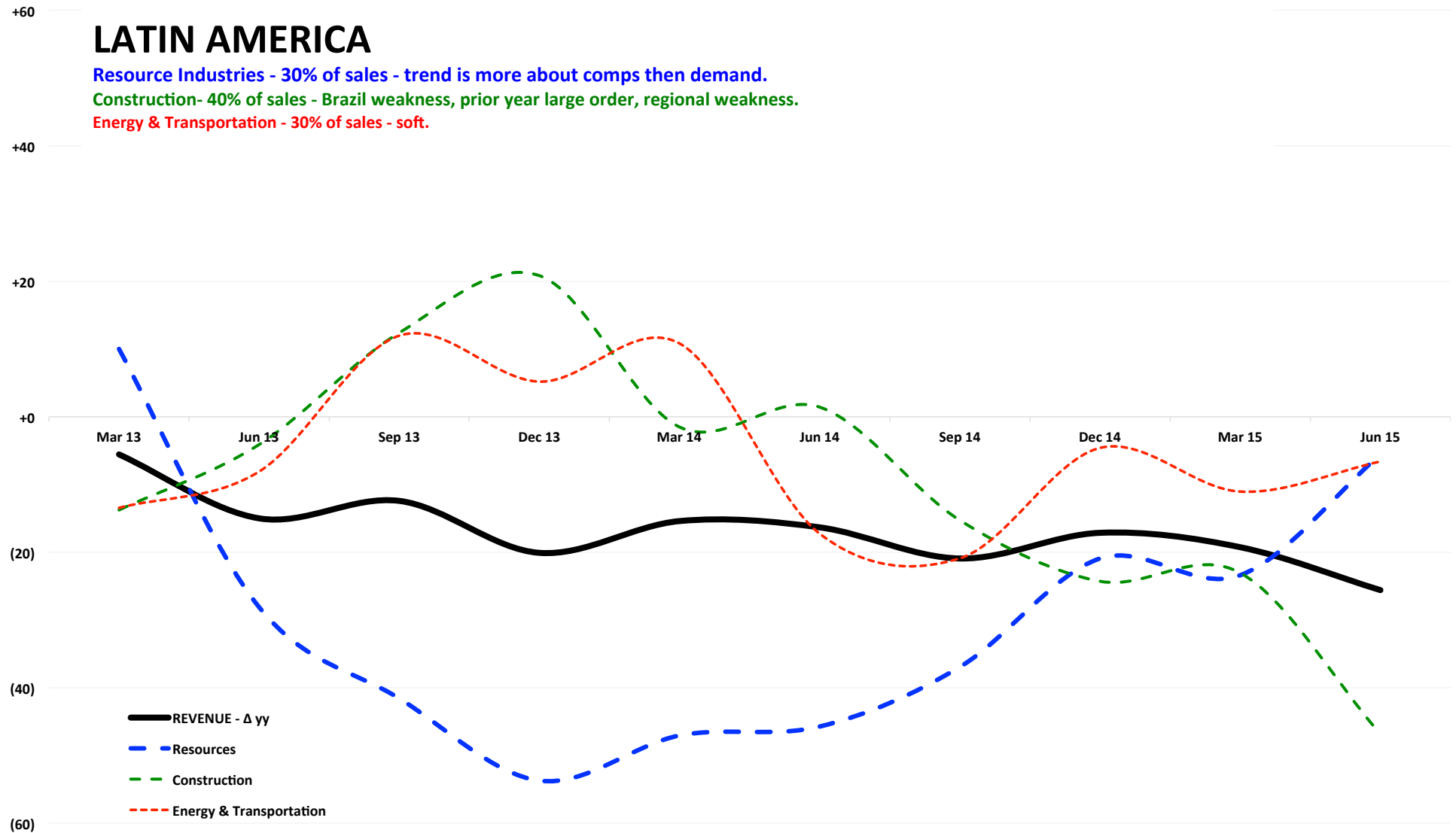


# LATIN AMERICA

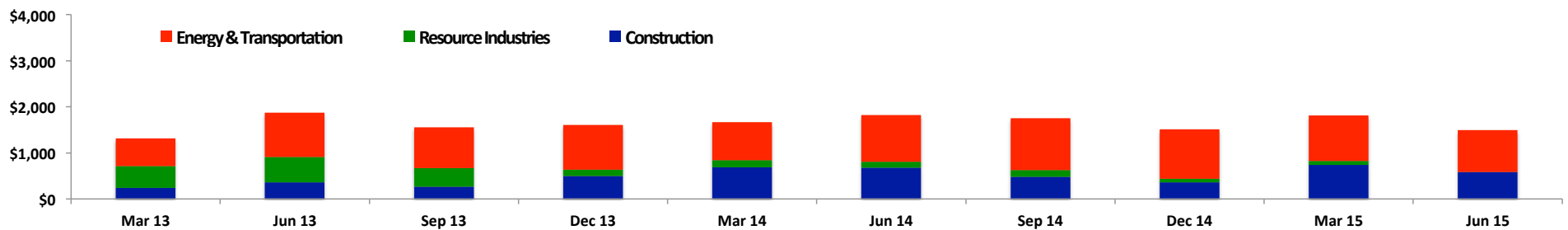
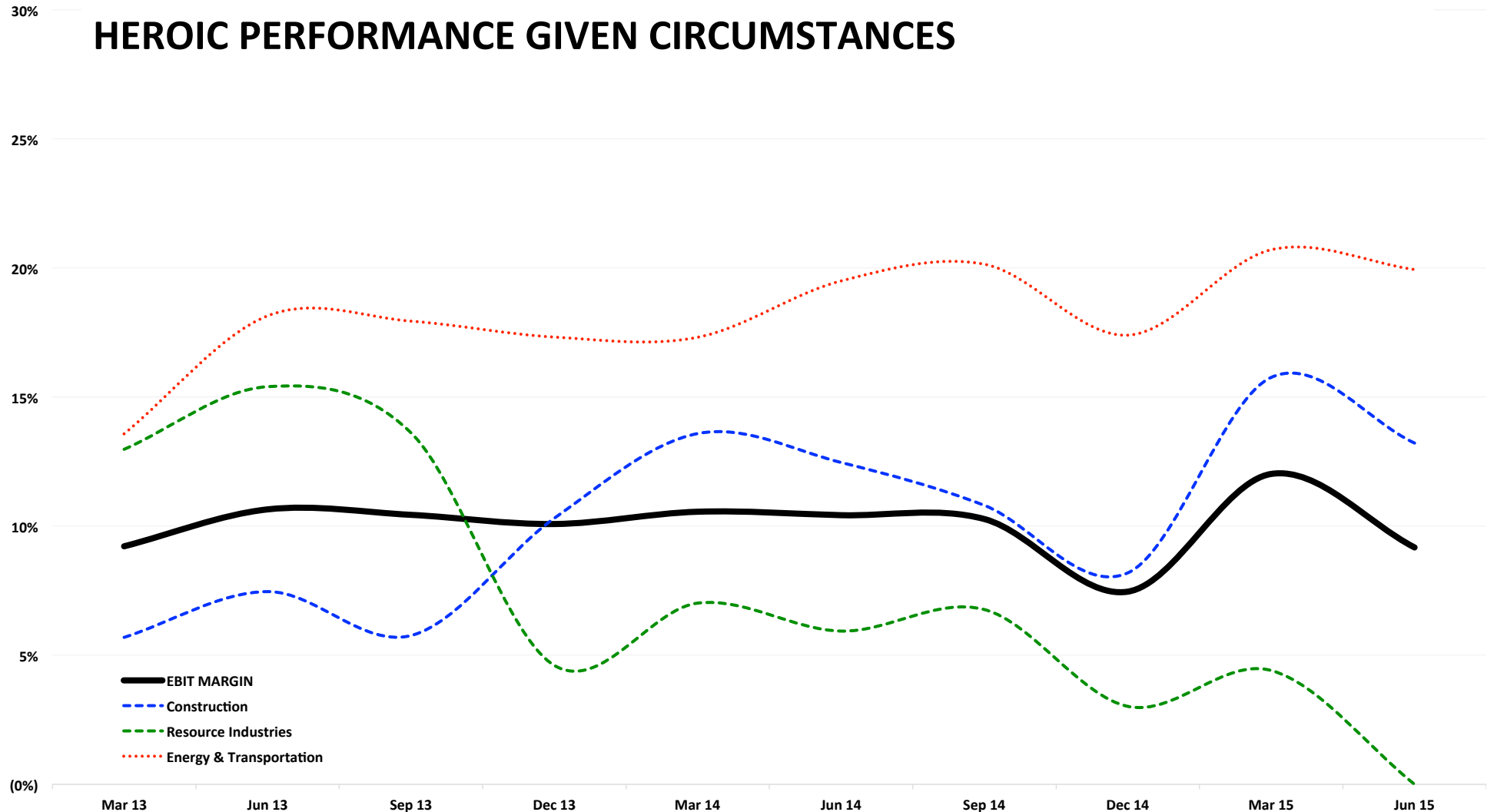
Resource Industries - 30% of sales - trend is more about comps then demand.

Construction- 40% of sales - Brazil weakness, prior year large order, regional weakness.

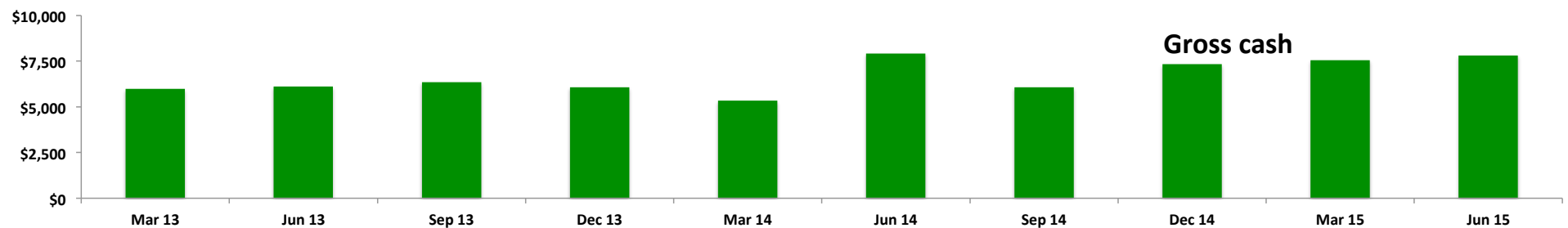
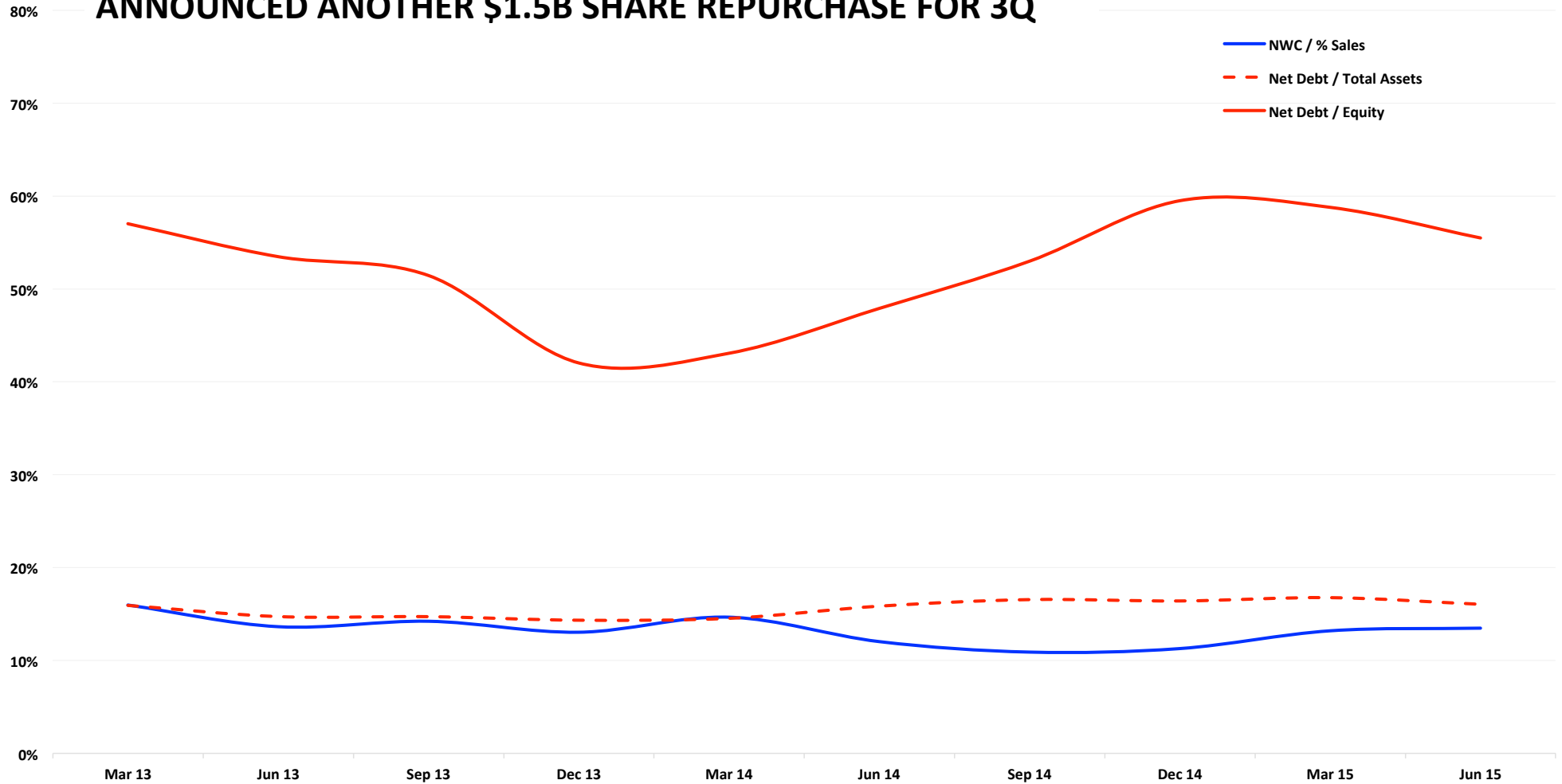
Energy & Transportation - 30% of sales - soft.



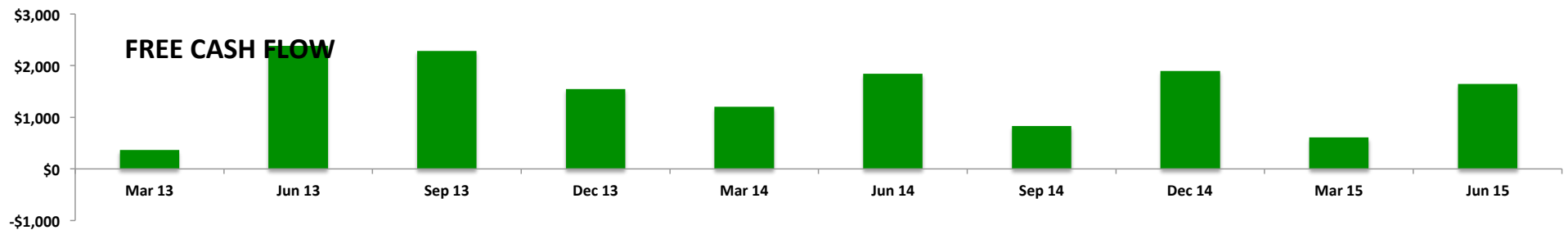
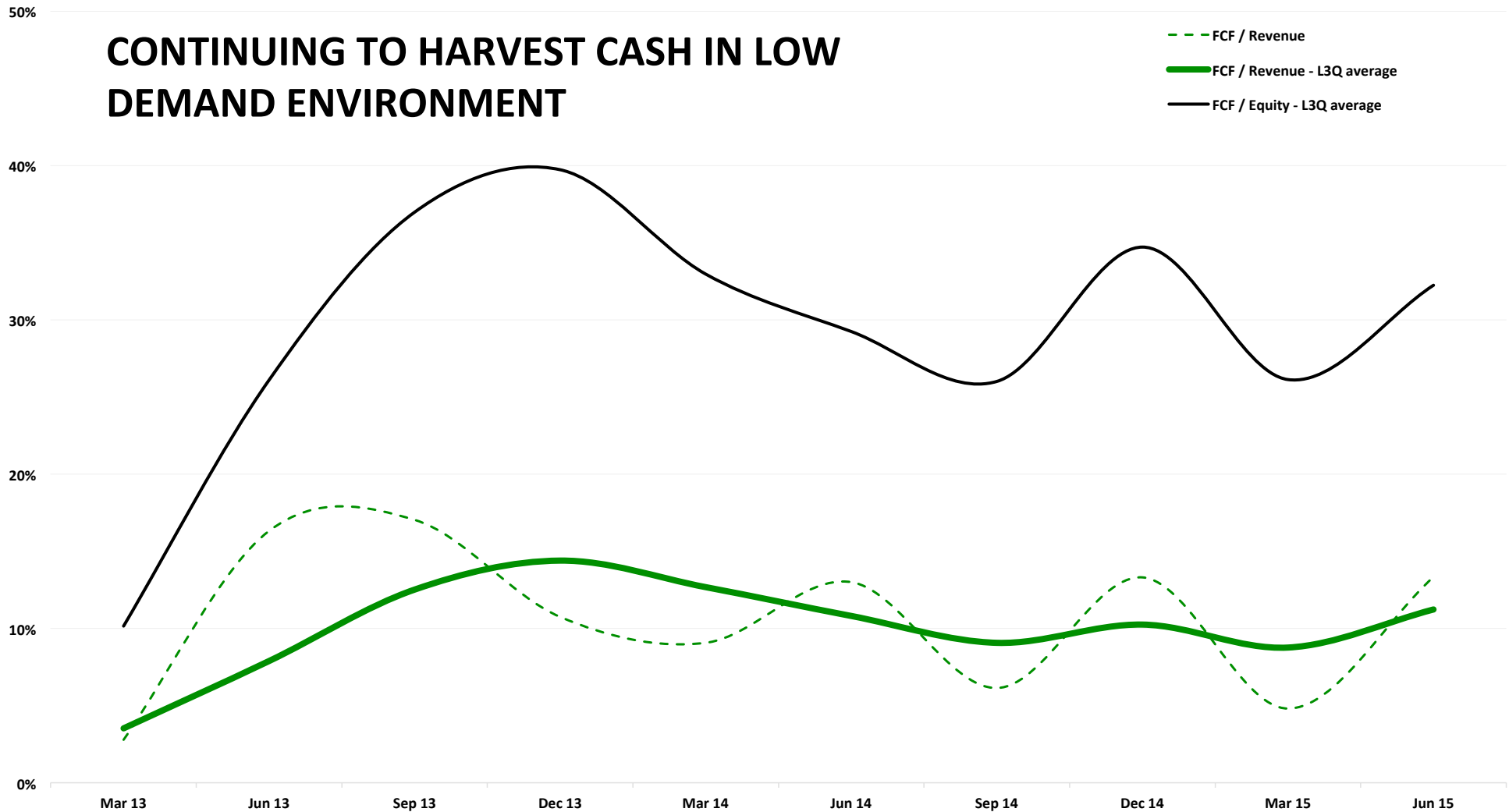
## HEROIC PERFORMANCE GIVEN CIRCUMSTANCES



## ANNOUNCED ANOTHER \$1.5B SHARE REPURCHASE FOR 3Q



## CONTINUING TO HARVEST CASH IN LOW DEMAND ENVIRONMENT



## ORDERS, SALES - SUMMARY TRENDS

Core $\Delta$	Trend - Rolling Averages		
	5Q	3Q	Last

Core $\Delta$	Trend - Rolling Averages		
	5Q	3Q	Last

CONSTRUCTION

(14)   

RESOURCE INDUSTRIES

(9)  

ENERGY & TRANSPORT.

(8)   

ALL OTHER

+11  

FINANCE

(2) 

+80

+60

+40

+20

+0

(20)

(40)

20%

16%

12%

8%

4%

0%

-4%

-8%

-12%

-16%

-20%

-24%

-28%

-32%

-36%

-40%

-44%

-48%

-52%

-56%

-60%

-64%

-68%

-72%

-76%

-80%

-84%

-88%

-92%

-96%

-100%

-104%

-108%

-112%

-116%

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-740%

-744%

-748%

-752%

-756%

-760%

-764%

-768%

-772%

-776%

-780%

-784%

-788%

-792%

-796%

-800%

-804%

-808%

-812%

-816%

-820%

-824%

-828%

-832%

-836%

-840%

-844%

-848%

-852%

-856%

-860%

-864%

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-940%

-944%

-948%

-952%

-956%

-960%

-964%

-968%

-972%

-976%

-980%

-984%

-988%

-992%

-996%

-1000%

-1004%

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-1028%

-1032%

-1036%

-1040%

-1044%

-1048%

-1052%

-1056%

-1060%

-1064%

-1068%

-1072%

-1076%

-1080%

-1084%

-1088%

-1092%

-1096%

-1100%

-1104%

-1108%

-1112%

-1116%

-1120%



SEGMENT	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	AVERAGE				MOM. Δ		
											10Q	5Q	3Q	Last	5Q	3Q	Last
<b>Orders</b>																	
<b>Backlog</b>																	
<b>Sales</b>	4,197	4,850	4,547	4,851	5,064	5,407	4,471	4,420	4,695	4,441							
<b>Book-to-Bill</b>																	
Orders - Δ yy - core																	
<b>Orders - Δ yy</b>																	
Core	(16)	(8)	(4)	+24	+23	+12	(3)	(7)	(4)	(14)	+0	(3)	(8)	(14)			
Deals	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0							
Currency	(1)	(2)	(3)	(4)	(3)	(1)	+0	(2)	(3)	(4)							
<b>Sales - Δ yy</b>	(17)	(10)	(7)	+20	+20	+11	(2)	(9)	(7)	(18)	(2)	(5)	(11)	(18)			

BUSINESS UNIT	DETAILS, MIX																
<b>Sales - by region</b>																	
North America	1,525	1,989	1,743	1,751	2,092	2,402	1,913	1,996	2,281	2,319							
Asia Pacific	1,124	1,116	1,108	1,342	1,242	1,102	962	941	976	766							
EAME	953	1,044	989	1,033	1,144	1,192	997	934	987	978							
Latin America	595	701	707	725	586	711	599	549	451	378							
<b>Mix - by region</b>																	
North America	36%	41%	38%	36%	41%	44%	43%	45%	49%	52%							
Asia Pacific	27%	23%	24%	28%	25%	20%	22%	21%	21%	17%							
EAME	23%	22%	22%	21%	23%	22%	22%	21%	21%	22%							
Latin America	14%	14%	16%	15%	12%	13%	13%	12%	10%	9%							
<b>Change - yy</b>																	
North America	(14)	+1	(9)	+21	+37	+21	+10	+14	+9	(3)	+10	+7	(3)				
Asia Pacific	(17)	(15)	(6)	+22	+10	(1)	(13)	(30)	(21)	(30)	(19)	(27)	(30)				
EAME	(23)	(22)	(17)	+17	+20	+14	+1	(10)	(14)	(18)	(5)	(14)	(18)				
Latin America	(14)	(4)	+12	+21	(2)	+1	(15)	(24)	(23)	(47)	(22)	(31)	(47)				
<b>Details</b>																	
New equipment	down	down	down	up	up	up	-slightly	down	down	down							
Aftermarket	"about flat"	"about flat"	"about flat"	flattish	"about flat"	flattish	+slightly	flattish	"about flat"	- slightly							

## 2014.07.24 - 2Q

Sales - up 11%; +11 volume, +1 price, (1) currency, +1 adjustment.

Margin -12.5% - up 500 bps - driven by higher volume, currency, better price and lower manufacturing costs (lower materials, better absorption)..

North America - sales \$2,402 - up 21% - higher deliveries to dealers driven by improving construction trends.

Asia Pacific - sales \$1,102 - off (1%) - lower deliveries to end users (weaker economic conditions throughout region) offset by increases in dealer inventory. China weakened.

EAME - sales \$1,192 - up 14% - dealers building inventory.

Latin America - sales \$711 - up 1% - see 3Q declining yyyowing to large sales to Brazilian govt last year (which were lower margin).

## 2014.10.23 - 3Q

Sales - off (2%); (5) volume, +3 price realization. **Dealer inventory cuts, lower sell through** to end users. Price improved in all regions - 1/3 being completion of a large, underpriced Brazilian govt. order.

Margin - 10.8% - up 500 bps - benefitting from price, currency and lower manufacturing costs.

North America - sales \$1,1913 - up 10% - higher Construction activity. Below peak but improving. Partially offset by dealer inventory cuts.

Asia Pacific - sales \$962 - off (13%) - dealer inventory cuts versus prior year inventory increases. End user sell through weak on lower construction activity.

EAME - sales \$996 - up 1% -

Latin America - sales \$599 - off (15%) - absence of large, low margin Brazilian government contract.

## 2015.01.27 - 4Q14

Sales - off (9%); (9) volume, +1 price, (2) FX. Weak JPY, Euro. New equipment declined (primarily lower deliveries to end users), aftermarket parts were about flat.

Margin - 8.2% - off (210) bps - hit by lower volume, higher incentive comp and higher new product spend, partially offset by benefits from FX and price.

North America - \$1,996 - up 14% - higher end user demand as US construction spending increased. Dealers increased inventory somewhat.

Asia Pacific - \$941 - off (30%) - lower sales in China (weaker construction activity) and Japan (prior year pre-buy). Weak JPY also hurt.

EAME - \$934 - down (10%) - dealer destock, currency headwind.

Latin America - \$549 - off (24%) - absence of large Brazilian government order.

## 2015.07.23 - 2Q

Sales - off (18%); (14) core, +1 price and (4) FX. Lower end user demand, weak Euro and Yen. New equipment and aftermarket were both down.

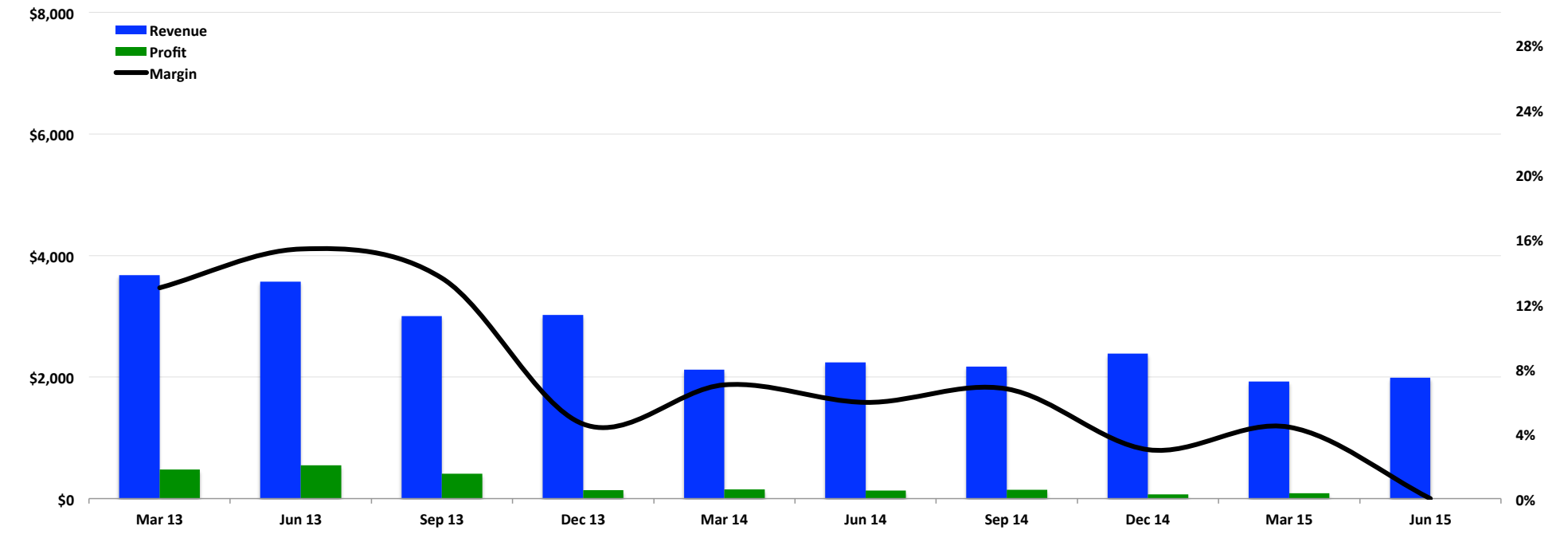
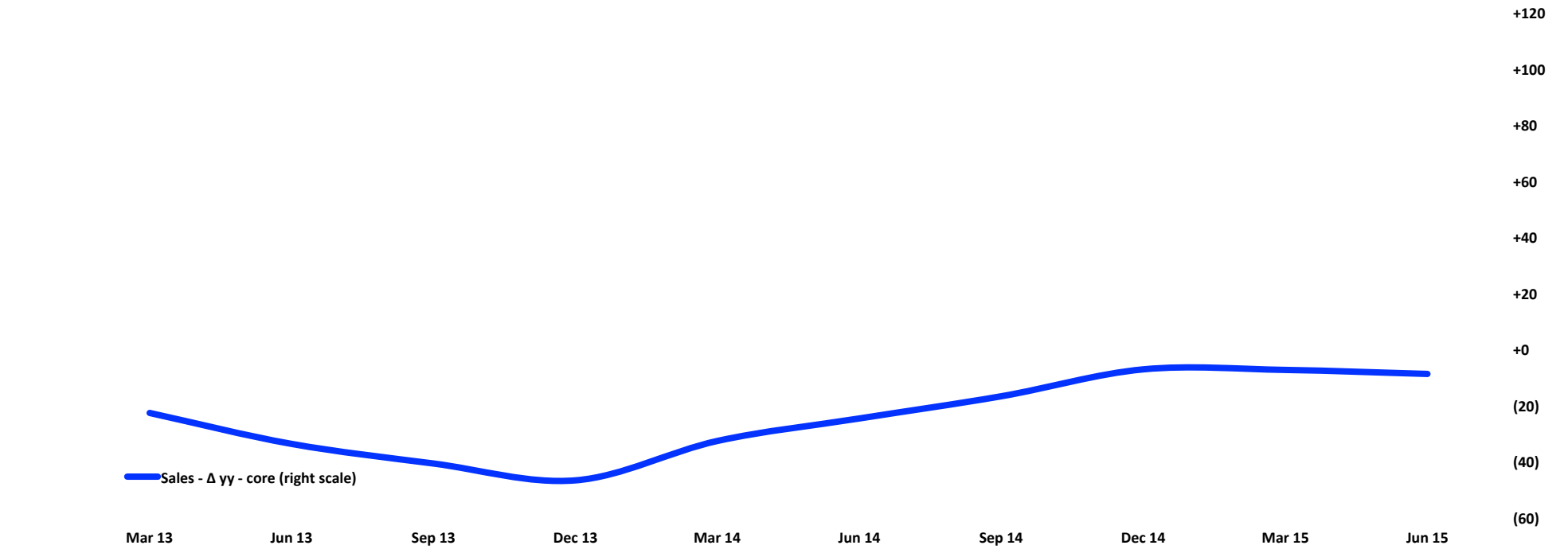
Margin - 13.2% - up 70 bps - lower volume drove decline, but margin boosted by lower Yen (CAT is a net exporter from Japan).

North America - \$2,319 - off (3%) - some resi and non resi strength but more than offset by drop in O&G.

Asia Pacific - \$766 - off (30%) - China, Japan down. China - weak resi market, Japan - Yen weakness.

EAME - \$978 - down (18%) - weakness mostly FX. Also dealer inventory cuts.

Latin America- \$378 - off (47%) - weak in general, particularly Brazil (including big govt order).



SEGMENT	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	AVERAGE				MOM. Δ		
											10Q	5Q	3Q	Last	5Q	3Q	Last
<b>Orders</b>																	
<b>Backlog</b>																	
<b>Sales</b>	3,676	3,571	3,004	3,019	2,123	2,241	2,172	2,385	1,928	1,991							
<b>Book-to-Bill</b>																	
Orders - Δ yy - core																	
<b>Orders - Δ yy</b>																	
Core	(23)	(34)	(41)	(47)	(33)	(25)	(17)	(7)	(8)	(9)	(24)	(13)	(8)	(9)	↑	↑	
Deals	+0	+0	(1)	(1)	+0	+0	+0	+0	+0	+0							
Currency	+0	+0	(1)	(1)	(1)	(0)	+0	(1)	(2)	(2)							
<b>Sales - Δ yy</b>			(43)	(49)	(33)	(25)	(17)	(9)	(9)	(11)	(25)	(14)	(10)	(11)	↑		

BUSINESS UNIT	DETAILS, MIX																
<b>Sales - by region</b>																	
North America	1,033	1,198	1,028	1,184	725	866	752	850	760	802							
Asia Pacific	961	864	678	602	484	510	556	568	404	448							
EAME	923	879	713	726	532	523	495	566	456	418							
Latin America	759	630	585	507	402	342	369	401	308	323							
<b>Mix - by region</b>																	
North America	28%	34%	34%	39%	34%	39%	35%	36%	39%	40%							
Asia Pacific	26%	24%	23%	20%	23%	23%	26%	24%	21%	23%							
EAME	25%	25%	24%	24%	25%	23%	23%	24%	24%	21%							
Latin America	21%	18%	19%	17%	19%	15%	17%	17%	16%	16%							
<b>Change - yy</b>																	
North America	(34)	(25)	(28)	(19)	(30)	(28)	(27)	(28)	+5	(7)	(17)	(10)	(7)	↑	↑	↓	
Asia Pacific	(36)	(52)	(63)	(69)	(50)	(41)	(18)	(6)	(17)	(12)	(19)	(11)	(12)	↑	↑	↑	
EAME	(10)	(23)	(24)	(43)	(42)	(41)	(31)	(22)	(14)	(20)	(25)	(19)	(20)	↑	↑	↓	
Latin America	+10	(28)	(42)	(54)	(47)	(46)	(37)	(21)	(23)	(6)	(26)	(17)	(6)	↑	↑	↑	

<b>Details</b>																	
New equipment	down #1	down big	off huge	off huge	down	down #1	off	down	down #1	down							
Aftermarket	down #2	down	down	down	v. weak	down	-slightly	up	down #2	down							
Mining - orders	off big	down	down	down	down	down	down	down	down	down							

## 2014.07.24 - 2Q

Sales - down (37%); (25) volume, (12) adjustments. Weak end user demand but moderating decline in dealer inventories. Turned positive sequentially.  
Margin -5.9% - off (950) bps - lower volume, absence of prior year \$135M gain (Caterpillar Zhengzhou Ltd. settlement), partial offset from improved mfg costs (improved absorption, lower material costs). Warranty expense rose.  
Aftermarket is off on continued delays in maintenance and rebuild.  
North America - sales \$866 - down (28%) - decline in new machines, aftermarket about flat. Had an easier comp.  
Asia Pacific - sales \$510 million - down (41%) - decline in new machines and aftermarket parts.  
EAME - sales \$523 million - down (41%) - decline in new machines and aftermarket parts.  
Latin America - sales \$342 million - down (46%) - decline in new machines, aftermarket about flat.

## 2014.10.23 - 3Q

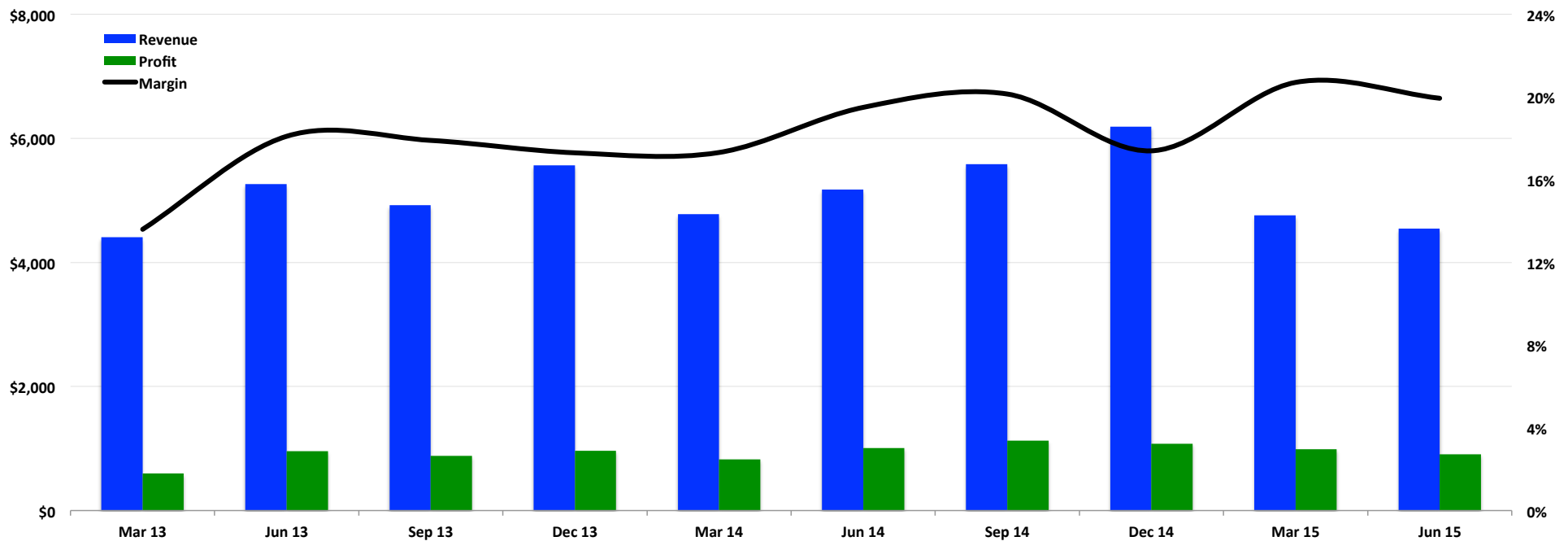
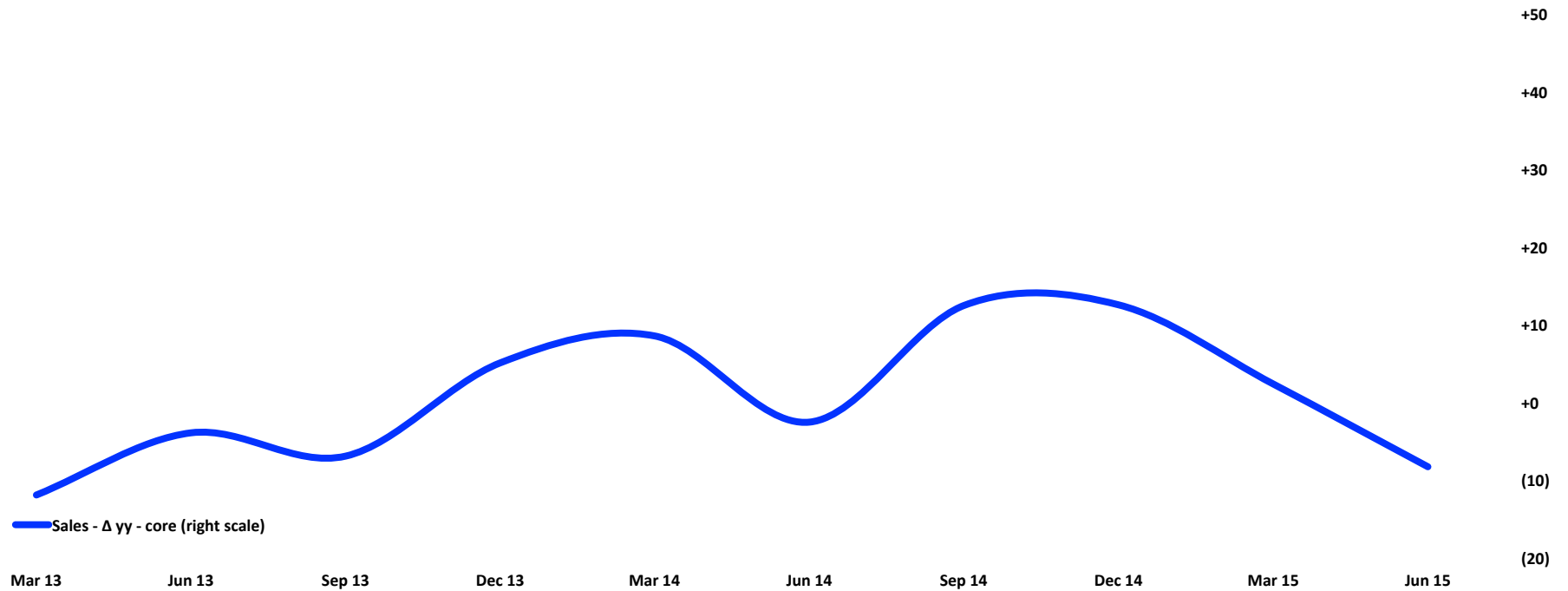
Sales - down (28%); (16) volume, (1) price, (11) asset move to "All Other." Pace of dealer inventory reduction slowed. New equipment orders remained weak (weak price, overcapacity in iron ore and coal). Aftermarket parts were down slightly.  
Margin - 6.8% - down (680) bps - lower volume, higher SG&A and R&D, unfavorable price.  
Believe companies continue to push out maintenance. L&C notes that coal industry sources see met coal pricing (sets 4Q) to be down another (5-10%) in '15.  
North America - sales \$752 - down (27%)  
Asia Pacific - sales \$556 - down (18%) - overcapacity in iron ore (BHP stepping on the gas), metallurgical coal hurting customer profitability - they are focused on cost actions.  
EAME - sales \$495 - down (31%)  
Latin America - sales \$369 - down (37%)

## 2015.01.27 - 4Q14

Sales - off (21%); (7) core, (1) FX, (12) asset move. New equipment revenue declined (lower end user demand, some dealer inventory build) but aftermarket grew.  
Margin - 3.0% - off (160) bps - higher SG&A and R&D expense owing to new product introduction programs and higher incentive comp. Partial offset from lower material costs. About \$45M profit was component sales to E&T.  
Excess capacity in coal and iron ore. Most miners are cutting spending and orders were weak throughout the quarter.  
North America - \$850 - down (28%).  
Asia Pacific - \$568 - off (6%) - weak end user demand.  
EAME - \$566 - down (22%) -  
Latin America - \$401 - down (21%).

## 2015.07.23 - 2Q

Sales - off (11%); (10) volume, (2) FX. Every region fell and while global production remains at high levels management is prudently questioning how long that persists.  
Margin - break even versus 5.9% prior year - driven by lower volume, adverse cost absorption. SG&A and R&D were flat on higher new product development spend offset by lower inventive comp.  
Mining continues to weaken - new equipment and also aftermarket. Aggregate and quarry up. Customers maintaining high production rate. Not sure how long it holds up. Maintenance capex being pushed out on big trucks.  
North America - sales \$802 - off (7%) - Aggregate and Quarry had growth but not enough to offset weak coal markets.  
Asia Pacific - sales \$448 - off (12%) - weak demand, dealer inventory cuts.  
EAME - sales \$418 - down (20%) - flat end user demand. Dealer destock, FX drove decline.  
Latin America - sales \$323 - down (6%) - weak demand, dealer inventory cuts.



SEGMENT	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	AVERAGE				MOM. Δ		
											10Q	5Q	3Q	Last	5Q	3Q	Last
Orders																	
Backlog																	
Sales	4,405	5,263	4,922	5,565	4,776	5,175	5,585	6,191	4,762	4,544							
Book-to-Bill																	
Orders - Δ yy - core																	
Orders - Δ yy																	
Core	(12)	(4)	(7)	+5	+8	(3)	+12	+12	+2	(8)	+1	+3	+2	(8)			
Deals	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0							
Currency	+0	+0	+0	+0	(0)	+1	+1	(1)	(3)	(4)							
Sales - Δ yy	(12)	(4)	(7)	+5	+8	(2)	+13	+11	(0)	(12)	+0	+2	(0)	(12)			

BUSINESS UNIT	DETAILS, MIX																
<b>Sales - by region</b>																	
North America	1,815	2,215	1,905	2,296	2,082	2,259	2,541	2,730	2,247	1,905							
EAME	1,236	1,352	1,450	1,697	1,329	1,406	1,582	1,980	1,224	1,340							
Asia Pacific	929	1,128	959	1,005	894	1,040	981	940	872	860							
Latin America	425	568	608	567	471	470	481	541	419	439							
<b>Mix - by region</b>																	
North America	41%	42%	39%	41%	44%	44%	45%	44%	47%	42%							
EAME	28%	26%	29%	30%	28%	27%	28%	32%	26%	29%							
Asia Pacific	21%	21%	19%	18%	19%	20%	18%	15%	18%	19%							
Latin America	10%	11%	12%	10%	10%	9%	9%	9%	9%	10%							
<b>Change - yy</b>																	
North America	(17)	(7)	(12)	+15	+15	+2	+33	+19	+8	(16)	+9	+4	(16)				
EAME	(10)	(8)	(7)	+4	+8	+4	+9	+17	(8)	(5)	+3	+1	(5)				
Asia Pacific	(1)	+8	(7)	(12)	(4)	(8)	+2	(6)	(2)	(17)	(6)	(9)	(17)				
Latin America	(13)	(8)	+12	+5	+11	(17)	(21)	(5)	(11)	(7)	(12)	(7)	(7)				

	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	
<b>Energy &amp; Transportation</b>											
New equipment	--	--	down	up	up	down	--	--	--	-	
Aftermarket	--	--	--	--	--	up	--	--	--	-	
<b>POWER GENERATION</b>											
Power generation (Electrical power)	down #1	down #1	down	down	#1 up	(7-9)	+slightly	up	flattish	down	About 30% of machines, estimated 20% of revenue.
North America	--	--	--	--	--	down	up	up	flattish	flattish	
EAME	--	--	--	--	--	down	--	up	flattish	down	
Asia Pac	--	--	--	--	--	flattish #2	--	flat	flattish	flattish	
LatAm	--	--	--	--	--	flattish #1	--	flat	flattish	down	
<b>OIL &amp; GAS</b>											
Engines, turbines	Mixed	down #2	down	AP-	#2 up	flattish	--	up	flattish	down	40-50% - Large turbine, compression, fracking. About 40% of machine volume, probably > in total (spares).
North America	--	--	--	--	--	up	up	up	up	down	
EAME	--	--	--	--	--	up	about flat	up	--	flat	
Asia Pac	--	--	--	--	--	down #1	about flat	down	--	down	
LatAm	--	--	--	--	--	down #2	down	down	down	flat	
<b>INDUSTRIAL &amp; TRANSPORTATION</b>											
Industrial power	down #2	--	--	up	#3 up	--	up	down	down	down	"Loose" engines - ag, industrial.
Marine Engines	+ " signs	--	--	better	--	--	--	--	down	down	<5% of segment (as of 1Q13).
Rail	"fairly similar"	--	down	up	"about flat"	--	--	--	up	down	
Locomotives	28	--	--	up	--	strong	--	up	--	-	~25% of equipment revenue.
Services	--	--	down	--	--	--	--	--	--	-	
North America	--	--	--	--	--	flattish	up	up	flattish	down	
EAME	--	--	--	--	--	flattish	up	up	flattish	flattish	
Asia Pac	--	--	--	--	--	flattish	flat	flattish	Big project	flattish	
LatAm	--	--	--	--	--	flattish	flat	flattish	flattish	flattish	



## 2014.07.24 - 2Q

Sales - declined (2%); (4) volume, +1 price, +1 currency.

Margin -19.5% - up 140 bps - favorable cost absorption, lower material costs offset by higher mfg costs (including incentive comp). Price drove most of the profit growth.

Power generation - sales off (7-9%) in total. Sales declined in N. America, EAME on timing of large projects, while LatAm and Asia Pac were flattish.

Oil & Gas - sales "about flat" - growth in N. America (compression, well servicing) and EAME (large project timing), declines in Asia/Pac and LatAm (both large project timing).

Industrial and Transportation - sales were flattish in all regions. Locomotive production is running flat out (strong orders) but will drop sharply in 2015-2016 after pre-buy.

North America - sales \$2,259 - up 2% - power generation declined, Oil & Gas grew, Industrial & Transportation (mostly rail) - about flat overall.

Asia Pacific - sales \$1,406 - up 4% - power generation was about flat, Oil & Gas declined, Industrial & Transportation (mostly rail) - about flat.

EAME - \$1,040 - off (8%) - power generation declined, Oil & Gas grew, Industrial & Transportation (mostly rail) - about flat.

Latin America - sales \$470 - off (17%) - power generation was about flat, Oil & Gas declined, Industrial & Transportation (mostly rail) - about flat.

## 2014.10.23 - 3Q

Sales - up 13%; +11 volume, +1 price, +1 FX.

Margin - 20.1% - up 220 bps - driven by volume and price realization, partially offset by higher incentive comp.

Transportation - sales up > segment average. Sales up in N. America (rail prebuy before '15 emission standards) and EAME (CAT business expansion), flattish in Asia/Pac and LatAm.

Oil & Gas - Sales up on North American growth (well servicing, gas compression, drilling) partially offset lower LatAm. EAME, AsiaPac were about flat.

Industrial - growth in EAME on higher engine demand from industrial and construction Oes. Other regions about flat.

Power generation - up slightly on increased North American dealer inventory, partially offset by lower end user demand.

North America - sales \$2,541 - up 33% - Growth in Transportation (mostly rail), Oil & Gas (well service, gas compression and drilling), Industrial flat, growth in Power Generation (inventory build, end user down).

Asia Pacific - sales \$1,582 - up 9% - Transportation flat, Oil & Gas flat, Industrial flat,

EAME - sales \$981 - up 2% - Growth in Transportation (rail), Oil & Gas down, Industrial grew (engines for OE industrial and construction),

Latin America - sales \$481 - down (21%) - Transportation flat, Oil & Gas down, Industrial flat,

## 2015.01.27 - 4Q14

Sales - up 11%; +12 volume, +1 price, and (1) FX.

Margin - 17.4% - up 10 bps - higher volume, negative mix (large EAME power gen project). Price favorable but growth spending also increased.

Transportation - sales up in EAME and N. America (pre-buy), "about flat" in LatAm and Asia/Pacific.

Oil & Gas - sales increased in NA and EAME and declined in LatAm and Asia/Pacific.

Industrial - revenue declined in EAME and were "about flat" elsewhere.

Power generation - sales increased in EAME and North America. LatAm and Asia Pacific were flat.

North America - \$2,730 - up 19% - Oil & Gas up - higher end user demand, increased dealer inventory. Mostly well service, gas compression and drilling. Power gen up. Transportation up (pre buy).

Asia Pacific - \$1,980 - up 17% - O&G down. Power gen, Transportation, and Industrial were all "about flat."

EAME - \$940 - off (6%) - O&G up on large project timing. Power gen up. Transportation up. Industrial down.

Latin America - \$541 - down (5%) - O&G down. Power gen, Transportation, and Industrial were all "about flat."

## 2015.07.23 - 2Q

Sales - down (12%); (9) volume (4) FX. All end markets down. Transportation and Oil & Gas are set to continue weakening over the next few quarters.

Margin - 19.5% - up 40 bps - lower volume offset by mix and lower comp expense.

Transportation - down the most - lower NA locomotives. 2Q14 strong, 2Q15 emission regulations (Tier 4) - CAT Tier 4 not ready until late '16.

Oil & Gas - down on lower oil price, capex cuts by energy companies. Brunt of decline in reciprocating, oilfield services. Backlog helped 1H, worsens in 2H.

Industrial - down - go to ag, electric power packagers, construction materials, others. Demand down a bit, also FX (especially Europe).

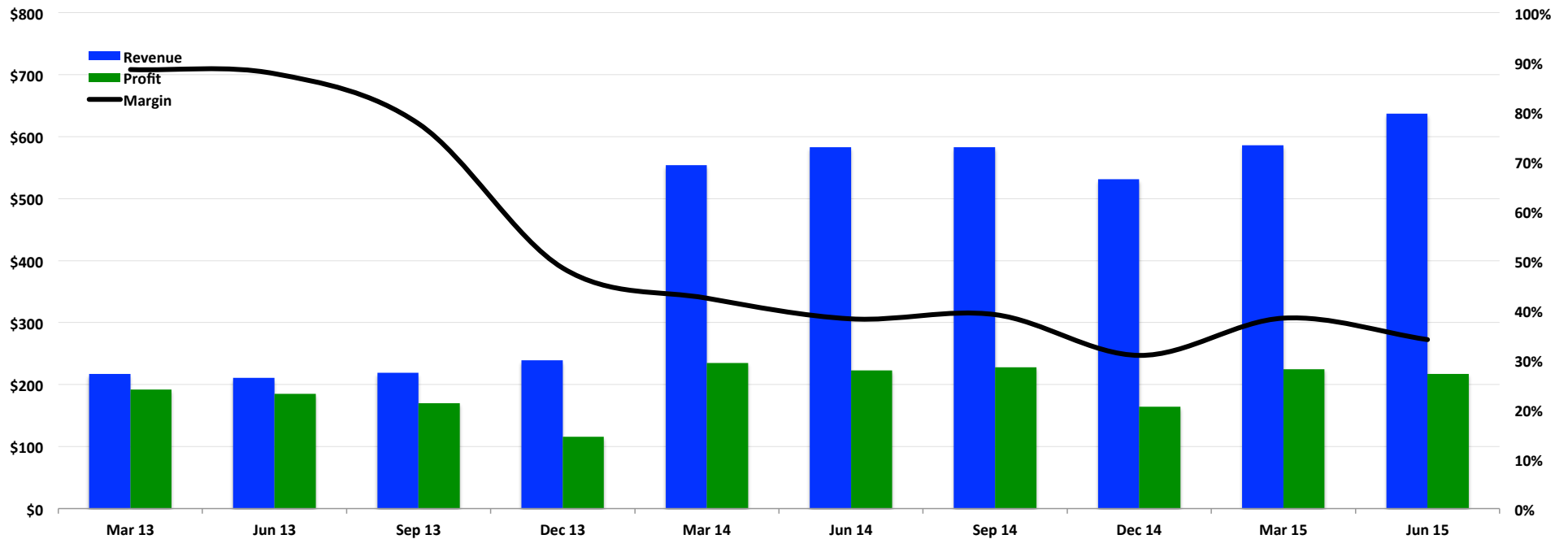
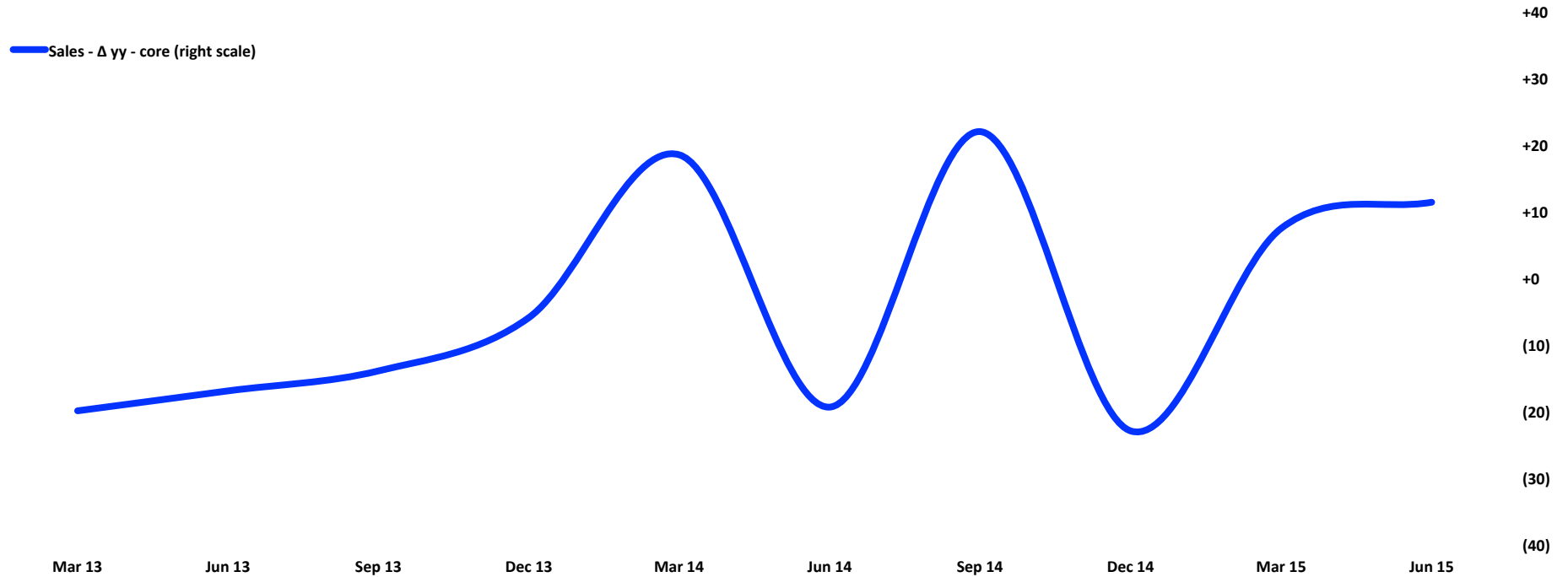
Power generation - down the least - mostly FX (Europe).

North America - sales \$1,905 - off (16%) - everything was down.

EAME - sales \$1,340 - down (5%) - FX drove decline.

Asia Pacific - sales \$860 - down (17%) - FX, market weakness contributed to decline.

Latin America - sales \$439 - off (7%) - Power Gen was weak. O&G, Industrial and Transportation were about flat.



SEGMENT	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	AVERAGE				MOM. Δ		
											10Q	5Q	3Q	Last	5Q	3Q	Last
Orders																	
Backlog																	
Sales	217	211	219	239	554	583	583	531	586	637							
Book-to-Bill																	
Orders - Δ yy - core																	
Orders - Δ yy																	
Core	(20)	(17)	(14)	(6)	+18	(19)	+22	(23)	+7	+11	(4)	(0)	(1)	+11			↓ ↑
Deals	(34)	(37)	(17)	+0	+0	+0	+0	+0	+0	+0							
Currency	+0	+0	+0	+0	(1)	+0	+1	(2)	(2)	(2)							
Sales - Δ yy	(54)	(54)	(31)	(6)	+17	(19)	+23	(25)	+6	+9	(13)	(1)	(3)	+9			↓ ↑

BUSINESS UNIT DETAILS, MIX

Paving	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Forestry	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Industrial & Waste	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Tunnel boring	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Japanese Construction dealers (3)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

2012.10.22 - 3Q

Sales off (31%) - primarily sale of majority interest in 3rd Party Logistics business. Quarterly impact \$115 million in sales - \$200 million run rate. Profit includes \$273M gain on sale - normalized \$209M.

2013.07.24 - 2Q: No notes.

2013.10.23 - 3Q

2015.07.23 - 2Q

Sales - Δ yy - core (right scale)

+20

+15

+10

+5

+0

(5)

(10)

(15)

(20)

Mar 13

Jun 13

Sep 13

Dec 13

Mar 14

Jun 14

Sep 14

Dec 14

Mar 15

Jun 15

\$1,400

\$1,200

\$1,000

\$800

\$600

\$400

\$200

\$0

-\$200

Revenue  
Profit  
Margin

40%

36%

32%

28%

24%

20%

16%

12%

8%

4%

0%

Mar 13

Jun 13

Sep 13

Dec 13

Mar 14

Jun 14

Sep 14

Dec 14

Mar 15

Jun 15

SEGMENT	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	AVERAGE				MOM. Δ		
											10Q	5Q	3Q	Last	5Q	3Q	Last
<b>Orders</b>																	
<b>Backlog</b>																	
<b>Sales</b>	795	806	807	816	817	834	851	811	795	785							
<b>Book-to-Bill</b>																	
Orders - Δ yy - core																	
<b>Orders - Δ yy</b>																	
Core	+0	+0	+0	(2)	(2)	(0)	(5)	+0	+2	(2)	(1)	(1)	+0	(2)			↓
Deals	+0	+0	+0	+0	+0	+0	+0	+0	+0	+0							
Currency	+0	+0	+0	+0	+0	(0)	+0	+0	(0)	(0)							
<b>Sales - Δ yy</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>(2)</b>	<b>(2)</b>	<b>(0)</b>	<b>(5)</b>	<b>+0</b>	<b>+2</b>	<b>(2)</b>	<b>(1)</b>	<b>(1)</b>	<b>(0)</b>	<b>(2)</b>			↓

BUSINESS UNIT	DETAILS, MIX																
<b><u>Assets, debt</u></b>																	
Finance Receivables	23,150	23,186	23,746	23,689	24,040	24,585	23,998	23,671	22,750	22,911							
Finance Debt	30,040	30,098	30,186	28,975	29,316	30,219	29,268	29,273	28,759	28,797							
Additions to finance receivables	(3,337)	(6,917)	(10,400)	(14,095)	(3,218)	(7,223)	(10,400)	(14,380)	(2,901)	(6,171)							
Collections of finance receivables	2,937	5,966	8,803	12,253	2,872	5,994	8,803	12,607	2,954	5,965							
<b><u>Asset Quality</u></b>																	
Past due	2.52%	2.64%	2.45%	2.37%	2.44%	2.63%	2.81%	2.17%	3.08%	2.97%							
Write offs, net	\$10	\$27	\$58	\$28	\$38	\$19	\$22	\$25	\$12	\$38							
Allowance for credit losses	\$429	\$422	\$404	\$378	\$373	\$387	\$405	\$401	\$392	\$405							
As % of receivables.	1.49%	1.46%	1.40%	1.30%	1.49%	1.46%	1.37%	1.36%	1.38%	1.42%							
<b><u>Cash Flow</u></b>																	
Net cash provided by (used for) operating activities	262	569	919	1,275	353	763	524	1,425	276	747							
Capital expenditures - excluding equipment leases	(3)	(8)	(11)	(14)	(2)	(3)	(11)	(20)	(2)	(5)							
Expenditures for equipment leased to others	(333)	(811)	(1,299)	(1,897)	(291)	(828)	(1,299)	(1,797)	(355)	(726)							
Proceeds from disposals of leased assets	161	324	535	738	23	398	535	837	162	338							
<b>Free cash flow</b>	<b>\$87</b>	<b>(\$13)</b>	<b>\$70</b>	<b>(\$42)</b>	<b>\$83</b>	<b>\$247</b>	<b>(\$581)</b>	<b>\$696</b>	<b>\$81</b>	<b>\$273</b>							
<b>Free cash flow - 3 quarter average</b>	<b>\$109</b>	<b>\$77</b>	<b>\$48</b>	<b>\$5</b>	<b>\$37</b>	<b>\$96</b>	<b>(\$84)</b>	<b>\$121</b>	<b>\$206</b>	<b>\$350</b>							
<b>FCF - 3Q Average / Finance Receivables</b>	<b>2%</b>	<b>1%</b>	<b>1%</b>	<b>0%</b>	<b>1%</b>	<b>2%</b>	<b>-1%</b>	<b>2%</b>	<b>4%</b>	<b>6%</b>							

## 2011.10.24 - 3Q

Average earnings assets up, offset by lower interest rates on new and existing receivables. Past dues 3.54% down (19 bps) qq, Write offs (net) \$50M from \$78M yy.

## 2012.01.26 - 4Q

Average earning assets up, offset by lower interest rates on new and existing receivables. Credit quality for CAT improved in Europe and China.

## 2012.10.22 - 3Q

Higher average assets, lower financing rates on new and existing business.

2013.07.24 - 2Q: No notes.

## 2013.10.23 - 3Q

## 2015.07.23 - 2Q

## RESEARCH LEADERSHIP

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