CAT Compact Experience Fireside Chat

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ALEX KAPPER: We're broadcasting live from a Cat Compact store here in North Carolina. I'm Alex Kapper, Vice President of Investor Relations. We're very excited to have you all joining us here today. I'm just going to make a few opening comments, and we'll get right into it. We've already done our safety briefing for those attending in person. So if you're on the line, if you're joining by webcast, we just encourage everyone to be aware of their surroundings and their local safety protocols. During the discussion today, we may make forward-looking statements, which are subject to risks and uncertainties. For a full list of risks, which may cause our actual results to vary materially, please see our SEC filings. Also, we may refer to non-GAAP numbers, for reconciliation to US GAAP numbers, please see our most recent earnings presentation. And with that, I'll hand it over to our host today, who's Chad Dillard from Bernstein.

CHAD DILLARD: Great. Thank you, Alex, and good morning, everyone. Very excited to have Rod Shurman, who's the Group President at Construction Industries.

ROD SHURMAN: Thank you, Chad. Thanks for hosting today.

CHAD DILLARD: Thank you for having us in. So yeah, I want to spend the next 45 minutes just talking through, a lot of the strategy that you guys initially laid out during the investor day last year and maybe get into just how you're thinking about the coming year ahead. So with that said, you talked about identifying customer groups and projects like Cat hasn't historically served as effectively as it could. If you think about across like the compact, the Major Projects, the rental services, where is the largest pool of incremental economic profit for you guys? And then what evidence, do you expect to show investors as, you know, proving that you're being able to capture it?

ROD SHURMAN: As you look back, we think through as you're here today, we had a chance to talk this morning about what Cat Compact is; an underserved segment from when we think through Cat equipment, small Cat equipment, that customer segment, a lot of our bigger customers, there's smaller gear, smaller equipment

they'd buy for sites, and we became really focused on what that customer segment wanted. But this customer segment, as we worked through that, we really understood there's a segment here we really weren't addressing, right? They need the same machine, but more of a basic version of that machine to do what they wanted to do. And so this is something we piloted through last year. We rolled out to the Dealer Network. It's been a critical part of our sales to users growth, and part of the couple record quarters here. We are going to have a great year here in Construction Industries, and the compact side has been part of it. But with that is the rental side comes right in with it, because it's a customer experience is what it's about. It's not about just the transaction, but the rental side of this drives access for the customer to the equipment. Access drives the opportunity to go to retail, and the retail drives that customer base and equipment base, which drives parts and services growth. I think for us, the evidence of it is as we look through the year, it's the first year in the new strategy, but if you look at what the results are to date, outperforming in the market, and some great results to go with it (company clarified after the call). So for us, that's great proof that the strategy is working, and we've got a lot more to go.

CHAD DILLARD: Great. So let's spend some time on Cat Compact specifically. How big is that business today, and how large do you think it can be? Maybe if we go out to 2030?

ROD SHURMAN: Yeah, for us, as we look at Cat Compact, they’re starting it, right? So last year was the pilot. We're rolling out. Have 40 stores now. We'll see the rollout take place here this year, next year, and a little bit into 2028. It's not just North America, but it's global. So we'll see it go to Europe, Africa, Middle East, into Latin America as well. And for us, as we do that, it really just kind of brings this kind of overall composite growth. When you go and talk to our customers today, it's shocking to think that only 13% know we're in the small equipment business. And we've been in the small equipment business for 20 years. And then 50% of the customers in here just in North America, if we look at that, are customers that have one to three machines. The majority of those customers do not know a Cat Dealer. That 13% to 100%, that's the opportunity. And we know the segmentation of customers that own that, and so it's a great opportunity for us to serve. And yes, we had a chance to talk to the Greg Poole team here today. This is their first store, a

great dealer for us, but we've just seen incredible results here, and the store has been open for just three months.

CHAD DILLARD: Great. Okay. So why is now the right time to better support and serve the smaller contractor, the smaller customer?

ROD SHURMAN: Population density drives the need for smaller machines is part of it. But for us, as we look through and you think of the small customer, I wish we would have done this earlier, but we're doing it now. I spent a lot of time out with customers where we understood what they needed to do, and it became clear to us that this is just a great opportunity. And so we've seen it, we put together the strategy to work on it, and we're here doing it. So it's no coincidence we're here now. And the other part is you look at it from a market side, we focus in the compact construction segment of the overall construction business, it grows at twice the rate of the rest of the construction industry in North America. So it's growing at a great rate and it has since 2016. And then we have a solution that brings everything together in one spot for a customer. It's a great opportunity for us to be able to work with our dealers and reach customers in a way we've never reached them before.

CHAD DILLARD: And what is the archetype of the customer? Is it on the retail side, small contractors, landscapers?

ROD SHURMAN: This is the greatest part about what the experience is, because you're here today and you come into this store and it's not just a smaller Cat Dealer. Right? This is a complete retail experience. It's built by a digital experience before the customer shows up. So they can impress online, understand a machine configuration. They know the price, they know the financing. They can apply for credit online, through Cat Finance, and get instant credit approval. So it's not just the lead generation like most can do. It can be a full online transaction that can go through and do it. And for that customer segment, today we had a chance to talk to a new customer, that bought a machine, but so many of these customers, as they start a business, cash flow is a big pain point for them. They're building a business, they're starting a business, so a rental solution like Greg Poole here can offer, we can put them in a rental machine, we can put them in a rental purchase option so they can purchase that machine, so they can roll it into a retail transaction. And access to

rental grows retail, which grows parts and services. So it's the connectivity that drives all that together that really kind of helps us. So the timing is just right to do this as we see it and, we're off to a great start.

CHAD DILLARD: Okay, walk me through how you ultimately, sell that prospective customer. Talk through like the competitive proposition that you're bringing to, let's say, like that customer that, shops, makes a monthly payment, and needs an immediate availability. Like, how do you sell to that type of customer?

ROD SHURMAN: The digital outreach is a key part of that. So here locally, somebody could see something come up in a feed and see a payment. We just had an example of a customer. You know, him and his wife were looking for a machine. They wanted to go look at a used machine. It wasn't from a Cat Dealer. He really was like, well, this is a lot of money to spend. And they literally go online and they see that there's a Cat Compact Dealer right there. They can see new, they can see used, they can see rental options, they can see prices. And right there, like, hey, we can make this payment and this is a great option for us. They get the customer value agreement that comes from a dealer. They get the service and support that comes with that and that's really the connection we make. So wherever the customer's at in that journey, we can kind of meet them on that journey and build that relationship over time. And that's foundational to where we've been the past 100 years. And that's just rebuilding that foundation as we look ahead to the next 100 years.

CHAD DILLARD: And where does that life cycle value agreement factor into that?

ROD SHURMAN: We launched a new services commitment at Con Expo this year, 24-hour parts, 2-day return to work. And so when they're here at a Cat Compact Dealer, this is all part of the customer value agreement that the dealer worked with the customer on, and which is really our commitment in writing to the customer that we can maintain uptime. And you think if you have one or two machines as a customer, the downtime on those can cost you a job. It could keep you from winning your next job. And as we've talked to so many customers, I've never met a customer that owned a competitive machine that didn't want to own Cat. And more importantly, the part they aspired to about the brand was parts, service, support they could always get from a dealer. And for us, Cat Compact, we really solved the machine

configuration and the simplicity that's kind of addressed what they really thought was a price premium, but for us was more of a configuration management issue. We just worked through and we've seen great traction from it.

CHAD DILLARD: Got it. Okay. So I think we're all pretty familiar with the go-to-market on the large equipment side. So maybe you can use that to compare how you're proposing to go-to-market on the compact side. How much more reliant will you be on rental to drive the sell through? Yeah, let's begin there.

ROD SHURMAN: Yes, for the go-to-market for this, I mean, Cat Compact is always with Cat rentals. And the reason it's there is rentals, the highest percentage of the time, is the customer's first exposure to Caterpillar. And the customer's first exposure to the rental likely drives the brand they'll go through when they go through the purchase process, what they're going to purchase. So that's the reason for pulling both of those together. So it really kind of drives that. We've seen great rental revenue growth where we put Cat Compact dealers, even when we put them at existing Cat Rental locations, we've seen that pick up just because the additional traffic it drives by having that go through. That hits the physical side. The other part that comes with it though on the go-to-market is really the focus on digital. And as we started the digital platform last year, which really gave the build, configure, and now to shop online; 80% of the leads we've seen last year were customers we've never reached before. And we're putting up similar results as we go through the year this year. So we talked about that opportunity, and what we're doing digitally is reaching those customers and letting them understand they can get into a Cat machine and everything that comes by having a relationship with their local Cat Dealer to grow their business to come. And then the option they have is they come in here, they can look, they can demo a machine, they can try a machine. So that really kind of hits the whole go-to-market side of that. It's different. But from a customer standpoint, if you talk to them, you'd go to a bigger Cat dealer, like a main branch, it's more focused on a large or medium customer. Much bigger showroom than you'd have here. But for the customers that we want to reach, this is where they're at in their journey. If they're a small customer, they can feel intimidated by a really big retail presence. This gives them everything they need in a one-stop shop. You know, the customer we talked to today talked, it'd be an extra 45 minute drive

for him each day if he didn't have a local place out here like this to support what he needs and help solve that problem.

CHAD DILLARD: Okay. And how do you ensure that there is no cannibalization of customers between the two channels?

ROD SHURMAN: I would say it's really not about cannibalization between it. For us, for our dealers, they see this the same way as we do. It's like putting a customer in a Cat machine is the start of the cycle. That's how we build a relationship. We build a relationship with the brand. They build a relationship with the Cat Dealer. The customer this morning talked about how important that relationship was with the local dealer here to do that. And so again, Rental creates the opportunity to get the exposure, they can see the quality, the support. It drives the retail, and so it really drives the compounding effect through the life cycle value chain of it. So there's really not a cannibalization effect we see. It's a net adder. And more importantly, as we think customer-back from a solutioning standpoint; this story right here today provides a solutioning experience for customers that doesn't exist outside of Cat Compact stores in North America today.

CHAD DILLARD: Okay. So let's actually shift the perspective to your partner, the dealers. How did dealers need to shift their operations to support Cat Compact?

ROD SHURMAN: So for dealers, as they shift their operations, your dealers are already in the rental side. For dealers that look at a lot of them, can have rental stores in locations of high opportunity, where we can bring in the retail side that would be Cat Compact. You'd have a location like this, which is a store they bought, which is a repurposed facility, which works perfect for that. So we can keep the investment side, the capital investment side smaller for the dealers. It creates the environment the customer wants to see. And we bring collectively in one place everything a customer can experience from a Cat dealer. They can buy new, they can buy used, they can rent, they can demo a machine, they can get parts, they can get service, they can work on their CVAs and see everything Cat can bring in financing support and everything in one place, one event, find it online, come here, pick it up the next morning, and they're off working. So from a Dealer standpoint, it's a shift to make, but I think of it as moving resources from a main branch to a local branch where it

really gives us an opportunity to grow and hit a customer base we haven't hit. It's not additive in a lot of ways, maybe some facility, but the people, we're just putting the people out closer to where the opportunity is going to be.

CHAD DILLARD: Gotcha. And then in terms of, you know, the scaling the locations, I think at the outset, you said I think there was 40 Cat Compact locations today, somewhere that about.

ROD SHURMAN: We're in the initial rollout of it, yeah.

CHAD DILLARD: Okay. So as you think about your target out to 2030, how much more do you need to scale that up to achieve those goals?

ROD SHURMAN: I mean, here as we talked today, we had, Greg Poole IV talking that they have several other stores that they're looking at because of the opportunity they have seen in the first one. And we'd see that kind of rollout completed as we roll through this year and the next year in the beginning of 2028 in North America. And we'll see the rollout around the world complete by the end of 2028.

CHAD DILLARD: Gotcha. And so just for Cat in general, you guys have historically talked about kind of like three to four months of normal inventory and recognizing that, you know, selling more compact, maybe requires a little bit more on-site inventory because that's how the customer likes to procure. So how do you think about that range taking this shift into consideration now?

ROD SHURMAN: Yeah, we feel for this customer and how their buying cycle works is they buy from stock. So they've kind of, they've done the impressioning, they've done the work at home. And what I'd relate this to, it's very similar to like buying a big retail purchase for most people would be a vehicle. You're researching online, you know, they can go online, they can see the machines there, they know what it is, they know the price, they know the financing. And we bring it all together to support that. And like I said, we've been tracking really well to date with it.

CHAD DILLARD: Okay. So, let's talk about your billion-dollar investment in the factory down the road here in North Carolina. Is that first of all, is that included in your, you

know, 25% growth targets for Construction Industries? You can talk about how to think about the ramp up, the incremental revenue opportunity from like this expansion, the automation from the technology standpoint.

ROD SHURMAN: Yes, as we put together the strategy and we rolled out the strategy, that was part of the 1.25x sales to users increase when we did the strategy roll out. A complete part of that was making sure it was contributing to making sure we stayed at around the midpoint of the operating range that we committed to do as well. As we kind of went through the pilot with Cat Compact and we've seen the growth that came out of it, we have the opportunity there to kind of look at where we've been in our old facility. It's been there effectively 20 years, a great location. But as we think through what's happened and over time, modern manufacturing, digital technology, automation, we had a chance to really kind of, we said, if we really see the opportunity that's out there in front of us to grow the business, to really make that investment and build a purpose-built facility for track loaders, which is in telehandlers, which are the part of that compact equipment segment that's grown the fastest and has been for the past several years, and really bring forward all those efficiencies and throughput improvements that we have from a facility where we've just been trying to add on and add on to it. And so the efficiency benefits of modern manufacturing, when you take a 20-year-old facility, and even though you update it over time, to be able to come and do a complete greenfield like that, become a huge part of helping us kind of continue to grow and continue to drive the financial performance that our shareholders expect.

CHAD DILLARD: Got it. Okay. So when you think about compact, that market, I think of, there are a number more competitors relative to something like the large equipment that you sell. So more competition makes me think about price. Price makes me think about margins. How do we ensure that you maintain your margins in that more competitive environment?

ROD SHURMAN: Yeah, I mean, we look at that. Part of our strategy when we were forming the strategy is everything we've seen coming into the strategy that we talked about with compact, with rental, and the rest of our business is all targeted to really drive us and keep us at the midpoint of that operating range. And part of it is, it's so important that we think of that journey we talked about for our customer. It's not just

the initial transaction or the sale, but the combination of what we talked about today brings the exposure, it drives the installed equipment base, that drives parts and service revenues long-term, which all come together to collectively drive our financial performance in the long term. So, they collectively all build up to kind of get us right where we want to be and right where we want to stay.

CHAD DILLARD: Gotcha. And if we boil it down just to like customer acquisition cost, can you talk about like how do you go to market differently, you know, reaching out to that smaller customer versus some of your larger customers?

ROD SHURMAN: As we talk to bigger customers, it'll be easy to go in and talk to them about, here's what we're looking at for the next 12 or 24 months, right, have a comprehensive plan on kind of what they want to do. These customers are new, they're looking through, and that's really where we talked about the digital side of that and it’s so important to kind of reach out to them and drive that. Cat Compact drives the standard digital framework that all of our dealers use to reach that customer segment and bring them in, or work on closing that transaction. That's the biggest fundamental part. There's opportunity to carry some of that over even into the bigger side of our equipment, and we'll leverage that where we have the opportunity to do so. That's the biggest fundamental part, though, is really making that initial connection. And that's the big part of that gap closer from the 13% that know we're in the small equipment business to the 87% that don't, is kind of getting that message out and thinking through it. And here, you should talk to the folks here that run the store. They have people that come in that say, what's this all about? And that first touch point with the customer is what starts to build the relationship, and that just continues to compound over time.

CHAD DILLARD: Got it. And then by how much do you expect the rental channel to drive the success of the Cat Compact strategy?

ROD SHURMAN: The rental channel for us is customers' first experience with Caterpillar in most cases. There's a number of customers that I met and talked to, and they'll talk about their first experience with Caterpillar; coming into a Cat Rentals location and having that person behind the counter help them understand what they needed, get them the right training they need to use the machine, and it builds that

experience, builds that customer base and grows through it. And again, as we look through statistically and we watch what happens, that first exposure in the rental side is generally what drives what customers purchase in the retail side. So it becomes an important part. And for us, whenever you see a Cat Rental, a Cat Compact location, it will always have Cat Rentals with it for that reason. Because from a customer-back, we could easily think of things as like product out of what we want to do. But everything we're doing here is from a customer's lens, what do they need to be successful? And the combination of those two bring everything together our customers need to be successful in what they do every day.

CHAD DILLARD: Got it. Okay. And can you spend a little bit of time talking about how Cat Compact interacts and interfaces with the larger Cat dealership and how they go to the market with customers?

ROD SHURMAN: Yeah, so for Cat Compact here, this is a separate branch for Gregory Poole here, the Dealer. As we build this customer base, the customer we talked to today will need a bigger machine, but here now they have an outreach in this area so they can deliver a bigger machine here if they wanted to. It builds that customer base over time. And so from a customer experience, it's a lot different than what you have in a big dealership for the for a lot of the reasons we talked about today. But it just builds that customer base like we have. And if you think through where we've been, I was on the phone with one of our really big customers in the morning yesterday, just talking to him about, what they've seen, what they needed. And you just think through how that customer started; it was no different than the customer we would have talked to this morning. They had a couple pieces of equipment. They built the business and they grow it. And for us, that's really what this is about. That recipe that brought us to where we're at today, this just continues to culminate and build on that and take us to where we want to go in the future. It continues to build that customer base and compound it over time.

CHAD DILLARD: Okay. Let's actually change topics and let's talk about Major Projects. That was an initiative that you announced a little bit earlier this year. So maybe just to begin with, describe how Major Projects initiative competes head-to-head against the national rental companies.

ROD SHURMAN: So for Major Projects, for us, it's a four Dealer joint venture that comes together, focused on the heavy rent side of our rental portfolio, and would compete against major rental companies. The example that we'd have is we just looked through a big transmission project in Reno. $4.2 billion dollars, 700 miles of high voltage transmission line. Major Projects was able to come in and help augment the fleet the local dealer had and provide a solution for the customer. There's 40 pieces of gear there currently, growing, serving over three different customers we have. The ability to have that kind of access and our dealers coming together to focus on customer needs beyond a local territory and solve that, comes in and helps the local dealer augment the fleet they have. A big project like that coming into a dealer's territory could pull a lot of their day-to-day rental fleet out of service for a while, but it solves those customers' problems that are with it. And the other part that comes with Major Projects for us is that for a lot of our bigger customers may have demand that gets dropped in them on very short notice. Even though we're planning on longer term, there's a handful of customers that always have projects that will come in short-term needs. And they might need access to a big fleet of equipment. Major Projects is there to help with that. And those are things without having that ability, those we could likely lose to the competition on the rental side, but more importantly, it's the sales and services that would go through. And in that example in Reno, while Major Projects are coming to help with that, the local Cat Dealer, Empire Cat in Reno, has all the parts and service that goes with that and provide support to those customers, just like all the gear came from the Cat Dealer. I think it's important for people to understand that Major Projects isn't there to compete with our dealer. It's really there to complement what the Dealer can do and bring an end-to-end solution for customers that need access to a lot of gear over a long period of time. Or we can kind of use it as a way with the customer to kind of augment a short-term need they have while we work on getting them new gear insight for the long term.

CHAD DILLARD: Gotcha. And is Major Projects part of your 2030 targets? Maybe question one and then question two. Just like walk me through the value proposition, when a customer could go with a national rental company. How do you convince them to go with Caterpillar Major Projects?

ROD SHURMAN: Yeah, sure. So Major Projects is part of our strategy as we rolled it out as we've seen a Dealer JV like that. And we talked about that when we launched our strategy with our dealers and what was going to happen there. From a customer standpoint, what comes with that is, it's not just them transacting with a rental house; another national brand to kind of get a rental. It's the getting access to the technology, the value that comes with it, that embedded technology and capability that drives efficiency, and productivity. We're making safety technology standard on machines that really solves some of their toughest challenges on site. And it just does it in a way where they can kind of grow from those rental options into a purchase option. And again, it's just about solutions to the customer and it brings more of an end-to-end solution than just a rental transaction to that customer base.

CHAD DILLARD: Got it. Okay. So the first order obvious impact is that Cat gets a chance to sell more equipment with Major Projects. But let's talk about the second order. Let's talk about the parts opportunity. Let's talk about how Caterpillar Financial helps support this initiative as well.

ROD SHURMAN: Just like with the Dealer, Cat Financial is there to provide support. We support and help work on planning. We don't want anybody to be overly bullish and kind of overly load fleets, so we help them with long-term fleet plan, what we see from demand need from bigger customers, to help us so we can kind of keep that balanced and focused. And that collective experience between us, Cat Financial, and the Dealer with the customer brings it all together to make sure we have a balanced and effective solution that gets customers what they want when they need it.

CHAD DILLARD: So can you walk us through a project Cat would have previously lost because maybe like one dealer, you know, lacked the fleet, but now you can actually win with Major Projects? And what changes for the customer are there beyond having just more machines available?

ROD SHURMAN: Yeah, the [Greenlink] project we just talked about in Reno was a great one, right (company corrected after the call)? So, $4.2 billion project is one for us that was the difference between winning and losing for us. For the customer there, they've got local dealer support on site all the time, three different customers. As for

the benefits we think through, we talk about technology investments we're making, as we drive that kind of advanced technology there. Making sure they're getting the benefit out of it, from, you know, think of efficiency that the technology can do for the customer, significant fuel savings, in a lot of cases using advanced grade capability to get kind of get complete first pass yield as they go through there. So they get the collective benefit of the Dealer network being there to support them on those challenges every day, which is, that's something additive we bring to the table. Or they can't get that from other places, right? And they build that. And again, it helps them build that long-term relationship with the dealer if they're new to us or if they're existing customers, which in some of these examples, if they're new and some of their existing customers, it just really helps us continue to grow and build out that relationship where we're not just transacting with those customers. We're a long-term solutions provider and helping them give them the flexibility. And how they can take advantage to grow their business and profitably, and we can do the same thing at the same time.

CHAD DILLARD: Okay. So let's broaden out to just like the broader Cat Rental business. Can you quantify the customer journey? What percentage of the first-time renters subsequently buy, used or new Cat equipment? And where do you want that to go over the next four years?

ROD SHURMAN: The customer journey for us in Rental, we hit on this a little bit lightly, but that first experience in a rental experience really becomes an imprint on what customers see they become comfortable with, and what more than likely they buy when it becomes a retail transaction. So that's a really important part of the journey. Our dealers are very committed to that. We, our dealers, as you talk to them, all know that the more customers we put in Cat machines, the more we grow. And this is, again, that compounding value chain we talked about, right? It's more exposure for us. It drives more parts and service revenue for the long term. So that side of it as it comes together is the key part of that, as we see that all come together.

CHAD DILLARD: Got it. And just in general, I mean, how big does Cat want to be in rental?

ROD SHURMAN: For us, we see Rental as a big growth opportunity. It's part of our strategy. Our dealers see it the same way. This year, as you looked at Rental, you'd see some sales to users come through, which were part of our record results here the past couple of quarters. It's not the only part of it, but it shows our commitment to our dealers and our sales folks on what customers need. We focus on the same metrics that the rest of the industry does so we could look at utilization and make sure we keep utilization rates up high and we continue to focus on that opportunity. Our [North American] dealers coming together would put us like at number 5 and we continue to see it as a growth pillar for us and we continue to focus on working with our customers and dealers to grow that opportunity as we head out to 2030 and beyond (company clarified after the call).

CHAD DILLARD: Okay. So from Compact to Major Projects to like the greater emphasis on Rental, it's clear that Cat is really leaning into the secular expansion on the construction side. So I guess like 2 questions on this. How much of this is showing up in your growth numbers in '26? And then second, what controls do you have in place to make sure that you're not over fleeting the market?

ROD SHURMAN: Sure. In 2026, if you look through for us; outperforming the industry. We see in the results as proof to us that what we've done to really redefine the focus of the organization and to drive the strategy into effect is proof that it's working. As we think through managing and to make sure we're not over-fleeting, so many of those big jobs are bigger customers, and as we work through and understand that demand planning on a longer-term basis, it really helps give us the balance to make sure we can't over-fleet that and keep everything balanced out with customers and have customers what they need when they need it, is a big part of that. And that's a collective part of us working with the Dealer, working with the customer to make sure that all comes together. And so we're all playing our part on the team to kind of make sure that solution approach comes through for the customer and that we keep it balanced out, right? As we look through the utilization of the fleets, and where it needs to be if we see something changing, we can collectively work with the customer and the Major Projects group or maybe a local rental dealer to help augment what that needs to be and go through time. But it all stays balanced as we all work together to really drive the right outcome for the

customer.

CHAD DILLARD: Gotcha. So this is a question on service and maybe a little bit of technology. So how does machine connectivity, you know, you've recently released the Cat AI agent, all those types of products. How does that increase the lifetime value of parts that you sell on the equipment?

ROD SHURMAN: So, if you look at that from a couple different perspectives. If you're the business owner, that technology on the machine takes you from an unplanned incident to a proactive planning. The data we get comes back from those 1.5 million connected assets, growing to 2 million as we look to 2030, it's critical to give customers feedback through prioritized service events, which can really help them proactively manage it. You have CVAs; our dealers work with end customers on our customer value agreements. So from a business owner standpoint, we turn the problem into an opportunity to prevent a problem. For the technician that's on site, an AI assistant really gives them the details they need to solve a problem. Or if somebody's working on doing that, they can go and get in the right tool set and figure out what they need to do, to kind of do the right maintenance and the right safe way to get that done. And then collectively at the end of that, as we see everything come together in our digital ecosystem, here like at Cat Compact, the dealer is onboarding the customer into that point of sale. So they're getting onboarded into the digital system, they get access to VisionLink, they see how parts.cat.com works, they know how to interface with that and keep parts and go through it. And it really helps us kind of actively manage that fleet. The data we get back from those assets really helps us drive smarter signals to customers, help keep them running. And that whole thing comes together to collectively serve the need through there. So it's a great opportunity for us and something we're seeing, we see significantly more uptake on that as that begins to roll out through Cat and the dealer network.

CHAD DILLARD: Okay. And I also want to spend a little bit of time on the technology side. Just like better understand the technology roadmap, talk about maybe your attach rates with grade, and then maybe talk about how you're leveraging some of the technology you use on the mining side, on the quarrying side, and how you plan

to push that into more of your construction products.

ROD SHURMAN: So for us, the technology we talked about a lot is a key part of what we're investing in as we look through the strategy ahead to 2030. For us here recently, we just made announcements this week of what we're doing to bring safety technology standard on our equipment, which is collision detection and mitigation. We talked earlier today about just the safety opportunities that exist in the construction industry alone. So, there's technologies we're making standard to really drive the industry to change and focus on improving safety in the industry. There's always a human element with it, but technology can really help buffer that zone and you control. I can see an object, I can control the stop coming up to it, I can manage through there. That would be one element of it. The other two is we think technology like payload and grade, basic grade and payload, become standard in our machines. It's really to drive the technology that becomes so easy to use, you don't know you have it, which is an example of technology in all of our lives every day. And then there's more advanced technology packages that are available to customers that they can pick up and use, that can, if they want to subscribe to it for a month to help with that. They can work with a local dealer and do that. So that covers, a lot of the customers. And we see some customers that maybe look for a semi-autonomous capability. We can leverage the capabilities we've seen come from the Resource Industries platform and help with that capability. And really as we look through and drive that even to go to, we've got a quarry that we've got some autonomy running at where we've been able to take what we've done with Resource Industries and work with that a Construction Industries customer. And they've seen great results with that as well. And so we've got that ability to scale up and down. And as we focus on that more, we'll see next-gen technologies come out where we can continue to leverage that and really focus on more customer-specific solutions in Construction Industries that could be more use case for Construction Industries customers specifically as part of what we see in investing in the technology platform going forward.

CHAD DILLARD: Got it. Okay. Well, Rod, since we've got one more month until the year is over and 2027 is upon us, just any early thoughts on how you're thinking about the setup in construction? Maybe you can walk through just from like a regional standpoint, how are you thinking about the business?

ROD SHURMAN: I mean, North America continues to look strong for us. It looks really healthy. We were talking earlier today about some big customers. They continue to talk to us about a positive outlook, and looking for ways they can add more new equipment next year over where they previously forecasted. So North America looks good. We see some things going on in Europe, continue to look strong and favorable to go into next year. Africa, Middle East, Latin America continue to look favorable for us. We'll build China up off kind of an already low base. So for us, I'd say '27 looks good as we look at what's coming our way.

CHAD DILLARD: Got it. Okay. And I'd be remiss if I didn't ask about data centers. You know, particularly given that you have, some long-term relationships with customers on the on the Construction Industries side, but maybe you can share, some of the conversations you've had, post the election with how they're thinking about their plans and the plans to use your equipment in the construction as we think about, you know, '27. I don't know how far out you can go, but maybe '28 and beyond.

ROD SHURMAN: As we look at bigger customers today, it'd be normal for us to look on a 24-month outlook of where we see things going and some of the bigger customers I've talked to, they've not really seen a change, right? They're not seeing a change come specific to that. For us, it's part of our business, but I mean, I'd be remiss if I didn't say we think of our non-residential and residential construction opportunities we have is a big part of our business as well. But post-election, there's nobody that's saying they're seeing any change coming our way. And all the conversations I've been in since then have really talked about ways customers can get additional equipment in for next year from where we've been before. So it continues to support how we look ahead to 2027. And for us, as we think through where we're at with dealers today, we'll end the year, fourth quarter this year versus the fourth quarter last year, about $700 million higher in Dealer Inventory, which would be indicative to us of really what we'd see as stronger sales to users as we head into 2027 as well.

CHAD DILLARD: Got it. Okay. So what is the Dealer investment require to deliver the Construction Industries strategy that you've laid out? And how do you ensure Cat's growth objectives remain attractive for those independent businesses?

ROD SHURMAN: Yeah, so our dealers are independent businesses for us, right? They're focused on growth like we are. They understand the principles that getting customers in Cat machines is critical to their long-term growth and grows that value chain for them. And so we continue to work with our dealers and support in doing that. Cat Compact, since you're here today, has been a pilot that rolled through 10 dealers last year. We've gotten feedback through a pilot dealership like this of how we continue to tweak and improve that model and work together so they can maximize their opportunity with customers, minimize the investment it takes to do that. And it's how we've worked with our dealer network for decades, for the past 100 years, and we continue to work with them in that regards to do that. But again, they're focused on growth, just like we are, and they're making the investments they need to drive the growth and the opportunities they see.

CHAD DILLARD: Okay. So let's just assume, you know, construction demand is flat for the next three years. Obviously not, but let's just assume. Which initiatives would still grow Construction Industries' economic profit? What would you continue investing in? Which metrics would you give us to demonstrate that the growth is, you know, structural rather than cyclical?

ROD SHURMAN: Yeah, so for us, when we put the strategy together, the key elements of that were we never really planned on seeing a boom up in Construction Industries to do that. We certainly would see like normal kind of industry, you know, we track along with the industry as normal. And we've seen those opportunities we put together with Cat Compact as rentals, really ways to kind of reach customer base we haven't reached before. So they would still be there today. They wouldn't change. But the fact that the industry's up creates incremental opportunity for us that we will focus on taking advantage of. But foundationally, when we put that together, we didn't assume that was going to be the case, and we just assumed we'd kind of really stay pretty flat across the board. And again, as we built the strategy up, it was it was all built with these opportunities being part of our commitment to stay in midpoint of our operating range margin-wise, as we talked about in investor day last year.

CHAD DILLARD: Got it. Okay. Well, it looks like we're nearing the end. So, Rod, thank you for having us in. Appreciate it.

ROD SHURMAN: Thanks, everybody, for being here today.

CHAD DILLARD: Thanks, everyone. Thank you.