

Caterpillar

09/10/2026 - 9:00 Central - Caterpillar virtual HQ visit with Wells Fargo and Joe Creed.

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JERRY REVICH: Good morning, good afternoon, and good evening. I'm Jerry Revich at Wells Fargo Securities and I'm thrilled to welcome Joe Creed, Chairman and CEO of Caterpillar. Joe has three decades of service at Caterpillar. Also joining us from CAT is Alex Kapper, Vice President of Investor Relations. And Alex has nearly two decades of service at Caterpillar. Joe, Alex, thank you very much for joining us.

JOE CREED: Good morning. Great to be here.

JERRY REVICH: Before we get started, Alex has a few reminders for us.

ALEX KAPPER: Before we begin we encourage those attending remotely to be mindful of your local safety protocols. Today we'll make forward-looking statements which are subject to risks and uncertainties. For a full list of risks that could cause our actual results to vary materially from the information we are sharing with you today, please see our most recent SEC filings, including our 10K. We also may refer to non-GAAP numbers. For reconciliation to the appropriate U.S. GAAP numbers, please see the appendix of our most recent earnings presentation.

In addition, please note that Caterpillar policy does not allow meetings to be recorded with smartphones or other devices unless specific approvals have been granted prior to the start of this meeting. And finally, we'll post the video and a transcript on our website, investors.Caterpillar.com. Now I'll turn it back to our host.

JERRY REVICH: Thanks, Alex. With the riveting legal portion of the program out of the way, Joe, thank you again for doing this. So, as we look back to your analyst day less than a year ago, you already raised your revenue targets, can you just to frame the conversation, update us on how the organization is tracking on the key strategic pillars that you outlined in November from a high-level standpoint?

JOE CREED: Yeah, Jerry, and thanks. I appreciate everyone dialing in. It's great to see everybody. It's hard to believe it's been just a little under a year since we had our Analyst Day and launched our refreshed strategy. But I couldn't be happier with how the team has rallied around it and how things are going. As you know, even in the spring, just due to some continued increased demand and discussions with our customers, we even increased, our revenue CAGR to 6 to 9 percent in 2030 compared to 2024 and increased our capacity investment in our large engines to three times 2024 levels. But, from our standpoint, we are off to a great start. We had a good year in 2025, but really off to a really amazing start to the year in the first half in 2026. We think we will see mid-

to-high teens top-line growth. Our OPACC growth has been tremendous, which we've stated to everybody that is our definition of winning.

And so each of the segments has great tailwinds. I mean, we get a lot of attention on Power & Energy right now. And, we continue to have strong backlog growth and we are working really hard to increase capacity every single day for our customers, get as many units out as we can, and better throughput through our existing capacity. So that's been a challenge for the team, both on the turbine side and the large engine side. Any time you are trying to increase capacity but also increase your throughput and work the supply chain, those guys are really busy but they are doing an amazing job getting that done.

But we have also seen in Power & Energy really, really strong years both last year, a record year even, and this year on pace to do better in Oil & Gas. I think Power Generation gets a lot of attention right now, but our Oil & Gas [application] is doing really, really well, particularly around natural gas and gas compression (company clarified after the call). The increase in Power Generation is going to have to be fed, most of it, a lot of it will be gas fired in the future. And so we are going to move a lot of natural gas in the next few years. And I think that is also a very strong part of our Power & Energy business.

And then when you look at Construction Industries they had a really great second-quarter and off to a great start this year. We have been able to outperform the industry over the last 18 months. Last year we instituted some merchandising programs that really boosted us and got us off to a great start. And then those continue to pay dividends. And then our strategy around commercial excellence is paying off. And I think there were some parts of the construction industry that frankly we were maybe not paying as close of attention to or under serving, or our strategy maybe wasn't lined up to meet those customer needs. And particularly CAT Compact, which we launched at ConExpo, we are really excited about being a little more retail friendly for that small customer who owns one or two pieces of equipment and buys every few years. It's a very fast-growing part of the construction industry for us.

And then on the rental, on the last earnings call we talked about the dealer JV on Major Projects. And so that will allow us to compete with our equipment on some of these mega products where an individual dealer rental fleet maybe didn't have the fleet to support that type of project. And so we are saying great sales to users growth this year, both retail and in rental fleet loading as well.

And then we have been pleased with Resource Industries. The orders in Resource Industries have been really strong. I think that's going to be a little steadier growth. But

we are seeing great order intake on large mining trucks and then heavy construction is kind of a follow on to Construction Industries.

Then across the board, in particular in Resource Industries as well, we are seeing great Services growth. And it started to pick up. There was about -- it kind of flattened out a little last year, but Services is still a really important piece of our strategy and how we take care of our customers after they buy our equipment. Mining rebuilds are picking back up again and Construction Industries is seeing great Services growth as well. So when you look across the business, it's nice to see all three [primary] segments that are performing well (company clarified after the call). Our industries are in good shape, and the strategy is starting to take hold.

We have been spending a lot of time on the road as an executive team, having regional leadership conferences. Spent the week before last in Asia with the team. And really talking about the strategy refresh and getting the teams rallied and leaders globally rallied behind it, and we are starting to see the benefits of it.

JERRY REVICH: Super, Joe. Thank you. And maybe we could dive in in Power & Energy. You folks have been able to bring capacity online, ahead of our expectations and I'm wondering if you can just talk about if you have been ahead of your plan for reciprocating engines and turbines? And, if so, what have been the drivers of that? And the pace that you're adding capacity, it feels like you're adding about 20 percent per year as the supply base ramps. As we think about the 2030 targets, anything that we need to keep in mind in terms of any points that become lumpy as you bring additional supply online?

JOE CREED: Yeah, it's been, like I said, the team is working really hard, both teams, the turbine team and the large engine team. They are doing a great job. I would say turbine capacity additions are on plan. We announced that one a little bit later than the large engine capacity increase. Large engines, we've been able to be slightly ahead, two or three months I would say. But it's hand-to-hand combat. As I said, you are adding capacity while we are trying to increase throughput. We are getting more through our existing assets. There's a lot of work going on in the supply base as well, which is a lot of the investment is going towards the supply base so that we can continue to increase our capacity for large engines, but also, our services growth really depends on having large engine parts and components to support the aftermarket. So, this capacity investment is really for our Oil & Gas and Power Generation and services growth objectives, as well as the other diverse uses of the large engines.

I think it's never -- it's not going to be a straight, smooth line up and to the right, but it's also not going to be a cliff event. Like I said, we have been ahead. Things can happen. If we have a machine go down in the factory, I mean, we are hand-to-mouth every day

so we can see some -- there's not a lot of slack in the system. So we can see some bumps in the road as we go. But, having said that, we are trying every quarter to get more product out to customers. We are talking to them on their deliveries and making sure we meet their needs. And I think we will continue to every year, it won't be a cliff event, try to get more units out. The team has done an amazing job because there's a lot going on. And I think you were able to visit, what was that, a year ago, we were in Lafayette and we just had the new building up and now they are packaging units in there. And we are trying to do some creative things as well to time is of the essence here because the demand is on top of us. We talked about using for turbine packaging, our Wamego facility, repurposing it. We were able to do that in 12 months. We are looking at our existing assets. We brought back the ten-megawatt, former MAK Medium Speed engine, which is great for Power Generation, that we are able to start shipping units here hopefully later this year.

And so we are going to look at all of our existing footprint because that's the fastest way for us to do this. One of the things we are looking at now is, we have an engine facility that does locomotive engines. That [product] is not at capacity by any means (company clarified after the call). So with some minor investment can we do, some large engine, CAT engines in there just to relieve some of the pressure? So we are still working on some of those things. But those are the types of things, that the ideas that the team on the ground keeps coming up with. And I'm proud of how they have been able to react.

JERRY REVICH: That is a real interesting comment. Is that the ten-megawatt unit or is that the 3500, 2.5-megawatt unit when you say we are repurposing those facilities?

JOE CREED: Yeah, I mean, or if we can put them in there with existing capacity. So the Wamego facility was really PGM packaging for Solar. The ten-megawatt, we are using the footprint that we had. We have a lot of supply base on the footprint. We had just stopped building those engines three years ago. I guess 2022 or 2023. What we are looking at potentially in our existing footprint are 3600s. Because we are seeing strong demand for gas compression, too, which is primarily what that engine platform is used in. So it's a great situation to be in.

One of the things we are doing is continuing to stay even closer to our customers. Our Oil & Gas customers have been with us a really long time, so we want to make sure that we have a great position in that industry, particularly when it comes to moving natural gas. And we want to make sure we have the supply needed for those customers over the next two to three years as we see the build out and the need to move a lot more gas just to feed all of this additional Power Generation that is coming online.

JERRY REVICH: And, Joe, the big investor concern on Power & Energy is that there's a lot of capacity coming to market, 100 gigawatts or so, both reciprocating and turbines and the concern is we could ultimately see discounting and also concerns about slower pace of permitting. Obviously, you folks have a history of operating and navigating cyclical markets. What's your perspective on the supply-demand risk and can you talk about how CAT would respond whenever we get to the point where supply outpaces the demand?

JOE CREED: Yeah, I think there is definitely a lot of news out there. Last week I was on the west coast with customers. We had a big Power Generation customer come in talking to us about future projects. Yesterday I stopped in to visit them. We are not seeing customers slow down right now in their need for Power Generation. We will see how this all shakes out over time. But there's a lot more of bringing your own power, which I think favors us actually in the industry from equipment supply at large. So from a demand standpoint we are not really seeing customers change their behaviors right now. So we continue to talk to them. We will definitely keep an eye on it as we move forward. As far as everyone and competitors and ourselves bringing capacity online, I think that is true. We have been very, I would say, measured about how we brought this capacity online. In our Analyst Day, we said two times, and that was based on customer discussions. You saw how the hyperscalers and everybody increased the Capex forecasts. We are talking to them, so that's when we moved to three times. We brought the turbine investment online. We continue to stay really close to our customers. For us one of the advantages I would say is we didn't just look at data center demand, which is definitely driving a lot of demand for us, but we looked at our Oil & Gas, talked to our Oil & Gas customers. We look at these engines are used in mining applications, they are used in marine and tugboat applications. So they are used for diesel standby or natural gas prime. So the capacity is pretty fungible across the industries that we serve, which are pretty broad.

And then don't forget a lot of the investment goes into the supply base and internal component capacity, which will serve our after-market needs moving forward. So and we have services growth planned and initiatives, as an important part of our strategy. So we have been pretty measured, I think, in how we have done this. We don't need to be at that full capacity we are installing to get the return and we expect a cash payback before the end of the decade. And we have a really strong backlog into the next two years line of sight, starting to take orders in 2029 and even our first order into 2030 on turbines.

Having said all that, I think what you said I think is true. At some point I think the industry wants and probably needs to be in free supply. And that's standard mode for us. We've been very measured. And we have industry leading margins in Power & Energy. We have been very measured and taking what I think are appropriate price

action, given the supply demand situation. But also we have been pretty measured about it. We have long-term customers that we want to serve for the next few decades, that have been with us a long time. And I think we've generally proven we are a premium brand. We are close to our customers. We have a great value prop. And in the free supply market we can be very competitive and maybe even grow share. So I think at some point we will get there. That's sort of -- in my view, I consider that almost normal operating mode. What we are in now as sort of unusual, unusual times.

JERRY REVICH: And, Joe, maybe just to double click on that last comment, so for Power & Energy as a segment you folks have consistently pushed pricing over extended periods of time. And Caterpillar is obviously focused on service and you mentioned that we are not taking out sized price increases. Is it fair to expect whenever supply out paces demand we will still hold the line on price because you folks are, obviously, the market leader in a range of product lines that we're talking about here?

JOE CREED: Yeah. I mean, I think it's tough to predict what the industry will be like. We need to be competitive. And we will always be competitive. But our pricing really is based on the value prop that we bring to our customers. And so there's a lot of things that go into the pricing discussion, not just cost, not just supply demand, and the value we add and the lifecycle total cost of ownership for customers. We are the premium brand. The reliability and durability that comes with our products and these heavy demand, high-demand applications are highly sought after. So I think, as you've said, we've seen downturns, and I wouldn't expect it to be a downturn, but maybe enter free supply situations. We will be as disciplined as we can be in the pricing section and I think from a pricing standpoint, what you would have seen historically is probably similar to what you would see moving forward. So I don't think it's a huge change.

JERRY REVICH: Appreciate the color. And can we just pull on the thread that you mentioned a couple moments ago, the way you folks manage backlog is unique in that you have framework customer agreements, and so you hold customer slots for those that you have customer agreements with. Can you just, for those on this call that are less familiar with your approach, can you talk about what proportion of your turbines and high horsepower engines are typically purchased by framework customers? And spend a minute, if you don't mind, around the converting of those slots into orders, how do you folks run that?

JOE CREED: Yeah. I mean, this has been something that we really started four, five years ago when we saw data center demand really picking up for us. And that was really driven by cloud compute. And so data center business was driving great growth in Power & Energy before, really, this sort of onset of AI, which has really accelerated it. So, our process has been in place, which is great. The largest hyperscalers and large colos and data center customers, and not just only data center customers, I mean,

others that want to provide power. We are starting to see Oil & Gas customers move into providing power for various applications because they understand the equipment and know how to run the fleets. And it's great growth for them. Yes, we have framework agreements with a lot of these customers. And you rewind prior to five years and how a lot of our business works is dealers will secure business and place orders on us and we transact through them. In a framework agreement on the reciprocating engine side, still transacted through the dealer network; but we have relationships with these large data center builders and operators who will operate in many dealer territories and geographically diverse. That allows us to do a few different things. One, make it easier for them to do business with us from a contracting standpoint. Two, we can coordinate support on site with our local dealer wherever their site is, which our local dealers bring a ton of value with their expertise, local knowledge, local contacts. From our standpoint allows us to really get in front of demand planning in a constrained environment. Each one of these framework agreements is a little different. They are tailored to what the customer needs, but we are definitely looking three years, sometimes three-to-five years out, on a rolling demand planning exercise. And we sit down with these customers monthly and continue to look at that and adjust the forecast. And then sort of on a rolling basis there are commitments depending on how far out you are on the level of volume and then those are sort of in the pipeline, not necessarily when you get further out in the backlog. So when we get close enough that they are like ready to make them a firm order then we convert them into the backlog. And that happens on a rolling basis. So it's not super smooth. I think particularly now moving out, we've had three really strong quarters of backlog growth. I think that backlog growth, I worry about just getting super used to having that big number of backlog growth every time. There is a lot more we are looking at. And I think given where we are at and how far out we are planning, some of that will be lumpy in how we convert to firm orders. But it's been a great process and allowed us to really have a lot more confidence in how much capacity to put in, when do we need to have it in. And then really allowed us to serve our customers a lot better, making sure they get the units when they need them.

And so you start to see extended lead times. And we are pretty full for 2027 on large engines and turbines. But customers will -- this also allows us to adjust our schedule if they need -- if they want to delay by a few months, then we can move the schedule around in the factory and it allows us potentially to bring in last-minute orders if we see them. And we also reserve slots and are trying to plan a lot further out with our Oil & Gas customers who don't typically plan on that level of horizon. So we've engaged them a lot more. And so we are able to be pretty flexible, as flexible as we can to try to accommodate as many of our long-term customers as possible and meet all of their demands.

JERRY REVICH: And, Joe, the interesting dynamic is with you holding slots before they become firm owners, the lead times that we are hearing for your customers are a lot longer than the length of backlog would suggest, like you mentioned 2030 for turbines and 2029-2030 is what we are hearing for large reciprocating engines as well. So the way you report backlog, like others, you're essentially underestimating the visibility that you have in terms of if we just look at the backlog of the underlying demand, it feels like it's higher than the backlog as those commitments could convert into orders; is that right?

JOE CREED: I mean, I don't know if we are underestimating by the process that -- I think that is the right way for us to think about it. But we have a line of sight past the backlog is what I would say and further than what we have in the backlog, that we continue to play in with customers. And on a rolling basis we kind of bring them in when we think it's hey, we need to start thinking about firming up that factory slot and delivery date and start ordering material that allows maximum flexibility for us and our customers; but, yes, we have line of sight past what we have out there. If there are any customers dialing in as well who happen to listen to this or watch afterwards, I mean, that doesn't mean we can't take orders. If we say we are taking orders that far out, we still, like I said, have some flexibility, schedules move around. And for Oil & Gas customers, we kind of do a level of allocation and then we will release those over time, if, in fact, we don't need them. So it's a complicated process, but a very involved one that allows us to serve as many possible customers as we can, particularly in this constrained environment.

JERRY REVICH: And, Joe, this dynamic of moving schedules around, is that any more intense than usual given the power grab in the industry or is it pretty similar to what we would have seen four or five years ago?

JOE CREED: It's been pretty consistent, I mean, in how we do it. Just given the fact that we are full, it requires a little more intensity right of just true understanding what we can -- what level of flexibility we have and still be able to meet everyone's demands. But we are not seeing major changes in how we would typically schedule our factory or do those types of things.

JERRY REVICH: And, Joe, earlier in our conversation you mentioned rising banks behind the meter, with all of the power solutions that you have for backup for front of meter and behind the meter you are in a really good spot to see where data center architectures are headed. Can you just talk about what you think the mix will be for behind the meter based on work that you're looking at and then, within that, what do you think will be the mix between reciprocating engines and turbines, if you're willing to share?

JOE CREED: Yeah. I mean, I don't think I can really say the exact mix. What I can say is we are seeing a lot more interest in natural gas sort of prime power behind the meter. And, we will see how that plays out. It doesn't mean we are seeing less demand for, standby diesel backup. I think it's going to depend, really, project by project, region by region. What type of power access is available for the data center as it's being constructed and it's going to be operated. I think you're seeing a lot more push towards, even if there is utility grid power available, we want to make sure that data centers are not causing electricity rates to increase on the communities around them, making sure we are not increasing the risk of power failures or brownouts. So that alone, I think, is going to drive a different level of discussion of, if you're going to pay for the power, do you want to just go behind the meter and do prime gas or do you want to have diesel stand by and back up. I think more and more you will see, and we're starting to see some regions, where even if you're grid connected and have diesel back up, they will need - you hear a lot more discussion around curtailment. So, in fact, like in Texas, if, we are having a hot day and the grid is feeling like it's starting to get to its capacity, can they curtail and go off the grid and run on their local gen for a while just to get through, whatever peak demand we are starting to see. All those get kind of weighed into the best design for the site, what is available, how much gas is available. But I think all that also tends to put us in a great position because of the diversity of our portfolio and between turbines, up to 38 megawatt, all the way down through our recip offerings now, as big as ten megawatt, and you get to our 2.5, 3 megawatt offerings, which are very strong, we can mix and match. And we can also have modular solutions that allow a data center to start at a certain, power range and then grow over time. We can offer a lot of redundancy in the solutions that we have, given the flexibility we have, which they like.

We are seeing a lot more discussions around "what is the best option." And even yesterday we had a customer in that, getting us in even early and how they design the site, that way they can take advantage of the various offerings that we have.

I think it's something that is still evolving; but you're going to see -- what the trend we are seeing right now is a lot more requests to engage on, behind the meter offerings.

JERRY REVICH: And in terms of in those conversations, Joe, what are customers telling you is the long-term plan for these assets? What do you think will be the mix of perpetual behind the meter versus peaker plants, how do you think that all shakes out if we are having this conversation in ten years?

JOE CREED: I mean, most of what we are seeing, and I don't want to say all of them, we have units that will go in and, I think eventually a grid connect and then they become peaker units or they become, curtailment or they will get run more than standby, but maybe not prime forever. But the great majority of the sites that we are talking to, the

plan is they are the prime power. It's the power plant that's going to be there to provide the power for the future. And I think, when you look at the economics of the investment that gets put in, we can be pretty competitive with the grid in some areas depending on rates. And so, I wouldn't say it's the majority that are temporary. The majority of what we are talking about, at least with customers right now, will get installed and get run for prime power into the future. And, that is part of our capacity planning for the supply base and components. We will hit overhaul cycles in the future and we need to be ready with our dealers to be able to handle that type of demand, which we really haven't seen in the past, that many units come up for maintenance at one time. And it's a great opportunity for us. We want to make sure our customers stay running and get the most value out of the assets.

So I think, a lot of it will come down to availability of grid, will it really get upgraded, and then not just once it's available, there will still be economics behind it. And if you've made the investment, and it's working well, I think we will see those units continue to run. But I think there will be a mix.

JERRY REVICH: And, Joe, earlier you spoke about gas compression. Caterpillar has a really strong market position within that application. How big of a demand driver relative to data center is it? I think just based on the data center capacity adds will require roughly two to five gigawatts of annual gas compression demand for your turbines and reciprocating engines. Is that directionally the right ballpark that your teams are seeing? Can you put that in context for us versus what's happening on the ground?

JOE CREED: Yeah. I mean, we are definitely seeing increased demand for gas compression, both turbines, which we use for more, gas transmission, Interstate pipeline type of applications, and then our reciprocating engines with gas gathering. It's definitely an increase in demand. I mean, that is what customers are asking. I'm not sure yet that the forecasts for natural gas have really caught up, too, because it's pretty evolving, more behind the meter, gas fire, data centers are going to require more gas to be moved. I mean, I think that is still evolving. My opinion is probably not caught up yet on all the forecasting. There's going to be a great opportunity here. Obviously, we will also seeing some disruptions in, Oil and Gas, just give given some of the issues and geopolitics going on around the world. We've been moving a lot more gas to feed LNG export facilities here in the U.S. So, I think natural gas is very promising in the next few years and in the long-term future. And, really, when you look at any forecast, whether they've caught up, or not, I mean, natural gas is going to be a huge part of the energy mix globally for the next 15 plus years.

So it's a great opportunity. As you said, we enjoy a very competitive situation there because we have the right mix of products. We are proven very durable and we have

applications and engine applications that are bespoke designed to handle gas compression. So I think that's going to be a great opportunity for us as well.

JERRY REVICH: And, Joe, from a margin standpoint, really impressive incremental margins with Power & Energy in second quarter, over 40%. I know you won't run 40% incremental margins forever, but is that level of operating leverage sustainable in the near term for that line of business?

JOE CREED: Yeah. I mean, I think 40% is a little noisy. I mean, we have some at an enterprise level and we had some [favorable adjustments to tariffs] (company corrected after the call). We should have healthy incrementals. I mean, one of the things we did, we really focused on during Jim's tenure, in those eight years, was putting a lot of discipline in the operating and execution model into our business. We increased the profitability of margin profile of all three of the [primary] segments (company clarified after the call). And we intend to continue to operate in that discipline fashion. Our definition of winning is OPACC dollar growth. We believe, and I think is proven, that that's the best correlation, the drive of shareholder return over time. So that is what we are focused on. Having said that, we put the margin range out there for a reason, just to kind of give everyone a band on how we want to think about operating. And that's, my intention over time is to operate in the middle of that band. Tariffs pushed us towards the bottom. I think it's around 31% just as volumes increased progressing with sales, just to kind of stay at that same part of the range. We want to claw our way back up a little bit. It won't be every quarter straight line; but we're going to have to outperform that just to get back to the middle of the range. But we want to be in the middle of the range. Some of that will depend on product mix and region mix of where the business happens. But we have healthy operating margins in all three [primary] businesses and we want to continue that (company clarified after the call). And as we hit more volume and operating leverage, our intent is to try to improve that as best we can.

JERRY REVICH: And, Joe, let's shift gears to Construction Industries. And you have been really focused on growing the rental business. We are hearing from a number of dealers that they are looking to double the size of their rental fleet, with a five-year view. So, can you just talk about why this initiative is so critically important to you folks now? And what does success for Caterpillar in the rental channel look like in five years?

JOE CREED: Yeah. I mean, we love our dealers. They are amazing partners for us. And they are the ones who have the CAT assets sort of in the rental fleet and serve the rental part of the industry. I think it's an area where we've had varying degrees of performance. Some dealers are really good at it. Some dealers have struggled in that area. So, we are definitely trying to push the performance. We don't have a target fleet loading or target fleet size. We want -- we think we can do, have better penetration into rental sales into the industry than we have today, and it varies by dealer. Major Projects

JV I think is also going to allow us to compete on some of these mega projects where maybe, a local dealer doesn't have the fleet, and we haven't had the fleet flexibility to participate in that. But Rental for us and the way I think about it, I step back, right? Our mission statement is solving our customers' toughest challenges. And a lot of customers rent, a lot of customers own or buy, and some do a mix of both. The philosophy that we need to take, and our commercial teams need to take is I want customers to have the best solution for them based on the job. And I want as many customers in CAT machines as possible because that's good for our business. And a lot of customers, particularly in smaller, down to the Building Construction Products type of class of product and size product will rent before they buy their first machine. And so, we want customers to start in CAT machines and then, most mid-size contractors start as small-size contractors and want them to grow with us. So, Rental to me is a part of the overall Construction Industry strategy where we've been good, but we've had pockets where maybe we haven't been able to compete as well as we think we can. And that is where the commercial part of the strategy comes in. We want to be good at, having flexibility for customers and meeting them where they are at for the particular job to make sure we have the right solution for them. And so that will drive a lot of Rental opportunity. I think a lot of customers will rent, or they will have a fleet and need to rent a little bit. And a lot of that just depends on the customer, the length of the job, their line of sight to jobs after the one they are on. I mean, all those kind of go into a customer's, decision process, whether to rent or buy, and we want to have the best solution to support them for their need.

JERRY REVICH: Super. And, Joe, in terms of when we look at that dealer rental share, just based on industry statistics, it looks about 8%, that implies about 20% share for earthmoving equipment, specifically as dealers deliver towards growing their presence, and if our tracks are correct, they double their position in the rental fleet. Can you step us through how they do that without disrupting market pricing? And I know CAT focuses on service, not discounting. So can we just double click on how you folks can execute on that?

JOE CREED: Yeah. I mean dealers are independent businesses, right? So they are going to set their rental rates. They need to be competitive to win, but I think that's where we have a lot of, advantages of dealers knowing these customers because many of them own equipment. It allows a lot of flexibility in rent. Dealers can also, a lot of times will roll a piece of rental equipment out as used if the customer needs it over time to hit a certain price point. So, dealers will control the rental pricing. I think we can be competitive. We want dealers to also -- the dealer is only going to do this if they are profitable. And I want our dealers to be profitable because that means they are healthy into the future as well. So I think there will be discipline in this as we do it. I think there is a lot of opportunity for us where customers will find it attractive to rent from CAT

dealers. And CAT dealers will need the full suite. So, as you mentioned, it's not just all CAT equipment they are renting. We have ally programs for all the other light towers and equipment that we don't offer that they will have to have in their fleet. As we showed at ConExpo many of those additional types of equipment, we will have CAT engines in them when we can because they are great customers of ours, which is also great. But, dealers will utilize [their] rental business to get closer to customers, which is good for the overall Construction Industries business (company clarified after the call). It should drive also customers to want to come back and buy new equipment from us.

One of our big pushes at ConExpo, and continues to be, is services commitment. So back to work in, short amount of time if a machine is down. And the rental fleet is a part of that as well. So we want dealers to have the right parts inventory, the right technicians available to service equipment right away. If, in fact, it's going to be down longer, a lot of times dealers can use the rental fleet to keep a customer running, while they fix the machine. So when you think of CVAs and all the offerings that can go to a customer, and that's why, I hesitate, rentals are important. It's an area we are putting a lot of focus on, but it's part of the overall commercial offering that we should ask, that we should be offering customers to really satisfy their needs. It's part of the bigger system.

JERRY REVICH: And, Joe, on that point, I know it's super early on enhanced services commitment that you folks have rolled out at ConExpo, how is that program doing? It sounds like there's really good potential to drive customer value agreement adoption higher with the commitment. Are you seeing that translate or too soon to tell?

JOE CREED: I think it's early, right? And there are so many customers in Construction Industries. But, I think when you see the performance of Construction Industries overall and services are performing better, they continue to help form the industry with great STU growth, it's really hard to pinpoint is that the one thing that is driving the performance. But it's part of the overall supporting the customers. And I think, to your point, should drive better CVA adoption, which will be good for our customers. But the biggest expense for our customers is downtime. That is the most costly thing that can impact them on a job site. And so, the more we can put solutions in place that, sort of guarantee customers they're not going to have those long periods of downtime I think it's going to be good for our business.

JERRY REVICH: And in terms of the product scope, so you folks started making your own telehandlers through control, the production. Do you have the product lines in house that you need to have in house to deliver on the rental strategy? How are you thinking about the product range?

JOE CREED: Yeah. I mean, we have the right product mix for our equipment; now, particularly, as you said, with the introduction of our telehandler here in the U.S. and

North America. We have the Allied Equipment Program. We have partnerships to get the rest of the equipment that customers will expect to have when they come into a rental house. So from a portfolio standpoint, I think we have all the tools we need to make sure that we can keep up with demand, and so we are ramping production in some of our Construction Industries facilities as well. As you saw the backlog was up for Construction Industries and Resource Industries, and that is an area where we are not in a similar situation necessarily for most of those products as we are in Power & Energy where we are capacity constrained. So I would like to see that backlog come in by us getting production more in line with STU growth. So I think there is an opportunity for us to catch up a little bit on how we are supplying our dealers for certain products, but we have the right portfolio.

JERRY REVICH: All right. In terms of the JV structure that you mentioned your dealers are really excited about, opportunities that that drives for them, anything else that you folks are working on delivering to the dealer base to allow them to take on the rental companies head on that's meaningful?

JOE CREED: Yeah. I mean, each one of them, like I said, they are independent businesses. We believe we have a recipe that -- and it's a demonstrated recipe, that we have some dealers who are really, really great performers at Rental. And so, it's just a matter of, best practice sharing and driving the philosophy that we need, the rental as part of the overall solution. And so I think from a strategy standpoint we are in execution mode, and I think there is some opportunity here.

JERRY REVICH: And then, based on the resegmentation it looks like there is considerable margin opportunity within the rail business, Joe, what is the pathway to OPACC growth for Progress Rail?

JOE CREED: Yeah. So Rail, I mean, it's been an industry that's, from a new locomotive standpoint, I guess I would separate it in how we look at it. , Locomotives, particularly in North America, that's been a very depressed industry for almost a decade now with very limited, new locomotive deliveries into the industry at all. But when you look at the services side of Progress Rail, we have been able to grow Services over the rest of our [track and freight car] (company clarified after the call). The traditional Progress Rail [services] has been healthy(company clarified after the call). From a locomotive standpoint, we have done some things to increase the throughput, sort of lean principles in our factories to improve the profitability. But at this point we really need to see some volume before we would see it, a big inflection in Rail. But the service of the business is healthy. It's been growing for us. And it's moving that to Resource Industries, I think, also allows a lot of synergies from our standpoint. Similar customers, we sell locomotives to mining customers around the globe and they use a similar type of supply base and footprint.

JERRY REVICH: And, on the Mining side, copper, that is cycle high as you mentioned, order activity has improved, we are seeing rising replacement demand as well, where do you think we are in the broader mining cycle and how would you characterize the prospect list?

JOE CREED: Yeah. I mean, we are -- I'm definitely happy with the order intake we have seen in Resource Industries in the last two quarters, really this year. Backlogs increased. We are seeing good traction in large mining trucks. We are seeing customers request more quoting activity. We have more autonomous trucks coming online. So we really have to execute for those customers who we've signed some recent deals with. I think it's going to be a discipline in the industry as we move forward, but we are starting to see a lot more activity when it comes to particularly large trucks than we have in the past. So, Mining, if you just take a step back and look at the minerals needed for the infrastructure build out of the world, electrification of the world, Mining is going to be a healthy [industry] in the long-term (company clarified after the call). And, frankly, from our standpoint, particularly given where we are at, as I mentioned, the capacity increased engines, those engines go into mining trucks, they go into Power and Energy, Oil and Gas and others. Steady growth for us is better than the boom and bust that we saw 15 years ago. So I will take the discipline in the industry. And I think when you do the math long-term, the need for minerals is going to drive demand and it's going to be a great [industry] for us over the next decade (company clarified after the call).

JERRY REVICH: And, Joe, let's wrap with a final question on technology. It's been a key enabler in terms of driving the ability for customer value agreements up time. What are the one or two most important updates that we should know about relative to your technology initiatives and progress since the Analyst Day that you can create for our group?

JOE CREED: Yeah. I mean, technology, it's the middle pillar of our growth strategy. And I think it's going to determine who wins in the future. And I think the way we look at it is there is near-term technology. We have great technology on machines today. And then obviously we are working on autonomy, semi-autonomy, orchestrating the job site of the future, what are the digital planning tools, how do all those integrate to make customers much more efficient. Particularly as physical AI becomes more capable, I think we can do a lot more, moving from autonomy in Mining. We have gone to smaller, quarry sites now; but heading into construction, a lot of development work going on there.

So the medium to long-term, we are investing pretty heavily in those solutions. And I think that's coming along well. In the short term we have a lot of technology on machines that, frankly, we have -- I would say is underutilization in the industry. And so

we are doing a few things. One, training our customers, making our customers better awareness. We are trying to make a lot more of the existing technology standard on our premium machines, so that they are just available for customers. They don't have to know at the time of ordering. That will drive more scale and actually better throughput through some of our factories and efficiencies.

But the main focus, and we talked a little bit about this at CES and then carried that forward at ConExpo as well, from my standpoint is it has to be easier to use. So, training operators in the cab, you can train an operator on the technology and then next week that operator may go to a different machine and you have a new operator in there. So it needs to be much more intuitive, and that is where the CAT AI Assistant and our digital teams are really working closely with the on-machine technology teams to really make the technology features we have like dig assist, swing assist, semi-autonomy command, all these - our safety systems, our productivity systems make it much more intuitive for operators to use. And I think that will drive more adoption as well. And then that will lead to more comfortableness around technology. And then you start to get to CAT command, remote control, semi-autonomy, and ultimately autonomy. So technology is a huge part of our strategic plan for the future and we continue to make investments and working on strides at getting our customers to use what we have today.

JERRY REVICH: Super. Well, that is a great place to end it. Joe, on behalf of our community, thank you very much for joining our group for the conversation. Really enjoyed our time together. Thank you. Thanks, everybody.

JOE CREED: Yup. Thanks, Jerry. And appreciate everybody dialing in. Take care and have a safe day.