



## **Caterpillar – Global Industrial Tech and Mobility Conference 2022\_February 24, 2022**

Tim Thein:

Really excited to have the team from Cat here this morning. I do want to just quickly note though, we at Citi, we regret the passing of a long-time friend, Tobias Levkovich, some months ago. He was a big supporter of this conference, actually covered Cat longer than I did back in his day. Anyways, if he were here, he would've asked a really good question, probably really pointed and deep question so someone's got to step up and fill his shoes. With that, I want to hand it over to the team from Cat. Just some quick introductions before we do that, Joe Creed, directly to my right, is the Group President of Cat's Energy and Transportation segment. He joined Cat in '97, I believe, and has had a bunch of different positions, including a stint as interim CFO back in 2008. Rob Rengel, to his right, is Senior IR manager. And then, Ryan Fiedler, far right, is the new IR Director. So, maybe, Rob, do you want to take it? I think you've got some really exciting language to go through. So why don't you take that?

Rob Rengel:

Yeah, thanks, Tim. Everybody loves the disclaimer, but we have to do it. So we may make forward looking statements today. Those statements are subject to certain risks and uncertainties. For a full list of risks that could cause our actual results to vary materially, please see our most recent SEC filings, including our 10-K for 2021. We also may reference non-GAAP figures. For reconciliation of those figures to the nearest GAAP figure, please see our most recent earnings presentation in the appendix. And that's all I've got, so let's get us started.

Joe Creed:

Thanks, Rob. And thanks, Tim. I'm going to jump up here for just a few prepared remarks. Not too much, I promise. Before we get started, I appreciate the introduction and it's nice to see everybody in person actually, for a change. It's nice to be on the road again despite my travels. I appreciate the flexibility of Tim to rearrange as I struggled to get out of Dallas yesterday.

Joe Creed:

I'm Joe Creed, Group President for Energy and Transportation at Caterpillar. And as Tim said, I'll have 25 years with the company here coming up in May. In 2013, I was promoted to Group CFO for Energy and Transportation and spent a lot of my career in E&T with a finance background. In 2017 to 2018, I became Vice President with responsibility for Finance Services division. That's the corporate finance

team, not CAT Financial. And as Tim said, during that time spent a few as interim CFO for the company. In 2019, I became Vice President for the Oil and Gas and Marine division and the Electric Power division, which are two groups that are in E&T, in the segment that we have today, before taking this role last year.

Joe Creed:

Just a little bit about my background and before we, kind of, jump into the Q&A, wanted to give a little bit of background on energy and transportation to those of you who may or may not be as familiar with our segment. E&T sells innovative product solutions and services to a really diverse set of customers and industries. You see those industries on the slide. Those include power generation, oil and gas, transportation, which inside transportation think rail and marine. And then, a variety of industrial applications, including providing engines and powertrains for our CAT machines. Services offered throughout the lifecycle of our products, cutting edge technology, and decades of product expertise are what set us apart. We provide exceptional value to our customers and help them succeed.

Joe Creed:

E&T has a long history of success, as well. Since 1925, we've built over 21 million engines and have installed over 750,000 generators worldwide. Our Solar branded industrial turbines have over 3 billion hours of operation and there are over 30,000 Electro-Motive Diesel locomotives worldwide. Caterpillar and our dealers are laser focused on offering industry best service and support to our customers in the field throughout the lifecycle of our product. And oftentimes, multiple lifecycles of our product when you think about the durability and rebuildability of our products.

Joe Creed:

Our goal is to support our customers in the field to make them more efficient and more sustainable while lowering their owning and operating costs. One of the ways we do that is through remanufacturing, which also falls inside the Energy and Transportation segment. Reman not only offers great economic benefit to our customers but it also offers a significant sustainability benefit as well. When you consider much less material used, when we can reuse the cores and make the parts like new again, and much less energy used by not having to manufacture those components from scratch. In fact, we've recycled more than 8 million tons of material since 2010 through our remanufacturing.

Joe Creed:

But reman isn't the only sustainability element to our strategy. If you look at this slide, we're dedicated to understanding the unique challenges of our customers across the diverse industries that I mentioned. We're investing in new technologies, services, and products to help them achieve their climate related objectives. Given the diversity of all the industries and customers we talked about, we're not going to have one technology that's going to satisfy all of those needs.

Joe Creed:

We're putting our expertise to work on multiple solutions that you can see on the slide. We tend to group them in these common themes. The first I want to mention is renewable fuels which enable increased use of reduced carbon options, including hydrogen and hydrogen blends, electric and hybrid powertrains, which employ an electric drive transmission and power components for mobile equipment, microgrids, which I kind of equate as similar but on stationary power applications where we integrate a

variety of renewable resources and power sources with traditional power sources seamlessly integrated with our microgrid controls.

Joe Creed:

Then a number of applications where we're investing in battery, electric, and hydrogen fuel cell power sources. In fact, we've already introduced a number of innovative low carbon solutions, including a battery-powered, zero-emissions underground mining loader, which we had on display at MINExpo last year, if any of you happened to be there and got to see that. A battery-powered, zero-emissions switcher locomotive, reciprocating engines, and gas turbines that burn hydrogen blends, landfill gas, and other biogases. And then, recently at the end of last year, we made available Caterpillar branded generators that can burn 100% hydrogen.

Joe Creed:

I'm not going to cover all the examples that you see on this slide today, but this slide represents a number of announcements that we in E&T have made over the past year, a year plus, on advanced power and sustainable solutions. Including, if you look at the top row second from the left, the acquisition of CarbonPoint Solutions. That adds small scale carbon capture capability to our oil and gas and electric power solutions to support our customers. We also announced key collaboration agreements, one with Microsoft and Ballard, to explore hydrogen fuel cell backup for data centers, backup power for data centers. And then, also with Chevron and BNSF, where we're going to explore hydrogen fuel cell power for line-haul locomotives.

Joe Creed:

In addition to what we announced, and you see on this slide, you may have also seen a number of announcements made by the Resource Industries group to help bring sustainable solutions to the mining customers. We in E&T are side-by-side partnering with them and also working with them to help bring these solutions to the market, not just in how we power the mining equipment but also, given our breadth and expertise in distributed power, also site infrastructure.

Joe Creed:

At Caterpillar, we're ready to take on any of the challenges, and most importantly, what we view as opportunities that come with the energy transition. We're committed to understanding each customer's unique needs and situation and investing in new products, technologies, and services that will help them in the more immediate term be more efficient and lower their owning and operating costs, and over the mid to long term, invest in those technologies, mentioned on the prior slide, to help them achieve their climate related objectives as they build a better, more sustainable world. I appreciate the time for just a little overview. I just wanted to highlight some of the things that we're working on in our segment and with that, I guess, we'll, maybe, open it up for some Q&A.

Tim Thein:

Great, great. As we do this, if anyone has any questions there's directions, you can just type it in and I'll see them here on the app. But maybe, Joe, we'll start with one that you may get once or twice today. Just remind us on Cat's direct exposure to, kind of, the Russia, Ukraine area. Not a big footprint for you from a factory standpoint, if at all, but just, maybe just, remind us what the exposure is there.

Joe Creed:

First off, my thoughts are with the people over there and our folks. We do have a factory in Russia and then a distribution center over there. The exposure is not huge relative to the size of Caterpillar, but obviously, it's an unfolding situation so we continue to monitor it. And, I think, it's too soon to see what type of impact that it will have. We'll continue to monitor it. A lot of it unfolded, unfortunately, while I was in the air last night and trying to get here. So I'm catching up with it as you all are.

Tim Thein:

Got it. Maybe just, if looking back before we look forward, but a lot of the issues that impacted Cat, just in terms of, and others, in terms of the supply chain, bottlenecks and manufacturing inefficiencies that cause four key results to be below the company expectations. From E&T, which obviously includes a lot of different businesses, which I'm sure some were impacted more than others, what was your group's... Was the impact for you and what's the viewpoint into '22 in terms of how quickly those issues can be resolved-

Joe Creed:

Sure.

Tim Thein:

... and what you're working through.

Joe Creed:

If you think about, and I'll stick particularly to E&T, our margins were under little pressure in the fourth quarter, as you saw in the earnings announcement and Jim and Andrew talked about, but if you think about our business a year ago today, we weren't in a position where some of our industries were a little slower to come out of the downturn in COVID. So we waited a little bit longer before we could take some pricing action relative to the machine side of the business. So we're in a different position now and we've made a number of announcement and I think you'll see us catch up as we go throughout this year from a pricing standpoint. And then if you flip that the other way and think about the supply chain challenges that we've had, we're on the front end of that. In the process with Caterpillar, we obviously build the engines first in our factory, shipped them to the machine factories where they assemble the machine.

Joe Creed:

So we are on the front end of feeling those supply chain constraints and costs. So we saw a little bit more air freight than we like, but if you keep in mind, we're keeping our factories, and Jim mentioned this on the call as well, we're keeping our factories and keeping our people ready to go so we can build the product when we have inventory coming in. So those constrained components, when they get there, we're able to assemble and get engines out to our customers both internally and externally.

Tim Thein:

Got it. Got it. Maybe, and we'll drill down into the individual segments, just from a high level, E&T was noted on the call as being a big driver in terms of the backlog growth for the company, where are you seeing the most... Where do you have the most visibility? And what's a normal... I don't know if you quote the exact numbers, but what's the backlog coverage going to '22 compared with what I would call a normal year?

Joe Creed:

Yeah. It's tough for us to say what a normal year is, we're so cyclical. So it really depends, but I would say relative to where we've been, that is one of the highlights is if you think about the fourth quarter for us. We exited 2021 entering '22 with a very strong backlog, stronger than we've seen in quite some time when you look at it in total and obviously, that's a little bit mixed. When you break it down, we're seeing a lot of strength in power generation that continues to be strong for us, both on the retail side, which follows typically the general economy, but also strengthened data centers, we're very strong with our data center customers for backup power and we see that growth continuing in the near term. Solar, we started to see more inquiries and bookings up in the fourth quarter, but that's obviously a little bit longer lead time. So it's in the backlog, some of that, but as we said on the call, we expect new equipment for solar turbines to be down in 2022 relative to '21, but I think we'll exit the year in a good place heading into 2023. So oil and gas, we expect to be a little bit better. Our customers continue to be disciplined with their capital, as you see. So I don't see it running back to what it was pre-pandemic, from an equipment sales standpoint, but you never know. That industry is very dynamic. So we'll do our best to react.

Tim Thein:

Interesting. Well, one you didn't touch on there, and we're just going through the individual segments. Just starting with transportation, obviously rail, the lion share of that, we had a number of your big class one customers here in the last couple days and they're all talking about CapEx trending higher, and there's different pieces of Progress Rail that we can maybe break down.

Joe Creed:

Sure.

Tim Thein:

But locomotives in North America has spent some time for orders and deliveries there, what's the outlook? And maybe you could talk North America versus international on the new locomotive side.

Joe Creed:

Yeah. From a new locomotive front, most of our activity over the last, I would say, two years as you're talking to the class ones sounds like has been international. We continue to pursue the international market and I think there are deals that are happening out there that we obviously are participating in. When it comes to North America, I think traffic is picking back up, parked locomotives is coming down and trending down, but we're still not at a point where we see a tremendous amount of sales opportunity in 2022. We are focused with our customers though on repowers. We're also focused on the newer technologies that we talked about in my slides, battery electric, hydrogen, working with them on the power of the future, and really trying to figure out the timing and pace and infrastructure needed and what the right solution is for them. So that's where the conversation has been primarily in North America, and then most of the new sales would be international in 2022.

Tim Thein:

Got it. Got it. So, it sounds like if you have more rail cars coming out of storage, sounds like services has driven a lot of the strength.

Joe Creed:

Correct.

Tim Thein:

Does that switch whereby you start to see some mixed pressures if you do start to see, if and when you do see locomotives pick up or is that not a...

Joe Creed:

Yeah. With thin rail, I don't see that as a tremendous headwind. I mean, I'd welcome those orders, frankly, and the services business will continue to be strong and obviously more traffic and more locomotives coming out of storage is good for our service business. So I would view all of that as a positive for us.

Tim Thein:

Got it. Interesting. You mentioned PowerGen and to start, that's very wide range from a backup generator to a big, large power plant. Maybe take us through a little bit more in terms of data centers have driven growth for quite some time. I'm guessing we're not at the point where you have replacement orders for those because they're on a standby application. So is that... basically the runway for growth in data centers, what are you seeing there?

Joe Creed:

So through the pandemic, what we've seen has actually accelerated the need for data centers and our customers accelerate their growth. Will that moderate? I mean, it could a little bit, but we still see pretty good growth in data centers as new data centers continue to be built. Before we hit a replacement cycle on replacing the installations we have, I think what you'll see is what we're working on with the alternative fuels and can we use biodiesel? Can we... We're working on the fuel cell application. So what are the solutions of the future to help our customers? I think that's where we'll focus. We've talked about a replacement type of cycle, but right now, it's pretty focused on growth.

Tim Thein:

Just given that PowerGen as a whole tends to be a little bit more of a one-time nature of the sale, is that a segment where in this environment where everyone's focused on price costs, where you have a little bit more flexibility to keep in line with the volatility and costs or how does that...

Joe Creed:

Yeah. And it's been the higher volume base for us. So we've been able to keep up a little bit better there just because of the nature of... That market hasn't been as depressed as some of the other ones in E&T. You think about that as well. There's a first sale element to stand by, but we also have a big portion of our business is gas or prime power, in which case there is a big service opportunity that comes along with those. And as consistent with the company strategy, we're very focused on growing services and that's a great opportunity for us to sign long-term service agreements and CVAs at the point of sale, focused particularly with our dealers and prime power applications.

Tim Thein:

Interesting. Okay. On Oil and Gas, we talked earlier about Russia-Ukraine, one of the byproducts, unfortunately, that is you have a \$100 crude here this morning. You mentioned that the discipline from the E&P customers and one of my colleague that covers those companies put a note out recently saying is his capital discipline going to crack? And he was talking about the fact that E&P CapEx budgets have been trending higher than they expected, but doesn't sound like you're seeing that flow down to you. So maybe just talk about customer sentiment there across your...

Joe Creed:

Yeah. I think the customer sentiment's better than it was 12 months ago, right? And I think we'll see and we said in our comments, we expect the oil and gas, both new equipment sales and services to continue to grow in '22 relative to '21. I think it's yet to be seen. Everything's unfolding. If things change, we'll be ready to respond and we'll support our customers and take their lead on that. Right now, we're still seeing the discipline sort of remain in place. Is spending higher in 2022? We expect it to be. Is it back to what it was pre-pandemic or 2019 type of timeframe? We're not seeing that just quite yet.

Tim Thein:

Got it. In North America, gas compression, historically, a big important market for CAT. What we're hearing from some of the packages there on the rental side is lead times for 35- and 3,600 series engines. In some cases, out 40 plus weeks. It seems like activity there has picked up quite a bit. You mentioned you were behind the curve and

Tim Thein:

Later on pricing actions, but I'm guessing that's coinciding with some price increases and maybe just talk through that.

Joe Creed:

Yeah, we're seeing those orders tend to pick up. I know you're hearing those quoted lead times from and particularly gas compression. We tend to work with our customers there to try to marry up when the compressor gets there and when the engine gets there. So if you called us, I don't think our stated lead time would be that. I think we worked with our customers to try to slot in what makes sense. Generally, we have a little longer runway on 3,600 gas compression and those type of applications, but we are seeing it pick up and that's a good thing for us. We had some really good years, 2018 I believe, a couple of years ago and it's been down, but it's still been pretty, it hasn't gone all the way away, but it is picking up again this year which I think is a positive sign.

Tim Thein:

That historically, Lafayette's been a factory where the build rates can move up and down quite a bit. How has your ability in an environment like this where labor is more of a challenge, how are that factory specifically able to kind of adjust to this?

Joe Creed:

Yeah, most of our challenges are really outside of our four walls right now and supply chain related. And there are various things from component shortages to a supplier has a COVID breakout, to transportation challenges, to a lot of the things that you see on the news, basically all of them. And it's not one thing from our ability to produce inside the factory. I'm confident we have plenty of headroom there to continue to grow. So we're trying to push that build rate up as we speak, but we're working

daily, we have a team put together to work daily with our suppliers to see if we can help continue to get more supply so we can continue to increase our build rates.

Tim Thein:

Got it. The shift to the well servicing, pressure pumpers have kind of feast or famine in terms of their spending but we're definitely seeing rig count increases and day rates going up. Talk about that market coming out of was it '17, '18, was quick to respond, so a lot of overhaul activity, new units, but now this focus seems to be a lot more on ESG-focused equipment, E-Frac and some of these other dual fuel engines, which I know CAT is a strong player in. So talk about how you participate in this environment and then what you think the cycle looks like in terms of the recovery compared to maybe historical period.

Joe Creed:

Yeah, I think it will follow. I mean we're seeing a little more discipline with our customer base than in the past. There's been a lot of consolidation in the industry and moved around over the past couple of years. So as you mentioned, there's a lot of horsepower out there. Customers are focused a lot on repowers, but as you think about, and rightfully so, the focus is more of a shift to E-Frac and ESG, lower carbon solutions. And that's really right in our wheelhouse with our tier four DGB. We can substitute up to 85% natural gas for diesel, condition field gas, which helps reduce flaring. The acquisition of Weir's Oil & Gas business, SPM branded pumps, has brought us a 5,000 horsepower pump that's perfectly suited with our gas 3,500 gen sets for an E-Frac application.

Joe Creed:

So it's part of the strategic rationale behind that acquisition. It also, from a fracking standpoint, if you think of a DGB fleet that has CAT engines, CAT transmissions, now SPM branded pumps and flow iron. We are integrating that drivetrain all the way from the trailer to the wellhead, monitoring it, figuring out the most optimal places to run it efficiently. And so making customers more efficient today gives them better fuel consumption, better cost, but also a better carbon footprint with that. So we've been integrating engines and drive trains for 95 years at CAT and we've taken that logic to the Oil and Gas business and really started to integrate that whole solution. And I think that's going to drive a lot of benefits for our customers.

Tim Thein:

Interesting. And just on the DGB I think on the tier four side, do you have a competitor there in terms of tier four?

Joe Creed:

There are others who have DGB capability. I mean obviously we feel very confident in our tier four DGB and our customers are giving us great feedback on and we're seeing a lot of uptake there. So we can...

Tim Thein:

I just say that because that it's all I ever hear from the field, is CAT. So I just didn't even know if there was another...

Joe Creed:

Yeah, I mean there are others out there and our competitors continue to work on those solutions. But right now we feel really good about the solution we have.

Tim Thein:

Interesting. Any questions from the audience? Okay, we'll move on. If we can go back to Solar, obviously a lot of attention, rightly so, just given the margin profile of that business. Can you talk about, guessing that the new unit side is kind of catching down to midstream budgets a year ago that we're getting cut pretty significantly on the customer services piece or the aftermarket side, is your sense that there was in that environment when budgets were getting cut, was there some maintenance that maybe got deferred that you're seeing a bit of catch up now or assuming purse strings are loosening a bit just give me...

Joe Creed:

Yeah, we saw that happen mostly in 2020 when you think about the immediate impact of COVID. I think this uncertainty around that, a lot of customers really tightened budgets. We had a really strong year and bounced back in services with Solar last year in 2021 and we expect that to continue to be good in 2022, as they tend to catch up on maybe some of that delay in maintenance. And you're absolutely right on the new equipment side, we're just sort of catching up. Those are long lead time orders when we get them. We're seeing compression, North American gas transmission opportunities in the US, but we're also seeing international activity as well, which we hadn't seen for quite a while, which is also a positive thing.

Tim Thein:

Interesting. As you think about the, you had a slide to talk about all the investments underway and around sustainability and electrification. Presumably your group is bearing a lot of the shouldering, a lot of that investment cost, maybe talk about A, if where you're seeing more traction with customers, B, should we think about this as kind of a step up investment that's likely to persist or...

Joe Creed:

I mean we're obviously, we being the power provider both to internal machines and the large external customer base we have that we reviewed, we are going to be the ones who bear the brunt of the upfront investment and all of these new technologies. I will say that we've been investing for quite some time on alternative fuels, burning biodiesel, natural gas. I mean the MWM acquisition brought in, they're 150 years old, and a ton of expertise that was brought into the company and now blended into our engineering group, which is why we are able to put out a generator that can burn a hundred percent hydrogen right now.

Joe Creed:

So we've been investing in a number of the technologies you have there. Will we accelerate? I think, yes, over the last two years, you're going to see the timeframes of our customers have sort of come in on these types of solutions. So we continue to work with them on the pace that they feel they need to go and we want to support them. And we will inside E&T's business, see a little bit of that investment. Will it go up? I think over time, likely a little bit, but you'll just see a lot of shift as well, between programs we've been running to programs like this.

Tim Thein:

Services being a big focus for CAT, the target of doubling it by 26, I think. How do you think about that opportunity for the three operating segments, E&T within that? I would think that certainly the Oil and Gas with all the overhaul and rebuild activity for opportunity and then the old legacy Progress Rail was almost all services, but you have PowerGen where I think the opportunity is probably lower, but so high level, the potential for your group to participate to that target of doubling services.

Joe Creed:

Yeah, we're laser focused on it. It's an important part of the company strategy and it's an important part of E&T strategy and you're right. I think it depends on the application in the industry and application within the industry. As I mentioned in electric power, when you go to the standby portion of that industry, you're right. Aftermarket opportunity is fairly muted. It's a first sale type of business. They run a low number of hours per year. We're still focused on it. We think through eCommerce and other things, we can still service those customers and take care of them. But on the prime power side, there's room to grow for us and Oil and Gas, those types of applications where those engines get run pretty hard and they consume a lot of parts. There's a lot of overhaul. Second, third life, remains a big opportunity for us to help our customers as well. And then if you really break down even inside marines, certain applications are less aftermarket prone, but where we're really strong with our 3,500 engines and others, the

Joe Creed:

The tug market, tug and salvage, and those engines they run pretty hard and they consume parts and go through overhauls. We have our share of that growth to get. I'm confident we're going to go get it. We're focused on working with our dealers and customers, take care of them.

Tim Thein:

Shifting back to comment on supply chain and the challenges that you face there, as I look at Cat investment in inventory, I think it's 14-ish billion dollars of inventory, which we've never seen. From your perspective, is there a thought that maybe we're going to run with higher levels of inventory going forward, just because supply chains have become less predictable and thus we're going to have more safety stock just more permanently?

Joe Creed:

Yeah, I think it's a little soon for us to really say what that normalized. Obviously we'll have to take a look at it. The world is a little different now than it was a couple of years ago. A lot of what you're seeing now in our inventory is the fact that we may have one or two components that we can't get, but we have the rest of them coming in so that when we get those, we can build the engine. I would expect a lot of that to subside as the supply chain gets better. Not sure when that is. We're not seeing anything immediate right now, but over time as supply chain gets better, I expect some of that to come down.

Joe Creed:

The longer term impact of looking at footprint and where do we have exposure and do we want to carry more safety stock? I think that's stuff the teams will continue to work on. We did carry some inventory strategically heading into this challenge just trying to be ready, but the challenges continued to mount and we've kind of burned through that. We were able to last a little longer maybe than we would've in the past. That's something we're going to continue to look at in the long term, but right now we're focused on trying to get as many engines out the doors as we can right now.

Tim Thein:

Got it. Good. Maybe we'll give you a bit of a break... Ryan and Rob, maybe talk through, you start with CI just your outlook for '22 as you go around the world. China has been pretty well telegraphed in terms of the headwinds you're facing there. Maybe talk us through what you're hearing from dealers and what's kind of baked into the outlook for some of the other key geography on the CI side.

Rob Rengel:

Yeah, absolutely. So CI in North America is relatively strong last year. Residential's been really supportive, seeing housing starts continue to look strong. You can look at estimates for number of houses that need to be built and you're talking in the millions. So still supportive for us, we expect it to be in 2022. The non-residential side though that had been coming off a little bit slower. That's starting to come back a bit. We've seen momentum there. And as we look forward to the infrastructure bill impact, that should be a benefit for us. So especially late this year into next year. And when you look at that bill, you're looking at funding over five years and you're going to have some tail there too. So looks pretty positive from a North America perspective. China, Tim just one quick note there, it's about five to 10% of our overall enterprise sales over time.

Rob Rengel:

So some people focus on it's not a huge piece for us. It's been real strong for two years, probably expect this year that it's going to be more like the 2019 level. You see some housing issues there. We'll see what happens with monetary stimulus because as you know they can move pretty quick on things. But the rest of Asia Pacific there is pretty strong for us. We're seeing supportive stimulus infrastructure spend, construction confidence has been strong, and it's kind of similar to what you're seeing in Europe, Asia and the Middle East as well. So, there you've started to see some of the infrastructure spend come into place, the high speed rail HS2. In the UK, we do a lot of the infrastructure build related to that. That's going to be helpful as well. So pretty positive there.

Rob Rengel:

The other area, Latin America, good construction confidence. There's inflationary concerns there. You're looking at Brazil, Chile, Peru, those are probably some concern areas. So you've got puts and takes there. But overall, when you look at our end user demand outlook, relatively strong, really everywhere, except for China which I talked about. And then as I think you know mining's been improving kind of steadily, sort of a gradual increase, commodity prices supportive there. Parked trucks are very low, which is helpful. And we have been seeing our order backlog grow as a significant increase in the third quarter. And so really feeling pretty positive there. Over 500 large mining trucks out in the field now. So you look at us versus others, we feel very good about our product there.

Tim Thein:

Just coming back, Rob, to CI specifically. And it's not totally apples to apples, but you as the largest player in that market on the CI side of north America, number two and number three player in that market guides specifically to pricing, and it's talking about guiding to eight or 9% pricing in that business. They don't play in a meaningful way in China. So I'm sure that's part of it, but how do you square the differences in terms of it's quite a gap between what they're at least guiding to relative to what you publish in that segment?

Rob Rengel:

Well, we don't really address where the competitors are at. I think when you look at any of those numbers, you want to look at and see where's the stack. How does that look? So, over time we've been able to take price. Just in general last year, we were a little bit behind as we came into the end of the year. There are things like premium freight that impacted us and manufacturing and inefficiencies. Now what we said going into this year though, we expect price to more than offset our manufacturing costs. And so you're going to see some of those increases. And by the way, last year we took three increases. That's kind of unprecedented for us.

Rob Rengel:

So we're catching up. We expect a lot of that to continue to flow through this year and we'll take additional price action. When you look at price, there's the balance there. So we're looking at providing value to our customers. Of course, we want to have some shared potential. We've got services business on the backside. So we feel pretty good about our prospects going forward there.

Tim Thein:

Got it. And just, we got a minute left here. It just circling back on mining. What's the sentiment that Denise and team is picking up from the field in terms of we've for a long time expecting this kind of gradual ramp in deliveries and spending, is that... What are you seeing across you think about kind of the outlook for RI, we're not likely to see that kind of hockey stick recovery, but just what's the latest view there?

Rob Rengel:

Yeah. You hit on it, we do still expect it to be kind of a gradual recovery there. The CEOs of the big miners, they remember back to the 2012 timeframe when CapEx was just going out of control. And honestly, a lot of people lost their positions at that time. So much more capital discipline, but at the same time we see looking forward, there's going to be a need for commodities. Talk about the energy transition that Joe had mentioned, copper, nickel, cobalt, those types of things that would support electric vehicles. Those we look at as tailwinds going forward. So we feel pretty good about the business.

Tim Thein:

Good. All right, guys, we get shot clocks at eight seconds and we'll wrap it up there. Thanks a lot for coming.

Joe Creed:

Thank you. [crosstalk]