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<<David Raso, Analyst, Evercore ISI>>

Thank you, everybody. Good morning. Our first presenter doesn't need an introduction, Dow 30 Caterpillar. We all know them and love them and obviously happy to have them here. So, really appreciate it. Matt, we have Matt here from Investor Relations.

<<Ryan Fiedler, Investor Relations>>

Ryan?

<<David Raso, Analyst, Evercore ISI>>

I mean, I'm sorry, Ryan. Sorry, I was saying Matt. Ryan, really appreciate you being here. Very, very helpful to have you and look to spend more time with you on a regular basis and Andrew, I remember when you first started.

<<Andrew Bonfield, Chief Financial Officer>>

Yes. I think you were first meeting, David.

<<David Raso, Analyst, Evercore ISI>>

Yes, I think it was. We were a little younger then. It was only five years ago, but Ryan, kick it off to you for a few minutes, and then we'll…

<<Ryan Fiedler, Investor Relations>>

Great. Yes. Thank you very much, David. Really appreciate the opportunity to be here today. So, I'll just kick it off with the Safe Harbor statement here. So, during today's discussion, we'll make forward-looking statements, which are subject to risks and uncertainties. We'll also make assumptions that could cause our actual results to be different from the information we're sharing with you.

Please refer to our recent SEC filings and the forward-looking statements reminder in our news releases for details on factors that individually or in aggregate could cause our actual results to vary materially from our forecast.

A detailed discussion of many factors that we believe have a – may have a material effect on our business on an ongoing basis is contained in our SEC filings. We'll also refer to non-GAAP numbers. For a reconciliation of any non-GAAP numbers to the appropriate U.S. GAAP numbers, please see the appendix of the earnings call slides.

With that, I'll turn it over to you David.

<<David Raso, Analyst, Evercore ISI>>

All right. Thanks Ryan. I appreciate it. So, not quite exactly five years, but just about. So, one of the first Cat executives from the outside. So, when you came in as CFO, it was interesting to get a perspective from you when you first came, like, what do you think the Street maybe – doesn't appreciate about Cat, things that you looked at to make the move over? And I remember you highlighted particularly the – I think the Street underestimates the cash flow of the company.

So, I went back and you looked at the numbers. I mean, you realize pre financial crisis, this was 5% free cash flow as a percent of sales. Then I had a pretty good run about 9%. I think people weren't sure. And as you said, since then, we've cemented that we can do 9%-plus free cash flow margin. When you think about the next say four, five years, the investment cycle versus maybe some opportunities to improve the cash flow. Can you take us through when we think about that sort of 9%, I'm trying to hold you to a target, but have we sort of reached that level that we can maintain or maybe even improve or there's some investments up that might make a dip a bit?

<<Andrew Bonfield, Chief Financial Officer>>

Yeah. So, I mean, I think one of the – yes, exactly, I mean, one of the things I found very interesting is obviously everybody was very focused on cyclical earnings in a cyclical company like Caterpillar Industrial. And one of the things I was surprised at was the consistency of the cash flow. And cash flows are strong even in relatively weak periods of the business. In fact, even in 2020, when we made some conscious decisions to continue to invest in inventory, we still generated over $3 billion of free cash flow. So, I think that's always to me has been the underappreciated part of Caterpillar. Why is cash flow somewhat stronger than even if you look through the historic trends? I think there are a couple of things. One, obviously, that focus on the flexible cost structure has been really and competitive cost structure has always been key to making sure improves obviously operating margins, but obviously also make sure that we generate additional cash associated with that.

And the second most important is really the discipline that comes around from parts of the O&E model, particularly around investment thesis. And Caterpillar had a track record I think is well-known of chasing the cycle and investing even in when people were sort of sitting there going, well, maybe it's not the right time to invest, but in order to attain the last highest unit of machineries that could be sold at the peak of the cycle, we had capacity. We're not doing that anymore. And I think that discipline has been really important as part of that because what it does mean is we've not over invested in assets, which again just helps from a cash flow perspective.

Area where I think we have an opportunity over the next couple of years is particularly around working capital. We have obviously through the challenges of the supply chain difficulties over the last 18 months, two years. What we have done is we've allowed inventory to rise to a slightly higher level. So, there is still an opportunity for us to generate a little bit more in the next couple of years.

On the other side, from an investment perspective, probably not so much in bricks-and-mortar investment needed as much as investment in things like new technologies. So, that's the capacity we have to make sure we are able to invest in those new technologies, be it new

electrification, hydrogen for using for as a power source. All of those things need investment and that will be part of where some of our CapEx will go.

<<David Raso, Analyst, Evercore ISI>>

So, the thing about the CapEx, right, it was running call it 4%-plus historically as a percent of sales. The last five years, even though working capital has been a little more struggle given the pandemic, your CapEx is only average, I think 2.3% of sales. So, it made up a little bit for the working capital. But now we look at and I noticed when you can't put out the last release and you've at least brought in the revenue potential, the $72 billion, I know it was more inflation than it was unit driven, but still the idea of a Dow 30 company 10, 11 years since its last proper peak, the revenues are still not back to where they were.

So, when I think about the ability to serve the next cycle, when you were doing $63 billion of equipment sales 11 years ago, the PP&E was $13 billion, today, it's only $8 billion. So, you've been able to turn those fixed assets very well. But to get to a $72 billion and some would argue, maybe we can do $80 billion, to not have to invest in PP&E, you would be suggesting absolute best-in-class asset terms. So, for staying at $8 billion PP&E, can we really serve a $75 billion, $80 billion base? Or is there some brick-and-mortar maybe investment that's needed?

<<Andrew Bonfield, Chief Financial Officer>>

Yes, so, obviously, as you reflect a part of that is the inflationary outlook, which does have an impact on asset turns. And obviously, you've got a lot of historic assets, which – some of which are accelerated from an accelerated depreciation perspective at very low – relatively low values, but actually still very productive today. So, it's more about maintenance CapEx relating to a lot of that.

I'll remind you the Investor Day in 2019, we talked about the fact that we were running at about 70% capacity utilization at that stage across our network. If you look actually probably today, unit volumes are probably not – no different from 2019. So, we're not back even at that level yet from a unit volume perspective across the organization as a whole. So, what that does mean is that obviously capacity utilization still probably is at a similar or lower level, there are always going to be bottlenecks. There are always obviously for certain products for certain lines, there are always going to be investments that need to be made.

But I mean, we're investing about $1.5 billion of CapEx this year. We think that's about the right level. We do not – we're not sitting there constraining people from coming up with ideas if they're willing to and they achieve above the cost of capital because that's the whole discipline about using the OPEC model. Obviously, we will make those investments. But at this stage, we just don't see the need. So, yes, possibly we will be able to make those sorts of asset turns. Again, one of the things, again, Caterpillar has a very high return on invested capital, one of the advantages of being a – effectively a company that's grown by organic means and obviously not from M&A particularly means that our returns are very high as well.

And so again, there's also another factor back to the cash flow discussion, which I think is a characteristic of the business. Particularly being that it is something really where the growth

has come from internal development rather than actually going in acquiring companies on the outside or acquiring businesses.

<<David Raso, Analyst, Evercore ISI>>

Yes, I mean, clearly right now, I always say cyclical Trump secular, but if you have the cyclical to keep the PP&E this low, then you would argue, right, if you're growing the parts and service, the incremental returns on capital if the cycle prevails should be rather significant.

<<Andrew Bonfield, Chief Financial Officer>>

Yes.

<<David Raso, Analyst, Evercore ISI>>

Keep the PP&E that low. If you're saying you're only 70% capacity utilization roughly that suggests we can do $75 billion-plus of revenue off the current base.

<<Andrew Bonfield, Chief Financial Officer>>

Yes. And we're not sitting here today looking at major investments needed in capacity utilization. So, there's nothing for us today, which says, wait, hold on a second, this is something which is going to drive us needing to think about capacity. I mean, we have stopped – probably ended most of the program of actually reducing manufacturing capacity because I think that that is in the past. I mean, obviously, some of those challenged businesses will still look at how we manage those, particularly, and how we move those products around to optimize the cost structure. But actually from a capacity perspective, I'm not sitting with the pile of proposals sitting on my desk saying here's a ton of money we need to go and spend. And so at this stage, it's – those returns will flow through. That will help cash flow, help returns on invested capital, all good things from the shareholder…

<<David Raso, Analyst, Evercore ISI>>

So, two things, it strikes me then again. Cycle prevails, let's say, right? You're going to have very strong cash flow. You're not going to have to really invest a ton in the business. So, two things. One, you've obviously grown the dividend now high single-digit for many years, kind of, cementing the dividend or risk or credit, so to speak, the title. But when I think about the balance sheet, I've been with the company for a little while. And it was always at least one debt to EBITDA term. It was sort of the – I'm not saying that was high. Now you run 0.3, 0.4 over the last 10 years and the great financial crisis put fear in a lot of people I get it.

But 10 years later, with this cash flow profile, doesn't sound like there's a big investment cycle coming. And the dividend, you already cementing, I think, enough of a dividend increase we can argue. How should we think about the balance sheet and future cash flow and what you're looking to do with it? And at least history would suggest, Cat has those moments of big M&A like the late 1990s building out the engine business. We can debate some of the timing on some of the mining in Chinese acquisitions. You say, well, that sounds like every 10, 12 years or we do for an M&A cycle or I would say ideally just buying back a lot of stock?

<<Andrew Bonfield, Chief Financial Officer>>

Yes, I mean I think obviously what we've done over the last several years is buyback a lot of stock. So, if you think through last year again and as well. So, I think one of the things, the priority has been obviously to return substantially all free cash flow to shareholders, leave the balance sheet available as there as buffer for – probably the likely size of M&A is much more likely for us to be something like weird and smaller rather than weird and bigger and SPM when we acquired it because ultimately at the end of the day, one of the things we've found and if you look through the history that adding incremental product isn't necessarily always the optimum return for shareholders through Caterpillar.

Obviously, we have done some successful M&A, but some of it has been less than success, less than ever. So, keeping the balance sheet free is really around making sure where we are needing things and a lot of the things we're doing are really about things like capability today. So, CarbonPoint, which is carbon, capture, and storage, which is a small acquisition, but it's just to give us access to that technology, Tangent electrical services, which is around providing services to customers who own Gensets and actually then can monetize the value of that Genset on a more regular basis.

Things like Lithos for battery technology and battery packaging, which obviously is going to be something which we need to be – we need to gain capabilities on. All of those things are part of this holistic view, I think, of looking at where do we need to add capability and that will be the accelerator from a balance sheet perspective. Always on the balance sheet, but always remind people is the ME&T balance sheet doesn't have a lot of net debt, but I do have a captive finance companies sitting on the other side, it does have $30 billion of debt associated with it. And so rating agencies tend to look at both together, so you have to be a little bit careful not just to think about on the standalone basis. But yes, I mean, obviously, if we end up generating a lot of free cash flow and we've shown that we'll be buying back a lot of stock, probably.

<<David Raso, Analyst, Evercore ISI>>

But it does feel like your free cash flow margin has a chance to improve if I can grow off the same asset base and working capital we can debate.

<<Andrew Bonfield, Chief Financial Officer>>

Yes. I mean obviously it depends on investments in other areas like working capital and so forth, which are needed in that context. But yes, there is always an opportunity for us to continue just the same as we do with margins, use the leverage we're gaining from the topline to leverage cash flow returns. We should be thinking on that exactly the same context.

<<David Raso, Analyst, Evercore ISI>>

Do you have any or even there at the time of cap? But the scar tissue from 2008, 2009 where CP markets froze for a bit and the whole bit. Are we comfortable though running because it's not like the debt to equity on CAF financials, particularly the high versus history? I would say back in the day when Cat was investing in, like, owning like a power plant to sell Cat engines, it's probably less of a risk profile today. Even half an EBITDA turn is $6.5 billion,

which is a lot bigger than we are. But – so, are you saying we should expect the leverage on the equipment company to stay at that level? Or is there a little room to use some balance sheet for share repurchase?

<<Andrew Bonfield, Chief Financial Officer>>

Well, we did last year. So, for example, last year, we actually spent more than – so that it worked a little bit more. And that gives us the flexibility to be in that. I think, the probability of us – I think – last time we had this conversation was in May 2019 and probably come March 2020 when COVID hit. I can tell you I was very glad to have a very pristine balance sheet because the first thing we did through COVID, we spent a lot of time doing the risk management approach of what is the worst case scenario if we don't sell any machines for a period of time. So, I think always that there's a balance to be had and I think, over time priorities may change and yes, that may be an opportunity. But having that flex – it's always about having that flexibility, I think, which is the most important thing.

<<David Raso, Analyst, Evercore ISI>>

Diving into the businesses a little bit, the mining cycle. Orders have been healthy, but not super robust. It does feel like a cycle that I might have more durability to it, excuse me, given that you're serving customers really trying to solutions. But also having to reduce their emissions footprint even today, a diesel truck today is a lot cleaner than the one they bought 15 years ago. What you're seeing in the mining cycle, I would argue restraint on the orders, but you're also doing more retrofits and the ecosystems getting bigger, maybe with new technology. Can you discuss – and doesn't sound to the investment needed? The mining cycle does it – is it coming across to you as I've got legacy energy, I've got new energy to serve. Is this a more durable cycle than we've seen in the past, you'd argue? Or is there maybe a little more of a hockey stick still potentially left to it based on some of the conversations with big customers and Denise running the business?

<<Andrew Bonfield, Chief Financial Officer>>

Yes, I think I mean one of the things we've seen is a very steady recovery of the mining market, particularly. And so that has been, as we've said, slower and steadier than probably has been historically. There's a lot of activity going on. There's a lot of quoting activity. And if you look at the average age of trucks, they continue to age. So, ultimately, at the end of the day, we're not yet at the replacement point where actually yet the truck fleet age is actually declining, which is when you would say, okay, you're at the right point from aging of the fleet perspective.

So, what's happened obviously has been a lot of focus on rebuild, a lot of focus on using the equipment as much as possible from a miner's perspective. But ultimately, at the end of the day, we do believe that there will be a long and sustained – more sustained cycle than there has been historically. That would be better for us. So, we'd be very much more focused on that. The wildcard always here is does something happen, which causes people to invest much more quickly than has happened in the past. But if you look at the capital discipline, that's there within the mining sector and within the oil and gas sector, for example. Both of those are showing constrained versus historic trends where given the outlook and demand for both oil and gas and for commodities, you would expect people to be sanctioning a lot of projects at the moment, they're not.

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And part of that is this desire for capital constraint coming a lot from investors, which has impacted those companies. So that actually is not a – I think that's a good thing for us. A, first of all, because we do believe total addressable market will grow as a result of the energy transition. And B, also because basically that is a much more steady ramp and much more steady state rather than the boom bust that we saw in the last super cycle, which obviously had huge implications because you suddenly went from a large order book, huge number of mining – large mining trucks being produced to virtue zero overnight and that was obviously quite.

<<David Raso, Analyst, Evercore ISI>>

I would think of that environment too. We don't need the units back to the old level to achieve the same margins as the last peak. Is that a fair assumption?

<<Andrew Bonfield, Chief Financial Officer>>

Yes, I mean, there'd be some – I mean, obviously, we are very focused on making sure that we have the right cost structure in place. And lean manufacturing and so forth always could tend to help. On a margin basis, it's hard to just – margins are a factor of a lot of things within some of our businesses, mix between services and OE, where it's going in particular with geo mix impacts and so forth. So, a lot of that – those things play out. But yes, the margin outlook for resources will be positive if we continue to see steady growth within the business?

<<David Raso, Analyst, Evercore ISI>>

Speaking of profitability, the CI business, I think it would have lost a bet 20 years ago saying, this business can run double-digit quarter-after-quarter, year-after-year, a little alone, 20%. 20% makes me a little nervous that something like that's sustainable, but it feels like least near-term, what we're hearing on used prices and a wide variety of commentary from competitors and we saw Komatsu and Hitachi talk about price increases as well. The idea that CI margins have peaked at this level, is that something you would say isn't necessarily true? Or is it just – it's high enough now it'd be hard to run the business at that level even just over the near term?

<<Andrew Bonfield, Chief Financial Officer>>

Yes. I mean, I think you got to be careful about looking at one particular quarter versus looking at the overall margin structure for the year. I mean, what we did see in the fourth quarter was very strong margins for a couple of reasons within CI. One, because obviously we're still recovering the price and the cost increases. So, that still was trying to get back to where we were. As we said, overall across company, we're still only just getting back to 2019 gross margin. So, we've only just been in a situation where we're starting to recover some of that So that was an impact.

And obviously, we took the pain earlier in the year, hence the very unusual margin structure in CI last year. As you correctly pointed out to me, you'd normally see margins improve in the first quarter and deteriorate by the fourth quarter. So, why can't we see improvement in the first quarter of this year versus fourth quarter of last year. Part of that is just purely

because we're still going through this – the lingering impacts of that supply chain. Impact and also volume was pretty high. We're producing as much as we can all the time, whereas normally we'd be slowing down in the fourth quarter which impacts volume variances and therefore impacts margins.

But yes, I mean, the challenge within CI again, there's going to be a mix impact as well just as much as anything else. What parts of machines are selling? Obviously, North America is very strong. That's a very strong market for us. That helps. All of those things are part of that equation, which would have to be thought through. But obviously, the challenge now will be if we start seeing material costs decline holding as much of the prices as we can. That will be the challenge which will come – that will be what we've done historically. So, we'll be focusing on that.

<<David Raso, Analyst, Evercore ISI>>

And the first place we'd ever see any giveback in price would be just bump up the incentives a little bit for the dealers. I mean, it won't be obviously a retail sticker going down?

<<Andrew Bonfield, Chief Financial Officer>>

No, I mean, you won't see that, but obviously, there will always be – there's always an amount where you can look at and if you're in a competitive situation on a competitive deal, you obviously could provide some variance in those regards. The reality is obviously we've been very disciplined so far and actually managed to realize a huge amount of the price that we have had out there and part of that is because everybody is in the same position that we are as far as being relatively constrained from a supply chain perspective. Obviously, that dynamic may change as I'm saying. So, again, that will be part of the equation.

<<David Raso, Analyst, Evercore ISI>>

Yes. So far year-to-date, you're still hearing about pretty resilient. And if anything, people pushing price, some of you see some of the steel prices going back up. So, when it comes to the engine business, oil and gas, you can't help but notice on the balance sheet, the customer advance line is strong. I usually think that's at the turbine strength. Can you take us through what you're seeing on oil and gas onshore versus offshore?

<<Andrew Bonfield, Chief Financial Officer>>

Yes. So obviously, the onshore business – and onshore oil and gas, I would add a little bit of power generation in here as well because probably the two are particularly from a reciprocating engine. There's a bit of an overlap in where the engine demand is. Obviously things like the 3500, 3600 engine demand is very, very strong. Part of that obviously is onshore oil and gas. So whilst we aren't seeing increases in wells, we are seeing obviously the fact that obviously machined the engines have been run down they've used the existing fleet, they're now needing to replenish.

So that's where the investment is going. So that's a positive for us. And obviously demand is very strong there. Within so large demand has been very strong. This seems to be a little bit more offshore as you indicate, little bit around LNG as well, because obviously gas compression is a factor within solar. So again, I think, yes, the markets are coming back quite

strongly. Obviously, not as strongly as you would normally see oil price being the level, because again, back to that point about capital discipline, there is an element of capital discipline being displayed, which is positive again for the longer term, because of what it means is avoiding the boom bus type cycles that we've seen…

<<David Raso, Analyst, Evercore ISI>>

And how would you describe? We haven't had much of an offshore cycle on a while?

<<Andrew Bonfield, Chief Financial Officer>>

Yes.

<<David Raso, Analyst, Evercore ISI>>

And I'm generalizing, of course, offshore margins versus onshore. How would you characterize as an analyst? Is that a positive mix? Or…

<<Andrew Bonfield, Chief Financial Officer>>

I wouldn't be able to tell you. Unfortunately, I wouldn't be able to.

<<David Raso, Analyst, Evercore ISI>>

No worries. Comment as you wish UAW?

<<Andrew Bonfield, Chief Financial Officer>>

Yes.

<<David Raso, Analyst, Evercore ISI>>

So the vote, it's coming up.

<<Andrew Bonfield, Chief Financial Officer>>

Yes. So we got the vote to come through. Obviously, we'll see whether the deal gets accepted. It's obviously a relatively small proportion of the overall manufacturing profile of the company. But obviously, we continue to have contingency plans in the event that the deal is not accepted. But hopefully, we'll get a deal. But obviously, they've got a tentative agreement. It's really about the vote and we'll only see that after the weekend.

<<David Raso, Analyst, Evercore ISI>>

At least the numbers we've seen around it, because the press event sort of been set with the prior strikes we've seen, the bid ask between what the ranking file would expect from their leadership and from the company feels like the bid ask is narrower, right. There's just some precedent set. And I think given the time taken from the agreement, to getting the vote shows a little more patience with making sure the ranking file knows what's in the agreement.

But obviously, you have to manage for, the level of inventory going into this, I assume there was just obviously some conscious idea of like, hey, if we do have a strike, the inventory build going into it, I assume provides some coverage? I mean, any way to sort of quantify a little bit there?

<<Andrew Bonfield, Chief Financial Officer>>

I mean, it's not – I mean, there is a – there will always be a little bit of a buffer, but ultimately the end of the day, there is risk that we have contingency plans to manage that risk. So it really is around hopefully ending up with an agreement that everyone's happy with and if, let's see how the boat goes. I mean, I think it would be wrong to speculate until we see that as a few days away.

<<David Raso, Analyst, Evercore ISI>>

Second, I think a lot of investors were surprised to hear kind of a constructive end user demand outlook, but then no inventory build. And I think a little bit definitionally though most people go, oh, going into the rental fleet for the dealers. Well, I think that's inventory, but no, you count that as sales, right?

So, can you just not to pin you to a number, but when we think of how much is a refresh of the dealer rental fleet this year, which for most people would view is, a wholesale rebuild of the channel, right? I don't need retail demand as much. Is that 1 billion, 1.5 billion, I mean, just to put in perspective, a number of people thought they'd get on inventory build this year. You're getting it more on a rental channel.

<<Andrew Bonfield, Chief Financial Officer>>

Yes. I mean, I think one of the things and so just I mean, we don't specifically forecast a number of exactly what we think will go into the rental fleet. And part of the reason for that is at the moment, we're still saying to dealers prioritize customers of customer demand over your rental fleet. It really is a sort of – it's a little bit numbers. So it's almost like, if demand soften slightly, that will be offset. And as you say, third-party end user demand rather than that will offset that and be used by effectively dealers replenishing their rental fleet.

So, it's a little bit of – its one of those things which are very difficult to exactly predict given that we're still feeling some constraints. We're not 100% through all of this, things are obviously better, particularly in CI than they have been, but they're still issues there. And that means that obviously we're sort of trying to watch this, but prioritizing good dealers, the product told dealers a priority must be end user demand first.

<<David Raso, Analyst, Evercore ISI>>

Is there any number you can address it?

<<Andrew Bonfield, Chief Financial Officer>>

No, I think the point I would say is obviously we're still expecting volume on from a STU perspective to increase – to grow this year. And we'll keep monitoring that as we go through the year and sort of like trying. But I don't think it's not a big enough number that I would

call it out at this stage, it may become a big enough number and then we'll probably end up talking about it because one of the things always there to remember is. And this is one of the things, hopefully we're trying to do a better job at is trying to tell people about things like deal inventory movements quarter-on-quarter and so forth.

Because obviously, if you do have a rental build and we do go through the year, and we do see it, and we'll talk about it by the end of the year, is that will obviously be a factor when we look at 2024. And so all of those things, which is why we just reminded everybody what happened in 2022 from a dealer inventory perspective. And remember of the $2.4 billion of inventory build, only about 40% of that was actually CI. Most of the rest of it were related to RI and E&T, and most of that was direct customer orders, which just for a number of reasons, just had not worked their way through the supply chain, about 70% of those. So again, it's just trying to give you the sort of facts to sort of work out and then actually get an underlying growth sort of expectation based on the data we…

<<David Raso, Analyst, Evercore ISI>>

A quick small one, the other income line last quarter, right?

<<Andrew Bonfield, Chief Financial Officer>>

Yes.

<<David Raso, Analyst, Evercore ISI>>

The dollar has strengthened.

<<Andrew Bonfield, Chief Financial Officer>>

Yes.

<<David Raso, Analyst, Evercore ISI>>

So I assume that's a plus, I mean, that's not a huge number, but the idea of the dollar weakens in the fourth quarter, your net liability position international and you have the balance sheet adjustment in other income. Expectation was this first quarter we'll have another maybe negative adjustment. But officially, for the equally quarter-to-date, the dollar is a little bit stronger, especially the last month. Does it work that quickly?

<<Andrew Bonfield, Chief Financial Officer>>

Yes. It will do. It will work through pretty quickly because it's a balance sheet translation adjustment…

<<David Raso, Analyst, Evercore ISI>>

Whatever it is much…

<<Andrew Bonfield, Chief Financial Officer>>

….whichever is at the month end. So it depends what it is on the 31st of March. We'll drive what that number is for the quarter. It's a very interesting point, which is one of the challenges with this is OI&E. There's a whole lot of things within other income and expense. And they have been trending about $250 million to $300 million income for the last – for seven of the last eight quarters.

Fourth quarter, it just switched like that and it switched very close to the quarter end, which is part of the reason why we did have the big number. And it's a little bit of an accounting nuance as well. This is functional currencies for overseas entities. And if you treat them as dollar functional currencies, you then have to take translation losses, gains and losses through OI&E. It's a decision that was made many, many years ago, probably one that I would look back and say probably somebody didn't understand exactly the consequences of it. Because normally all balance sheet translation just goes through below the line. And it's one of those things. It probably makes inter company accounting or transfers, which is one of the entities involved a lot of the transfers and a lot easier, but it probably does have some surprising consequences, which you can't factor and dollar movement was quite significant.

<<David Raso, Analyst, Evercore ISI>>

Yes, it's a little bit of goodness for the first quarter. I mean, that might drive it.

<<Andrew Bonfield, Chief Financial Officer>>

It may be. It may be.

<<David Raso, Analyst, Evercore ISI>>

So we're basically out of time, I apologize. Any questions from the audience for Caterpillar? Well, I think we covered everything then. All right. Thank you so much.

<<Andrew Bonfield, Chief Financial Officer>>

Okay. Thank you very much, David.

<<David Raso, Analyst, Evercore ISI>>

Appreciate it.

<<Andrew Bonfield, Chief Financial Officer>>

Thank you. Thank you.