

>> MICHAEL FENIGER: Good morning, everyone. I'm Michael Feniger. I'm the Bank of America Machinery, Engineering and Construction analyst. It's my privilege to be able to host a virtual headquarter visit with Caterpillar today. And I'm going to pass it off for Alex to do some disclaimers, which it will then get passed back to me to really jump into the meat of today, which is hosting Tony Fassino, the Group President of Construction Industries. So over to you, Alex.

>> ALEX KAPPER: Thank you, everyone, for joining us today. During today's meeting we will be making some forward-looking statements which are subject to risks and uncertainties. We may also make assumptions that could cause our actual results to be different from the information we are sharing with you today. Please refer to our recent SEC filings and the forward-looking statements reminder in our 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 the many factors that we believe may have a material effect on our business on an ongoing basis is contained within our SEC filings.

In today's meeting we will also refer to non-GAAP numbers. For reconciliation of any -non-GAAP numbers to the appropriate U.S. GAAP numbers, please see the appendix of our earnings call slides.

Additionally, please note that Caterpillar policy does not allow for meetings to be recorded with smartphones or other devices unless specific approvals have been sought and granted prior to the beginning of this meeting. Lastly, we will post the video and a transcript on our website, investors.Caterpillar.com. Now, back to our host of the event.

>> MICHAEL FENIGER: Tony, thank you so much for joining us today. I'm very excited to host you for this virtual headquarter event. And I think the best place for us to kick this off, Tony, is just to get your background. How long have you been at Caterpillar, the positions, and really the experiences that prepared you to be the Group President of Construction Industries?

>> TONY FASSINO: Yeah, good morning, Michael. I appreciate it. Thank you for hosting us today and allowing us to talk a little bit this morning. It's going to be great.

A little bit of background about me, so, yeah, I'm Construction Industries Group President. I've been with CAT just a little less than 30 years. So, I've been around a

little bit. I had everything from field experience, working with customers for several years in our field offices across the U.S., Canada; had the chance to cover the Pacific Northwest in the U.S., Alaska. So I became the cold weather specialist for a while, covering Canada and Alaska for a while there and had a chance to be in everything from product development to Six Sigma, working with our dealers across various parts or the world, leading our business, Building Construction Products division there out of Cary, North Carolina, and now this role, leading the Construction Industries of Caterpillar. So really it has been a fantastic career, and I've loved every minute of it.

>> MICHAEL FENIGER: Wow, 30 years. So, Tony, maybe just to start the conversation, giving a focus on the top line. Construction Industries finished 2024 at \$25 billion of sales. It was down a little bit, versus 2023, which was the record high, and it might be down a little bit in 2025. Can you just give us a sense, when we think of where we are on the top line in terms of units, are we back at those record levels?

>> TONY FASSINO: Yeah, you know, Michael, when I think about that, I think about obviously '23 was very high. That said, we are right there, right? So, we are just really essentially at that second highest level, right there towards the top, so still a very healthy level from that perspective.

When I think about units, volume industry, you know, I think about kind of where we are, you can kind of start, let's say just start in the U.S. as an example, and you've still got a very strong push from the IJJA. There is still money to go out. If you talk to contractors, you look at the total industry, you still got a lot of health, momentum, and strength there. Actually, surprisingly durable relative to some of the uncertainty that's in the world. And so that is just kind of one piece of the broader puzzle. But, again, we've had pretty strong performance from the industry, strong order. You saw our backlog numbers there in the first quarter. So, again, we've felt pretty good about it overall.

>> MICHAEL FENIGER: And, Tony, do you feel like it's more reflective of market share gains in pricing versus maybe growing that adjustable market demand for those actual units?

>> TONY FASSINO: When I think about pricing and addressable market and the sales to users numbers, the things that we are putting out there, it always kind of goes back to that Operating and Execution model and the work that we have done on that. Because our real measure is maximizing absolute OPACC dollars, so that Operating Profit After the Capital Charge. We really have the teams rooted in that, and that's really kind of how they run their business. Of course, a lot of other metrics are important as we all know; but that's kind of their guiding light metric, to understand how to do that. And so that takes them to the maximization approach in each region that

they serve across the products, the factories, think about that. Our field teams think about that, and that's really how we drive the industry forward.

Of course, you have heard Jim talk about it. Joe has already talked about it as he leads the company in terms of how we price, many factors go into that, right? It's never kind of this one liner. And at the same time, you've got to remain competitive. But, ultimately, we've got to provide those customers with the absolute lowest total in operating cost and ideally the easiest to do business with. Because, when you do that, they come back. When that happens, then you get the market share; then you can get the pricing; then you can get the growth, and that is really what we are focused on.

>> MICHAEL FENIGER: And, Tony, you touched on the U.S. being durable. I'm just curious if you maybe can touch on the other regions, where you think you are versus peak or versus prior cycles when we think of those units?

>> TONY FASSINO: You know, if you kind of just kind of do a quick run around the globe, the U.S., Canada, kind of just throw it into all of North America, right, pretty decent there in terms if you look at like total industry, not Caterpillar but total industry, you see some reasonable strength and durability there. You've got pockets and things like that; but we kind of have, puts and takes in some of those areas. And you come across, Europe, we've seen, some weakness there and a little bit of uncertainty. That said, you've got some positive signals out of Germany and other places like that. So, we've felt pretty good there as that kind of comes around.

I know as you run across, China, granted China was at some pretty low levels if you look at that total machine industry, which really kind of looks a little more of the above 10-ton excavator industry. But it had been at some lower levels, but it's seen increases over the last, say, a year, year and a half or so. It's been even pretty decent here just recently, you know, on a percentage basis. But, again, still positive, which is nice. And so we feel pretty good there as that kind of continues to come around.

Other parts of the world, the developing markets like some of the Middle Eastern parts where there are some major projects going on. You go across the African continent, you have to kind of drop down country by country. But, I was just in South Africa a little bit earlier, spent some time in Zambia. And, you've got, I mean, decent infrastructure. Many kilometers of road going in. You've got bridge work going on. In one sense, on the ground there in South Africa, honestly it felt kind of like just your mother's apple pie type of town in the U.S. in terms of road work, curb work, crosswalks, that type of thing. This is barring some of the energy issues that they are challenged with there, but it's still sort of good, solid infrastructure work going on which I found, quite comforting when I was there.

>> MICHAEL FENIGER: And, Tony, just on the discussion of cycle over cycle, maybe we can kind of touch now on the margins and the profitability. I mean, the margins had a great run under your watch. I mean, it fell a little bit in 2024, the margin; but, you know, when you look at 2024 versus 2014, the margins have more than doubled. So what would you attribute that margin expansion over the last decade to?

>> TONY FASSINO: Yeah, I mean, two things. One, the Operating and Execution model, got to keep that in mind. And I will expand on that a little bit. And, of course, we are trying to keep things in a range, right? We are never going to be able to kind of hold things right at that number, but we want to keep that in the range, which I think we have been pretty successful at doing. But, again, what do we attribute that to, which, I think, is the root of your question. And that goes back a ways. Putting the Operating and Execution model in place has taught us a lot. We've gotten a lot better at a lot of things. And I will just kind of throw some examples out there. I mean, look at our S&OP process. So process, process efficiency, process control, process understanding, that helps a lot so we can understand demand, the signal that is coming in. At the same time those processes are important from a manufacturing process perspective where we are efficient, where we are inefficient, where we should flex to, where we should flex away from. That same analogy goes into industries. You saw us in that purpose-built forestry product a number of years ago. I had the pleasure of leading that for a time. And, as we looked more closely at the purpose-built product, it was not necessarily fitting into that very efficient O&E model that we are so enamored with. And ultimately, we provided, and we've kind of passed out of that into more of that core part where we are, as an example, using our core excavators for those forest machines, our core wheel loaders for forestry arrangements, as opposed to more of that purpose-built product. Again, that was all a product of the Operating and Execution model to help us do that.

You've also seen our footprint change in some areas. Those and some of your peers who would be involved in watching us closely a number of years ago, well before, say, 2017 timeframe, you would have seen a little bit more of an expand, expand, expand from a manufacturing footprint perspective. Got that under control, refined that, made that much more efficient, much more targeted. We've got about the same or fewer facilities, still a lot worldwide, but very efficient with head rooms that we can be much more flexible in each one of those facilities, cost effective. Again, providing customers with the lowest total in operating cost, but focusing internally so that we've got our own cost efficiency points in line. Again, right back to the O&E model.

>> MICHAEL FENIGER: And, just on services, it seems like that is a key area of focus or I believe the opportunity is significant for Construction Industries. Can you kind of talk about the key initiatives that you're focusing on to really drive that?

>> TONY FASSINO: The key initiatives we are driving from a services perspective in Construction Industries really comes down to our core strengths. And this is one of the things I probably enjoy talking about the most because my early years at CAT was a service...we call it a service rep. The service rep is in the field, calling on customers and dealers only on service, product support and services that we provide. So those key initiatives are everything from the rebuilds, right? We've got machines that are built to be rebuilt. It's not a one and done from a CAT product perspective, right? You run that out to the 8, 10, 12,000 hour mark; do your rebuild, you get another 8, 10, 12,000 hours out of the product again. And sometimes you do it again. So a lot of these products are seeing three lives and more.

In addition, we've got a lot of work on Prioritized Service Events. This is where we can start to talk a lot more about technology, the technology on the machines. Don't forget, right, a couple million machines in the field running. [A million and a half] machines that are connected, getting information from those (company clarified after the discussion). Those connected machines allow us to have Prioritized Service Event indicators, what we know is going to happen, predictive failures so we can get that out to dealers and customers before something happens. And, any time you are able to do that, you reduce downtime and reduce cost. Reduced cost and reduced downtime, it's easier to do business with. Back to my earlier comment, that, of course, creates customer loyalty. Customer loyalty often takes us back to that increased sales volume that you were asking questions about in one of the earlier points.

So those are two of the areas. But, of course, we've also got a lot of, say, more of a retail, those customers that own just a few machines, up to maybe a dozen or more machines, that kind of retail customer who, again, they are trying to run the whole show. They are not just the construction department. They are the HR department, the accounting department, the billing department, the collections department, that's kind of a different customer mentality. We've got to be the easiest for them because they don't have an extra minute in the day. When we help them on services and make their product easier to own and operate, lower their total cost of service, and, again, predictive, limit downtime, make it easy to get parts, make it easy to get the service, make it easy to get the technology, a lot is from online tools and services, they tend to choose us versus some other alternatives in the marketplace.

>> MICHAEL FENIGER: And, Tony, just to pull on this thread, what is the typical parts intensity for a piece of Construction Industries' equipment? So if we take just like a typical excavator, what's that lifetime value in terms of parts over the next few years?

>> TONY FASSINO: That's kind of a hard question to answer, Michael. Again, my service experience in the past is something that I was deep into. And some people on the line or those associated with us would be familiar with what they call a CAT

performance handbook. It's something we've been publishing pretty much our entire history. It's become something of an industry standard. Academia uses it. Customers use it. I know our competitors take a look at it once in a while. But it really talks about the cost per hour, but that comes down to the operating environment and the conditions that the customer's running the machine in, amount of fuel consumed, the soil conditions, moisture content of the soil, on and on in terms of what the consumption is going to be from a parts perspective. And it lays all of that out. In fact, we give customers a pretty clear spreadsheet that's basically blaring and let them put their own numbers in and let them kind of take a look at what their total own and operating cost is, what the parts consumption is going to be on those machines. Everything from the parts, which we think of typically the iron-type parts, to the lubes, the filters, everything you need from a maintenance perspective, too. Again, though, that entire thing is all targeting lowering, lowering, lowering that so we can make it the most efficient own and operating cost for that customer base. And really that is what this service strategy is about. Because we add that value to the customer, lower cost, which we expand the market and get a bigger addressable market for ourselves because, yeah, ideally it would be the best choice for them.

>> MICHAEL FENIGER: Makes sense. And, Tony, we are 15 minutes in and we haven't talked about tariffs, so I think this might be a record that we are on right now. So it's kind of impossible for us to have a conversation without talking about tariffs. I mean, maybe, just as group president, what are the biggest challenges today managing the [segment] with a tariff regime (company corrected after the discussion)? Is it those imports into the U.S.? How do we kind of think about this?

>> TONY FASSINO: You know, that takes a deep breath before you dive into it, you know. And anybody on the phone knows the uncertainty that we are all dealing with, all parts of the industry dealing with that uncertainty. And so, it's hard to say here is exactly what we are doing now and then second and then third and then fourth. That is hard to say. The important thing is that we are looking at a variety of scenarios, that is what our teams...and I just talked to a team about this this morning, the variety of scenario planning, that's real important, so that you are ready when you do get kind of that solid approach and know exactly where you're going to need to go. But the beauty of that scenario planning for us is we've got quite a bit of flexibility from a company perspective. So, talk just about kind of our manufacturing footprint, right? You're looking at essentially we are a net exporter from the U.S., dozens and dozens and dozens of facilities in the U.S., right? Nearly half our employment, 50,000 plus, people fully employed in the U.S. In fact, we've got examples of [products manufactured in the U.S.] that only export. In fact, there is zero consumption in the U.S. by some of those [products] (company clarified after the discussion). So, again, that whole exporter

message is very strong for us. It's something we are obviously very proud of. We have done that for basically a century. And we are a key part of the U.S. infrastructure that does that.

That said, again, the tariff question, it really comes back to being able to play out the scenarios, having the flexibility and options once things are solidified, and our manufacturing footprint gives us a lot of strength in terms of dealing with whatever the tariffs come through, because, again, our general in country, for country, but a pretty heavy manufacturing footprint in the United States gives us quite a bit of flexibility.

And maybe just one more item on that, Michael, that I would expand on, something I've talked about in the past with some investors pretty openly is about, you know, take an example of an excavator or a BCP product. And this doesn't have to be a tariff discussion. Take this more generically. This can just be about how flexible when things change. It could be natural disaster. It could be tariffs. It could be labor issues. It could be all kinds of things. You know, if it's not working across Victoria, Texas for an excavator, you get help out of Akashi, Japan. If that is not working, you come out of Grenoble, France. You can always rely on Brazil. If that is not working so good, you've got options out of China and you've got options out of India.

Now, while most of those are in country, for country, it does give you flexibility when you need it to supplement, right, and help other parts of the world, especially when it comes down to the highly variable political environment that we're in.

>> MICHAEL FENIGER: And, Tony, just to pull on that thread a little bit, I mean, how are you right now planning to do some mitigation? I mean, there is maybe bring production back to the U.S. as surcharges, components from different areas. I'm just kind of thinking of what's on the table here as you guys are kind of approaching this evolving situation.

>> TONY FASSINO: I mean, manufacturing footprint is something that we, of course, looked at. That said, those are kind of some longer-term stuff. You don't just say, boom, change source today. It's not quite that quick. I may make it out to be very optimistic. But, while we are highly flexible, we take it very seriously. So, you don't just jump into some of these decisions. But we are ready to do that when we get some certainty. That said, short term is something I think we can talk about. And, of course, short term, it's about cost, right? Making sure we are tight on everything from travel and entertainment so some of the various spending that we are doing to keep that in control because, you know, you have to agonize over pennies in this industry. People don't think that, but you do. You have to be very, very, very penny wise in this industry to be successful. And we do that across everything from product cost to operations costs in our facilities, in terms of how our field teams, whether they travel and have meetings, you name it. We have to keep a pretty tight line on that to ensure our short-term, and

for that matter our long-term success because that really drives a bit of the culture in the enterprise, which has to be very cost conscious.

>> MICHAEL FENIGER: That makes sense, Tony. If we could just touch on maybe the competitive environment, do you have a sense whether, you know, you produce more in the U.S. versus some of your competitors or maybe import less equipment and componentry than maybe some of your European and Asian competitors? Do you have any sense out there what that looks like?

>> TONY FASSINO: I won't comment directly on the competitors. I think the important...the comment I make on competitors every time is you have to have respect for them. We absolutely do. From a competitive environment we do. So I won't comment on them directly. But I will comment; and I will go back to a couple of my comments earlier, right? A century plus of manufacturing in the United States. Heavy presence in the U.S. Net exporter U.S., right? We've got [products manufactured in the U.S.] that export only from the U.S., no consumption in the U.S. (company clarified after the discussion). Those are important points worth mentioning probably again during our conversation because I think that is something that is very important to remember, whether you are talking about the tariffs, whether you are talking about our competitive nature, whether you are talking about our ability to serve our customers quick, efficiently, and cost effectively, especially in the U.S. Again, those facilities and all these people we've got, right, 50,000 plus in the U.S., working on these factories and building tractors for us is a key, key strength for us. I'm really happy about it.

>> MICHAEL FENIGER: And, Tony, how are your dealers and your customers reacting and positioning for this evolving tariff backdrop right now?

>> TONY FASSINO: Yeah. I mean, I have the pleasure of serving on the American Road and Transportation Builders Association board. And they call it...in short, they call it ARTBA, A-R-T-B-A. And we happened to have a meeting just about a month ago and there were probably, maybe a hundred contractors in the room. And we had some of these conversations and some were side conversations. It's kind of the same line we've talked about. I think it's that uncertainty and nervousness. It's kind of odd though. It's almost like people are a little more comfortable with it. And I know that is kind of hard to say because, you know, nobody likes that uncertainty. But, you know, we all agonized over interest rates. Oh, you know, it's so high. They are not that high. And people have kind of learned to live and work around that in many parts of the country, so that, obviously, surprised some folks. And, honestly, in that conversation I had with many of those contractors, they weren't talking about interest rates as much. They were a little more, kind of asking questions about tariffs, but they weren't really

talking about acting based on the tariffs. They were more kind of curious what our view was and some of those types of things. You didn't necessarily see them dramatically changing their behaviors. And ultimately they really haven't so much. So I felt pretty good about that. And I think that speaks a little bit to the fact that, again, that IJJA money, that's still not all out there. There is quite a bit of money that still needs to be put out and those contractors still see that coming, so infrastructure has still been a really positive signal from a U.S. perspective.

>> MICHAEL FENIGER: That is helpful. And can you touch on pricing? I mean, Construction Industries reported robust pricing the last few years. The last two quarters we saw this \$300 to \$350 million headwind on price. And you guys have guided to a similar headwind in the second quarter. But maybe, just for the audience, what is this merchandising program and this plan to help give us some understanding there?

>> TONY FASSINO: We have talked about merchandising and our merchandising plans before. Ultimately, it comes back to, again, the most important thing in the entire equation is the customer, what the customer needs, what the market supports, and where we are from a competitive perspective. That is really unique depending on where you travel state to state in the U.S.; country to country in North America; and, of course, as you go globally, things are very dynamic. So, again, that pricing strategy, you know, we alone could write a textbook on it because of all the inputs that are required to make that determination. And, ultimately, that's about what you have to do. So you have to be a dynamic, back to that cost consciousness piece that we are so, so absorbed in, that gives you the flexibility. When you can't take price, it helps protect your margins, right? And then that competitive product that you're putting out there, the extended services and the high potential and the high performance we have from a digital service capability justifies additional price depending where you are in the world and whether or not you can take that.

So, I won't necessarily speak exactly to your price question, Michael; but those are some of the elements of it and kind of how we feel about it in general. It's all about being competitive, being the best choice, being the lowest total in operating cost, and being the easiest to do business with. And, ultimately, the easiest to own because I will ask you the question: What is the last time you bought something again that wasn't easy to own the first time? You know, most of us don't, right? So, you've got to make sure that you are the easiest to own the first time.

>> MICHAEL FENIGER: And, Tony, just on this, what are you looking for that would make you feel comfortable to see that pricing headwind start to ease as we get to that fourth quarter, end of the year?

>> TONY FASSINO: For those types of things to ease, folks like to know what's going to happen on the tariffs like we talked about, so they love to see that settle somewhere. I'm not going to say folks don't care where it settles. Obviously, it has to be within some reasonable range. But they like to see it settle because, you know, one thing about contractors, I think I can say this about contractors kind of across the globe because I've met them in about every country in the world, is once you give them certainty and know what to do, they are going to work to be successful in that environment. I'm not saying they can deal with anything. Obviously, there are some very detrimental stuff that could happen. But, when you give them certainty, they can go. Kind of like in one sense the interest rates in the U.S. have been somewhat stable now for a while. There's been some condition on that. You've seen folks kind of marching through that, a lot of that stabilization, to help them because now they know what they are dealing with. When there is this, oh, it might go up, oh, it might go down, that is one thing they are not big fans of. Again, that stability really helps us when you're talking about a fourth quarter, whether it be pricing, whether it be volume, whether it be optimism or pessimism, that stability is a good thing. They love stability.

>> MICHAEL FENIGER: Fair enough. And on stability, Tony, I mean, a big surprise last quarter was that your retail sales for Construction Industries inflected positive. In North America it was a plus one after being negative for three quarters. Is that the merchandising program taking effect or is it just strong demand that is really driving that inflection in retail sales? Just kind of curious what you thought you saw out there that drove that inflection.

>> TONY FASSINO: It's really a combination, Michael. Merchandising programs, of course, are targeting the customer and customer needs, where we are in the competitive environment. So, let's assume we are, of course, trying to do the right thing there. But, again, you also got to look at, while we have that infrastructure piece, the IIJA money that continues to come out, still supports a pretty healthy infrastructure perspective. You've also had a little better than you thought from a residential perspective. So that residential, non-residential has been decent. And, again, people kind of, oh, residential this and residential that because of interest rate and da, da, da, still a shortage, right? Go to a lot of these bigger markets. You've seen it. I've seen it. As you run around, prices are still strong. There is still opportunities to build. Obviously they want stability, too, like anybody else: Should I build, should I not build, should I put the pad in, should I not put the pad in. But, right, we've seen a little better residential than we thought. So that kind of has shored that up. And that was really nice to see. Not to mention, like I mentioned, you know, some positive sentiment in Germany and other parts of the world. Obviously, China bringing that back up. So, again, that kind of positive signal has been nice to see.

>> MICHAEL FENIGER: I'd love to actually talk on inventories because at times the market only views inventories as binary, you are either restocking or destocking. And, as group president, how are you evaluating inventories at Construction Industries today and who you are thinking about that dealer network as we head into the second half?

>> TONY FASSINO: I mean, dealer inventories, our inventories, you've got to have the dealer inventories first, right? Dealers are independent businesses. They make their own inventory decisions. You know, that said, inventory is a range. The inventory is not a number. So we got to think you're going to be in that range, things are going to flex and flow as you go throughout the year, as you kind of see buying season, construction season, winter, et cetera, depending where you are in the world, and so that is important to understand. That said, we have been kind of riding that three and a half months where we like to be, right between that three and four months of sales piece. And, you know, think about that also and take that comment, lay that back on some of the earlier questions when you're in an uncertain period. The beauty of that three to four months is it gives you three to four months of sales in that inventory piece. So they've got that on the ground and they've got a buffer in there that they can do something with. So it helps from a tariff uncertainty, interest rate uncertainty, any kind of construction uncertainty you might get in some part of the world. So, again, I think of inventory as a range. I think of our S&OP process, that process that's been better than ever and revamped to understand what those orders are coming in, what our manufacturing capabilities are to respond to those orders, and how we can plan that out, a little bit further out, and be more responsive when you get kind of in those tighter windows. That is important in terms of, again, back to that kind of flexibility theme I touched on a little bit earlier.

>> MICHAEL FENIGER: And, just if we look at the fourth quarter last year, I mean, dealers took out, I believe, \$1.6 billion of machine inventory. It was a big number. Do you think CAT needs to take another destock of that level if we see the retail sales stay at this flattest to plus one environment right now?

>> TONY FASSINO: I wouldn't necessarily go to that, Michael. I would probably reflect on fourth quarter of last year a little bit because I've dissected that with some folks, not just customers, but dealers kind of as I've traveled around the world here the last six months. And it's interesting. Again, U.S. is kind of an easy one in one sense. So, the way they say, hey, it's heading up to the election, uncertainty, people kind of were wringing their hands, didn't know what was going to happen. And that is one of those, as you come up to the elections, you see this with contractors, they start to kind

of, they sort of tighten up, sort of, let's wait and see what happens. Usually nothing huge happens, like, they can usually just power right through it. And some bigger contractors don't even pay attention to it, just kind of go right through the deal. But others sort of squeeze in a little bit.

There was a little more uncertainty and they hadn't been as conditioned on interest rates. And as the dealer network, and as they looked at that, right, a little uncertainty, kind of pull back a little bit, that is part of, not the exclusive reason, part of what created some of that destocking that they did. Not to mention, I mean, it was a pretty decent very end of year because we got past the election, saw some stability, kind of other things happened, and then all of a sudden, oh, wait, not as bad as we thought. Hurry, right? So then the contractors kind of rush back in. That is kind of how they worked.

It was pretty unique last year. We know the political environment in the U.S. last year was an interesting one. And here we are today with still interesting and fun; but, again, it's that certainty, uncertainty battle that we kind of struggle with every day.

>> MICHAEL FENIGER: And, Tony, you touched on this earlier, but when we think of North America, your most important market, we think of the Construction Industries, I mean, there is infrastructure, there is non-residential, then manufacturing construction, there is light commercial construction, you mentioned residential a little bit. Is there a way for us to understand the different verticals that are really driving Construction Industries' business? You know, what you are kind of seeing out there that gives you this confidence?

>> TONY FASSINO: If you talk about what is driving the confidence, I think, again, this is when I sit down with contractors and talk to them, and, for that matter, we talk to DOT officials and others and kind of really understand what's going on. The IJJA is an interesting one to jump into. So the infrastructure work that we've done, the money that's put out there, you know, there has been labor constraints for, let's say, machine operators for some time at the customer level. There's been also labor constraints in everything from the skilled trades on those jobs to various others. And you hear a lot of contractors tell you I would do more work if I could get more people. That's a pretty common message. And that message has been very consistent. It's gone right through to, again, that meeting I was at a couple weeks ago with the contractors. So that labor constraint piece, that's a good and a bad point, right? Because the work is there, they would do more.

At the same time, if you talk to, say, state level DOTs, they would tell you that they've got their own set of challenges from a labor perspective. And they would be able to get more work out to the contractors if they had a little bit more capacity to get that out there. And sometimes they are putting work out and, because the contractors

can't get the labor, they can only accept so much, they only get so many bidders, and it creates kind of an interesting dynamic. That said, it's at a high level. Remember, '24 was very healthy, like we said earlier. You know what the first quarter of '25 numbers are. Again, that IIJA piece still sends a fairly positive signal. I think what would surprise, again, you, my peers, others, would be, hey, it's held on a little bit longer than planned, plus, and this is another, a bit of a unique dynamic, is, generally speaking, there is some positive signals coming from DC on the next major infrastructure bill.

>> MICHAEL FENIGER: Good to hear.

>> TONY FASSINO: A positive signal like that, that, again, the industry usually doesn't get at the contractor level because there is usually like a "maybe" or it's going to be kind of pushed down the road. They have been getting a little bit more of a signal, positive, from the current administration. No guarantees. Nobody knows for sure. But even, again, that American Road and Transportation Builders Association, which I participate on, they put out a blueprint for American infrastructure that they provided guidelines to help the administration understand how can we work and be more efficient from a cost perspective. How can we work on our safety elements. How can we be faster in delivering projects. And then how can we be more in line with the whether the regulations are in place or streamline those regulations, again, to improve cost, improve velocity, both of which often times the industry gets a bit of a black eye on, that I don't think is fully deserving, because, again, they are developing and executing some of the most complex projects in the world, yet they get them done. They get them done generally efficiently and safely. So, again, generally a positive signal coming for the future, and that helps, I think, contractors a lot just feel better about what they are doing and the investments they are making.

>> MICHAEL FENIGER: That is good to hear, Tony, since there is some concern out there on reauthorization in '26. So it's good to hear that there is some positive signals out there.

Another area I would love to ask you about, Tony, is, you know, the mega project theme. That's been another key theme out there when we have been dealing with maybe higher rates to see these bigger projects and data centers, semi-conductors, LNG facilities, manufacturing facilities. Are you hearing any pause in the pipeline from tariff uncertainty or the higher rates weighing on that pipeline for those big projects? How many pieces of Caterpillar equipment would be at a site like this?

>> TONY FASSINO: So, the question on pauses and then equipment on site, probably the best thing to do is, again, reflect back on what I heard from contractors. You know, in general, in any kind of big way, pauses, no. Not really. Are there

examples? There is always examples. But when you dig into those examples of pauses, it's always way more complicated than the one-line answer. Regulatory issues that they ran into are a compounding factor. Occasionally there is a funding hang up, environmental assessments that have delayed some things. And sometimes folks will throw a label on those that, oh, you know, inflation caused this to stop. It's usually not that simple. These are big, complex jobs that were in planning phases for a very long period of time. So we have to be careful we don't...we got to dig in. I guess that would be my point. Always dig in and ask questions. But, if you talk to contractors, it's not this, "oh, my gosh, all these projects are being delayed." I didn't hear that.

Equipment on a job. Again, these jobs are pretty different. So a big data center or a big factory/facility type of job, right, a big, flat, grading job with a lot of concrete, that's a whole different equipment set in terms of, say, usually scrapers, excavators, trucks to get the major dirt out, depending how many cubic meters you're going to move to determine the number of machines. Then, of course, you've got all that concrete that has to go in there, that has to draw on a lot of aggregates and cement plants and everything else. So, it kind of cascades its role all the way back to our quarry and aggregate partners who are out there supplying these industries.

But, you know, probably a more interesting infrastructure project is think about some of the energy work that is going on. I think they call it the Grain Belt. But it's the 800-mile, high-power transmission line that's going to go across the Midwest. And, you know, folks need to think about that for a minute. Think about 800 miles of -high-powered transmission lines and then think about how many towers you need in 800 miles. Like, if you look at -high-powered towers, you can usually see from one to the other. They are, let's call it, I'm probably wrong, but let's call it a quarter mile apart. If you are going 800 miles, that's a lot of towers. Every tower needs a footprint. Every tower footprint needs anywhere from one to four pylons, maybe three depending on the type of construction that has to be cleared. There's an access road, usually, that goes from every tower to tower. There's maintenance on every tower, tower base, multiply that out across 800 miles, that is a massive job. Excavators, dozers, scrapers. I mean, all kinds of work. And those types of jobs are really heavy on technology, CAT grade, all the GPS tools that we've got, and all those become very important because they have got to really move on these things when you're running something across such a huge distance and they've got to have it fast. I've been on those jobs. You know, we have kind of flown a chopper from tower to tower before they got the lines in and looked at the job and the kind of equipment that they needed. It's a remarkable string of equipment to get these done. And the companies doing these are pretty amazing. I mean, they are efficient and they are fast. So, it's a really great job. If you ever have a chance to go to one, I suggest you do it.

>> MICHAEL FENIGER: Check it out. And, Tony, how is the rental story kind of evolved at CAT over the years? You know, what do you think Construction Industries need to do going forward to position better for rental? How do you kind of think of rental as a strategy, you know, in the next few years compared to where the strategy is today?

>> TONY FASSINO: You know, Rental, first I think it's a great opportunity. I think it's a growth opportunity. So those two things are very important. It's a great opportunity and a growth opportunity because it's a key part of the customer business. You would be very hard pressed to find a customer who doesn't rent or who has never rented. That would be very hard to do. The fact that that is true means they need it today and they are going to need it tomorrow. Again, the beauty of the CAT dealer network that runs the CAT rental store in their territories is they provide a variety of equipment that does a variety of jobs. It's not just the CAT yellow stuff, right? They run CAT yellow and they run the Allied equipment on the jobs because, again, a job doesn't just move dirt, right? It does a whole lot of other things. And, again, that variety of equipment in the CAT rental store that the dealers operate is really, really important to customers' success. They are becoming a little bit more dependent on rental than they had in the past. So there is, again, good growth there. That is nice to see.

But the important thing is we've got a lot of options. You've got that rental option. You got the lease options. You got the buy option. You've got all kinds of things out there. And, again, if we've got that covered better than anybody else, it goes back to that easiest to do business with and lowest total in operating cost. But, again, the rental story is good. The rental story is strong. And there continues to be good demand for that and growing demand for that. And the CAT Dealer Network is very well positioned for the growth, along with us, working together with them for the product supply.

>> MICHAEL FENIGER: And, Tony, you spent a lot of time on North America. Just, on the rest of the world, you mentioned Germany with infrastructure headlines and curious if you are seeing anything there? And China, you even mentioned a little bit of a pick up. I know it's been beaten up. Just are you seeing green shoots there in China? We are just trying to get a sense of the rest of the world, you know, portfolio and exposure?

>> TONY FASSINO: Yeah. Let's start with the Far East there and move our way back. If you kind of start in China there, you know, that, obviously, they had the real estate issues, as many of you, I'm sure, stayed close to and the challenge that they had there. That had to settle out. It's better now. Obviously, it's not perfection; but it's, obviously, better now. And that, again, goes back to a certainty question. Folks got really conservative and kind of pulled back there. And, as you can imagine, as serious as that issue was, a lot of those contractors involved in that were really hesitant to buy

new product. All right. And that's what I think took that industry down so far. But now Central Government and contractors have built some confidence that money is more coming out, folks are more willing to take the jobs, because even if you put the money out and people are afraid to take it because of uncertainty, it can kind of stop that up a little bit. And it's come out and starting to filter in, and that's why you are seeing some of the gain. So that I would consider momentum. Momentum in these types of industries, as everybody knows, is really important. Once it gets going, it tends to kind of run a little bit. And, again, I think that is the dynamic that we've essentially seen in the China market and why you are seeing some of these 10, 15, 18% increases in the industry numbers.

If you kind of come back and, say, just take Germany as an example, we were over there for the Bauma show in March, the largest equipment show pretty much anywhere, and spent some time there with the teams on the ground, talking to our CAT dealer there, the Zeppelin team, who does such a great job. Again, a lot of contractors come through that show. That show I think saw several hundreds of thousands of folks came through there. I won't quote the exact numbers. But, when you're on the floor there, folks weren't too sure the first day, okay, are we going to see big crowds, are we not? Because it tends to be a little bit of gauge. I think it was pretty much record attendance.

>> MICHAEL FENIGER: Wow.

>> TONY FASSINO: You know, that was good. They call that show a buying show. Most of the manufacturers were there, their dealers, distributors were generally selling at the show. And it was also very positive, probably half the attendees are from Germany and the other half come from international locations. And that spoke very highly of the show in optimism in terms of the sales and things that were taking place there. So, you know, we saw optimism. We saw positive sales from the contractors there. So, again, it was kind of nice to see what's going on there.

Now, you know, Germany has its own political situation that you've got to look at. There has been some changes there. That said, there is need. Remember, if you go back to our investor day, here, what, it's been a couple years now, time flies; but we talked about housing shortage. We talked about energy shortage. We talked about infrastructure challenges. You know, that's true in so many countries in the world. And those shortages are such a big number that it speaks very highly to these industries that we are in, not just in Construction Industries. But, of course, our mining team, for all the materials that are going to be needed for this. And our energy and transportation team, right, energy, energy, energy, right? 800 mile, high-power transmission line, they are moving energy around. While they are doing that, right, you need temp power. You

need backup power. You need prime power in the data centers. You know, the list goes on and on. So, again, it's that very positive message in the future, I think.

>> MICHAEL FENIGER: And, Tony, that was great. And really it's been a pleasure speaking to you today. What is your vision, as we wrap up, for the Construction Industries segment going forward? What are the key building blocks needed to really achieve that vision that you're going to lay out?

>> TONY FASSINO: Michael, good question. I always start with the customer, right? Customer, customer, customer. We have to understand them, be close to them, and know what they need, where their pain points are, where their gaps are so that we are there, filling those and taking those roadblocks out of their way. When you do that you win. And you've got to do that the best and better than anybody else. You have to be very, very, very, competitive. One of the key ways to do that, one of the big ways to do that is the technology piece. The technology and tools on the machines, semiautonomous, autonomous, remote control, you name it, right? Building that portfolio is really important. Labor shortages, improved safety, it just checks all the boxes. And, when you sit down and talk to contractors, that is the language they like to speak. So, we bring that in, but you can't stop at the machine. I've got to build that more broadly also. So, all of our off machine tools, whether it be our VisionLink, basically the leading software package for running the equipment fleet in the job site, CAT productivity, maximizing productivity, parts online for parts.CAT.com. We've got the greatest service information system in the industry to help our technicians to get machines up and running faster. I could go through all the list of technology solutions. How we package those, make those easy to use with the customer, while you overlay and integrate some of this artificial intelligence work that we are doing to make that even easier to use and faster from a contractor perspective. Those are the building blocks of the future. Those are going to make us successful long term and really position us, again, that next hundred years is what we like to talk about. The first hundred was great, set a great foundation. The next hundred is really what it's about from a success perspective, and that technology is going to be a key piece of that.

>> MICHAEL FENIGER: Great. Well, Tony, thank you for joining us today. This was a great conversation. Anyone on the line, if you have questions, feel free to reach out to me or Alex at Caterpillar to follow-up. Thanks, everybody. Thanks again, Tony.

>> TONY FASSINO: Thanks, Michael.