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05/18/2026 - 12:30 Central - Caterpillar virtual HQ visit with Bank of America.
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>> MICHAEL FENIGER: Good afternoon and thank you for joining us today. I'm Michael Feniger, Machinery, Engineering and Construction Analyst at Bank of America. I'm excited to host Caterpillar to discuss the Power & Energy segment Group President, Jason Kaiser. Back to Alex to read his disclosures.

>> ALEX KAPPER: Thank you everyone for joining us. Before we begin, we encourage those attending remotely to be mindful of your local safety protocols. Today we'll make forward-looking statements, which are subject to risks and uncertainties. For a full list of risks that could cause our actual results to vary materially from the information we're sharing with you today, please see our most recent SEC filings including our 10-K.

We also may refer to non-GAAP numbers. For reconciliation to the appropriate U.S. GAAP numbers, please see the appendix of our most recent earnings presentation.

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

>> MICHAEL FENIGER: Jason, thank you for joining us today, very glad to host you for the virtual event.

>> JASON KAISER: Great to be here.

>> MICHAEL FENIGER: The Power & Energy -- great. The Power & Energy segment is a key growth driver for Caterpillar. There's just a lot of momentum there. I'd like just to first kick it off with your background. How long you've been at CAT and some of the positions you've held before being Group President of the Power & Energy segment.

>> JASON KAISER: Yeah, thanks it's great to be here today. Thanks for having me join. I have been at CAT for 25 years and I joined CAT as an electrical engineer. I actually had big interest in power engineering when I joined the company and have spent the majority of my career in our Electric Power business. I've had the opportunity to do lots of different jobs across that, lots of work with customers, but also engineering and even running manufacturing organizations over that time period. So we're a really great background for the growth that we're seeing right now. And I have a really fun job leading a big growth -- as you said a big growth opportunity for the company, working

closely with customers, executing our capacity plan, and just making sure we deliver on the profitable growth possibilities that are ahead.

>> MICHAEL FENIGER: Great. And the Power & Energy segment includes three verticals. There is Oil & Gas, Power Gen and Industrial. And even inside these verticals there are different customers and products. If you could just start off with the Power Gen side. It's growing at a 30% CAGR. Is there any way for us to bucket the key products and customers inside Power Gen? How much is going to backup data centers, prime power? How much to non-data center customers?

>> JASON KAISER: Yeah, there is a lot of diversity in the customer base across Power Gen. You think about what I would call the traditional business or the reliability business. We do a lot in standby. So think about anybody that needs to make sure the lights stay on all the time. A hospital is a great example of that. So hospitals, data centers, you know, anybody that really needs that power reliability when the utility has an issue. There is a part of the business that is primary power or prime power as well. And , you know, we've done that for a long time. There are places in the world where CAT gen sets power industrial manufacturing plants, for example. Here in the U.S. we have Cojin and other, like a hospital or a food and beverage that runs 24/7. And then we have some things that are in between. So think grid support. Maybe a unit that runs several days a month, supports the utility grid when it needs it. So lots of variation in application.

Data centers have been a big and growing part of our electric power application, no doubt about it. The foundation of that has been the standby, making sure those data centers have the high levels of reliability that they need to serve their customers. But more recently we've seen opportunity growing in, you know, people call it we bring your own power. So the data center, they want to build. They are ready to build. And the utility connection is either not there at all or it's going to be delayed. And we can bridge the gap with our solutions as well, temporary and long-term. So it's been a great and growing market and comes with lots of services opportunity as well. So lots of variation and lots of growth across the different parts of electric power.

>> MICHAEL FENIGER: And, Jason, on that, how do you see the next five-to-ten years playing out with your customers on the Power Gen side? How are customers thinking about bring your own power and, if grid connectivity improves, can turbines shift to backup? How about the recip engine side? And do you see any long-term trends on the backup side, when we think of gas versus diesel? Just how do you see the market evolving over time when we think about the products, the customers, and even the aftermarket compared to where it is today?

>> JASON KAISER: Yeah, so let's start with the backup part of the business. Certainly, the signals that we're getting from our customers is backup gen sets are just a great way for them to ensure reliability in their operations. That signal -- we get that signal strongly. We expect that to continue. They are asking us to do more, as you can

see with our capacity increases that we're putting in play. Gas versus diesel in that space, we've done some product development and ensure we are ready for either. And over time there may be more gas. Certainly, as units start to interface more and support the utility grid, gas comes more into favor in those kinds of applications. And we've done some great product development to ensure that our gas standby units deliver the kinds of performance that a data center would need. So I think we are well positioned and eager to serve with either of those technologies.

If you switch over to the primary power space with data centers, and we've seen lots of variation, that's a pretty new phenomenon. You know, think a year, year and a half where we've had customers coming to us to be the primary power source. We see sometimes they are looking for a bridge, you know, a very short-term solution, the utility is maybe not far away. We can serve that with temporary power solutions. So we have gen sets on wheels. We have turbines on wheels. We can roll them up and mobilize them really quickly, provide that power for a short period of time.

Sometimes it's a longer-term bridge, so maybe it's a few years and we can provide a solution that either transitions to be the backup power source or it can be moved to another data center that needs a grid solution when it wraps up. And then we see quite a few customers that are setting up for the long-term. You know, they see the efficiency, the performance, the systems we are able to deliver as being a real positive as compared to the utility, and they are going to keep it there for the long-term. One thing, you know, one thing that is really exciting about that on the primary side is the services that come along with it. You know, we have grade ability, parts, Services, CAT dealers to support those systems and provide that power reliability and have services growth on our side as a result of that.

>> MICHAEL FENIGER: That's great. And with this growth, you kind of talked about the capacity of expansion targets through 2030, and recently you updated your large engine capacity target. Where are lead times today for recips and turbines? What's the ramp like on this capacity? And you're targeting nearly 65 Gigawatts by 2030 just, Jason, how much of this is going to power gen, energy, and even some mining trucks? How much can we think is prime versus backup? Any sense there?

>> JASON KAISER: Yeah. So we are really excited to be able to make the investments that we're making. As you mentioned, we just upped our large engine capacity target from 2X 2024 levels to nearly 3X 2024 levels in last quarter's release. We are off and running with those capacity increases both on the engine and the turbine side. We will add capacity every year, kinda meaning -- meaningfully until the conclusion of those programs, towards the end of the decade. It's not a big cliff event or something that's going to happen all at once. It's something we're bringing on along the way. We've made some significant progress particularly in the large engine space. Turbines, we're about a year in, a little less than that, starting to get our footing there with the turbine increases as well.

As you mentioned, one of the things that is great about our business and our products is we use common platforms for both engines and turbines to serve multiple markets. So the same core engine we use in a mining truck, we use in Oil and gas, we use for Power Generation. So it gives us a lot of diversity and ability to leverage those designs and leverage that scale across applications. And turbines are similar. We have the Oil & Gas and electric power opportunity there as well as we look forward in that.

All the, you know, the key applications are growing in that sense. So, certainly, we discussed electric power and the growth of electric power, that is an important part of the capacity investment. It's both the backup and the primary power sources that are growing in that. But we are also seeing growth in Oil & Gas, particularly gas compression, that we're able to leverage that same capacity for engines and turbines for as well. So lots of diversity there we are able to take advantage of. And we are putting in place for all and for the services that we need. So think about gas compression, think about primary power, those units run 24/7. They run for a very long time. We need lots of parts to keep them up and running them and service and do rebuilds and overhauls and so the capacity helps us there as well and supports our ability to do that over time.

>> MICHAEL FENIGER: And, Jason, a question we get on the capacity expansion is: Why is it on the recip, this incremental expansion on the recips and not the turbines? Are you finding data centers preferring recip engines for prime power over turbines? What are the advantages for recips when it comes to that prime power?

>> JASON KAISER: Yeah. We're truly seeing both. And so just to baseline back to our plans, we are increasing gas turbine capacity by 2.5 times and large reciprocating engine capacity now by nearly three. So major capacity increases on both that we have under -- underway. We're seeing opportunities with both in the primary power segment, recips more in the standby segment. But what we're seeing is a lot of our customers are actually mixing the technologies together in order to meet their needs as well. So data center loads can be pretty challenging with transients and other parts of how they operate. And we are seeing our ability to provide complete solutions with engines, turbines, switch gear, controls and inverters really, you know, full engineered solutions to customers to be a real advantage in the marketplace right now.

>> MICHAEL FENIGER: And, Jason, CAT mentioned several times with the capacity expansion announcement on recips, gas. You talked about gas and how we're gonna move a lot of gas in this country. I'm curious if you can talk about how CAT engines and turbines power most of the gas through the pipelines in this country. Can you give us some context of this? How much gas recip engines or turbines are on pipelines, on compressor stations? How big of an opportunity is this?

>> JASON KAISER: Yeah. It's a significant business we are really successful at. And just maybe take a step back from that, and I talked about this in our Investor Day presentation. We have great products and really a great ability to serve across the full value stream. You know, anywhere from when you drill the first well, you find a lot of

CAT power making that happen. When you prepare a well, CAT engines, transmissions, pumps, flow iron are there. It's gas starts to move down pipelines. Our engines are out in the oil field initially gathering the gas. So think about pulling it into the initial pipelines. And then as the pipelines get larger and larger, it moves to turbine solutions. So our Solar turbines are there to compress down the large pipelines and move that gas across the country to where it's needed.

And then on the other side of that, whether it be assisting in the LNG plant or even burning that gas to make like electricity, we are there as well. So they're really unique ability and perspective across that value chain. Certainly, gas compression is and we anticipate will continue to be a great growth area. We've talked about all this Power Gen so far. We've talked about how much electricity needs to be made. A lot of that is gonna be made with natural gas. And so you put that on top of the Oil & Gas and other opportunities that are there. It's going to drive gas compression opportunity that we are really well positioned to take advantage of.

>> MICHAEL FENIGER: Makes sense, Jason. What we hear from investors is this worry around the risk of over capacity down the road. You are raising capacity, other turbine players are raising capacity, other recip players are getting into the game. How are you balancing this strong demand outlook but making sure CAT doesn't have too much capacity if the data center boom slows? Is there anything you are doing in contracts with terms and conditions or working with specific customers that you feel like protects your risk? And is the risk profile a little different when we think of recips versus turbines?

>> JASON KAISER: Yeah. That is a really good question, so it's one we think about as well and really how we are returning our business. We want to be disciplined. We want to take advantage of the opportunity to be disciplined as we do that. And that is one of the reasons you've seen us set and then raise a couple of times the targets, particularly in the recip space. We've done that because we've gotten clear visibility from our customers to what they're going to need. Our backlog has grown. We've been able to put more in place with what we call frame agreements or longer-term agreements with customers that include at sometimes cancellation penalties, sometimes prepayments, things that help us build confidence, that it's a good, long-term opportunity that we can take advantage of. And Joe mentioned this in the recent call we had, but, you know, our cash payback for the investment will be for the recip side the full investment by the end of the decade.

So we are excited to be able to make those investments. It's a profitable part of our business. And one other thing that we've done that helps give us confidence is we just looked at ourselves. Our technology strategy as we implement AI and use technology more broadly across our business and on our machines moving forward, what technology growth we expect to see by the end of the decade and whether that would support the kinds of investments that others are seeing and back stopping the

investments we're making. And we see it. We have very significant, multi-times data usage targets on our side too, so that helped give us some confidence as well.

>> MICHAEL FENIGER: Jason, you touched earlier on the aftermarket portion. We keep hearing from these large turbine OEMs that are very excited about the service opportunity, the long tail of the aftermarket stream. You know, are there any changes in terms of that long-term service agreements that set up Solar turbines for a bigger ramp in service profitability? Curious on your view, if you could kind of help us quantify that opportunity, when you think of turbines, prime recips, and backup, when you're looking at that aftermarket portion with this bigger install base down the road?

>> JASON KAISER: Yeah. We're excited about it, too. It's a great opportunity. As we put more product out into these 24/7 operations that have super high reliability needs, our ability to take care of it, either Solar, directly with our services team, or on the CAT brand on the recips, with our CAT dealers, we're really well positioned. We're really good at taking care of the product. It operates through multiple lifecycles, multiple rebuilds. Our service agreements, they really haven't changed a lot. I think we're -- we have a lot of history. We're really well positioned to do this kind of business with customers, and it provides a lot of opportunities. To frame it a little bit. If a turbine goes out in a primary power or a gas compression opportunity, it's going to run for decades generally, if you look over the lifecycle. Lots of services opportunity goes with that.

The other stat that I like to use, that helps on the Recip side is: If you compare a standby diesel gen set and you look at the lifetime services opportunity and compare that to a gas gen set that's running primary power 24/7, there is 40 times more services opportunity over the lifetime for that gas gen set over that. So that kind of helps scale, you know, why we are excited about that and really why we are leaning into that primary power opportunity.

>> MICHAEL FENIGER: Great. And, Jason, if investors look at your Oil & Gas portion of the Power & Energy segment, they will see revenues of $7 billion, which is at a record high. It's at a time when traditional Oil and Gas indicators are pretty weak when you look at the recount and some offshore project. So how much of this Oil & Gas revenue is going to the pipeline compression stations, midstream area? How should investors think about that oil and gas exposure in terms of product mix, with recip , and turbines? But just also the customer side of it midstream and upstream and offshore. And if oil prices stay elevated, can you see these other areas as Oil & Gas portfolios start to pick up? Are you hearing anything there yet for 2027?

>> JASON KAISER: Yeah. Good question. So if you look at our first quarter, Oil & Gas, sales to users, up 16%, so definitely seeing growth. That growth has been strongest in gas compression. We are seeing it both on the turbine and the recip engine side from a gas compression standpoint. As I mentioned before, we do serve the full value chain in Oil & Gas, you know, all the way from drilling the well to moving

the gas to burning the gas on the other side. So we're well positioned for any and all growth that we see there.

There is a lot that gets talked about around capital discipline in that marketplace right now. We do see that with our customers. A lot of the work that we do in that space is to help those customers be efficient right now. So new solutions, new products to help them drill more wells, do more well servicing, help them improve that efficiency. That's a lot of our technology and focus there. And that drives growth and sales for us kind of across Gas Compression and otherwise across the value stream.

In terms of the future, you know, we are very positive about Gas Compression for the reasons that I mentioned. You have the Liquified Natural Gas (LNG) dynamic. You have a lot more electricity that's going to be made with natural gas. So we do think the fundamentals are strong moving forward. And, again, we are positioned across the value chain to take advantage of that.

>> MICHAEL FENIGER: And just on this topic, Jason, you know, obviously, the Iran war, I'm just curious what we should be thinking about potential implications here. We have, you know, energy infrastructure, energy security, potentially higher LNG prices and oil prices. What could be some of the implications? I mean, how direct is the Middle East to your business? Could we see more FIDs in the Gulf Coast for LNG, what that could mean for you? Is there a threshold that you think your customers are looking at in terms of an incentive price if it settled there, that they would increase investments in areas like offshore or the rig count?

>> JASON KAISER: Yeah. Good questions. And there is a little bit of grayness and fuzziness to all of that right now because of the, recent sea of what is happening in that space. And we've been focused on the safety of our employees given the dynamics. And then staying really close to that customer base and helping them ensure that they can keep their assets up and running. I mean, we have our Oil and Gas business, is truly global. We do business across the world in that space. So we do have customers. We have team members, dealers on site, helping them ensure that they are in the Middle East, that their assets are up and running and we will continue to do that.

If prices stay high, certainly, that could drive investment. And we are well positioned to help customers with that. And we value both in the engine and the turbine space those long-term relationships we have with those customers. And we work closely with them, again, with a multi-year view to ensure that we have the right products available for them, if they see growth that we are there to serve them over time.

>> MICHAEL FENIGER: Fair enough. And, Jason, we are seeing this robust growth in Power & Energy particularly on the top line. The margin expansion hasn't really been there yet. How much of that is related to tariffs? How much is the cost to ramp up this capacity? We keep reading about strong pricing from other peers in areas like turbines and generators. Is this more of a waiting game as it converts from backlog to P&L?

Just any rule of thumb for investors to think about in terms of those incremental margins in Power & Energy as we move through the next few years.

>> JASON KAISER: Yeah. Good questions. We start from a position of strength. So if you look at our margins compared to our industry peers, we have really good margins in this business today. So something we are definitely proud of and want to continue. We face a couple of headwinds right now. So we have tariffs as a headwind. Look at our first quarter results. Our sales were up 22%, profit up 13%; but was down 170 basis points. Tariffs were a part of that, manufacturing costs were a part of that, but also the investments that we're making in order to increase capacity and some of the depreciation that we're starting to see come along with that. So we will have that headwind, certainly. We will gain operation leverage -- operational leverage over time. Certainly our agreements allow us to take further price over time in the way that we work those with our customers. And at the end of the day OPACC dollars is our goal, so growing absolute OPACC dollars.That is how we set our goals for our business. And, very confident we will do that through the capacity investments and growing the business over time.

>> MICHAEL FENIGER: And, Jason, we touched on the Power Gen side, the Oil & Gas vertical. Industrial is a $6 billion revenue business. It doesn't get the same level of attention. Can you just unpack what the end markets are there, that the customers inside industrial? Is this business operating close to a peak or is there still a runway if we do get a broader, you know, economic recovery?

>> JASON KAISER: Yeah. I appreciate you asking a question about Industrial. We don't get many questions about part of that business, so thanks for asking about it. Great engines are a priority for us. You think about broader Caterpillar and our machines. Part of our success with those machines is having great engines. And in our Industrial application that we use those engines and we help other people, solve their problems and challenges with those same engines. Lots of variation in the Industrial engine space. Our marine customers are in that part of the business. We have other construction customers, equipment that we don't make. You know, think of a wood chipper as an example powered by a CAT engine or a snow groomer powered by a CAT engine. Just tons of variation when you walk around somewhere like a CONExpo where we have CAT engines in lots of different machines.

So really cool business. Lots of diversity. Definitely room for growth there as well. As I said, we are committed to having great engines. We have room to grow. We have capacity to grow in that part of the business. And we were up slightly in sales to users in the first quarter. We are seeing, projecting modest growth in 2026. But definitely part of the business we remain focused on, and we have growth plans for, through the end of the decade.

>> MICHAEL FENIGER: Great. And, Jason, when we talk about the Power & Energy, we really focus a lot on North America because that is where this, you know,

energy infrastructure build up is happening on the gas side, in this power boom on the data center. What are you seeing outside of North America in terms of power or energy and even data center demand?

>> JASON KAISER: Yeah. We see growth -- we see growth very broadly in the space. Same drivers are driving the business globally. The need for more and more energy, the desire for reliable power and energy, backup -- backup power for data centers, you know, those are the big drivers. And we see growth in Europe. We see growth in the Middle East. We have seen growth in Asia. So, you know, definitely places that we're going to grow. And we think that could grow even more over time. We've seen some recent things like discussions in the EU and the UK around data sovereignty and, you know, people really starting to think about the implications of AI and having the data and the data centers in their own company -- in their own countries and a way to, you know, drive a very secure future for themselves. And we think that will be a great business driver in the data center space for us as well.

>> MICHAEL FENIGER: Great. And, Jason, just we keep hearing from customers that CAT is in every power conversation. You've got the backup, the prime, the turbines. Just from your vantage point, what might be missing in this portfolio? Is there any white space? CAT needs to develop, you know, new products or partner with other players or engage in M&A to kind of have a more complete offering?

>> JASON KAISER: We are really fortunate with the capabilities we have for the, you know, the customer needs and the market environment. We have great engines that go all the way up to ten megawatts. We have a turbine portfolio that goes up to 38 megawatts. We are able to wrap lots of equipment around those engines and turbines to help customers apply them, you know, anything from an after-treatment system, to switch gear, to enclosures to house the equipment, even integrating things like batteries into the system in order to make sure that we meet customer needs. So a lot that we can do in that space. We certainly, are looking for adjacencies. We have an ear open to things that customers need from us more and more.

One of the things that I'll mention is Vertiv partnership. You know, it's a great example. They're very close to us in data center applications. Their products sit right next to our products. So the opportunity to work together to make us quicker to implement on customer sites but more efficient as well. From a system design perspective we are really excited about. So we are very open to that, you know, looking for opportunities in that space, even on top of how well positioned we are currently.

>> MICHAEL FENIGER: Jason, we typically hear that Solar turbines historically had a 70 to 80% of revenue exposure to that oil and gas side. You know, do you think that percentage evolves over time? Is there anything differently that Solar turbines is doing to expand on that power gen side for those customers compared to the oil and gas? And how are you evaluating these emerging customers that might not have the same

credit profile or legacy that we see on the oil and gas side and during the power gen space?

>> JASON KAISER: Yeah. We -- we've had a long history with Oil & Gas in our Solar turbine business. And we have some great customers, some longstanding relationships there. And they are signaling growth, you know, as we've talked about a couple times on the call, particularly in the gas compression space. That said, power gen has been growing rapidly within Solar. It's one of the drivers along with that oil and gas business that's giving us the confidence to make a 2.5 times capacity investment in turbines right now. A lot of what we are doing is with customers we know or have known for a long time. And even some of our traditional oil and gas customers, both in turbines and recips, are now becoming power customers for us. So there have been a few examples we've talked about. ProPower is one that we've talked about recently in the last results call, framework agreement with them, 2.1 gigawatts of power over the next five years. And they -- that organization has historically had a relationship with us in oil and gas and now expanding that to power, oil and gas; but now industrial and data center opportunities moving forward.

So a lot of existing customers. There are some new customers for us in that space contractually using some of the same things we've always done in order to be certain in that space, particularly in the turbine space, advanced payments, milestone payments through the process are an important part of how the business gets done. And we are leveraging our CAT Financial organization with customers as well and another tool we have in our toolbox to help them be successful as they are trying to grow.

>> MICHAEL FENIGER: And, Jason, just because we're on the turbine topic, can you just talk about, you know, ramping up the capacity? The difference of the supply chain for recips, you know, for supply, you know, the supply chain for turbines? And there is, obviously, larger turbines. Is there any issue scaling at this capacity, you know, when you come to recips or even the small turbine side?

>> JASON KAISER: Yeah. The supply chain is really, really important to both plans. We need lots of support. We are doing lots of work with the supply chain both in engines and turbines. Most of the suppliers are different. Or a lot of the suppliers that are different, there is some overlap, but a reciprocating engine is pretty different than a turbine at its core. We -- we've been engaged with really specific capacity plans with the supply base. So we get into lots of detail with them, understand can they grow with us, are they willing to grow with us. And it's a big part of what we are doing and how we will support success moving forward. Not easy every day. But we've seen good success. And we have seen a supply base that is very willing to lean in with us in order to support our growth and they see the opportunity that is at hand pretty clearly as well.

>> MICHAEL FENIGER: That's great, Jason. And just when we think of the competitive landscape, when you think of backup power, prime power, or small turbines, just we are seeing other players try to, you know, expand capacity, try to get involved,

this is a growth market. I'm just kind of curious if you could touch on the competitive landscape. Is it different between these types of power sources and markets of the projects? Are you seeing that out there? And what is CAT's competitive advantage when we start talking about these other competitors entering the space?

>> JASON KAISER: Yeah. If you take it back to the customer and what the customer is thinking about, there is a speed-to-power element in a lot of the discussions that we're having. So that is a primary driver. How quickly can you get power for my site. High reliability, once it's installed, is a key element to the discussions we are having. And then cost. You know, how efficient is the solution? How efficient will it be over time? All those things factor heavily into the discussion. You know, our priority is to be the best option across those priorities. Engines and turbines are great solutions. We have a lot of new products in that space that have high efficiency, that help with the cost side. We have a lot of products we can mobilize quickly, that helps with the speed side. We have a long history with both CAT and our dealers of taking really good care of our products and delivering high reliability. So we are very well positioned in that space. And we stay very focused on the customers, you know, solving those problems for them and in ways that other people can't or better than other people can, and that has led to growth so far.

>> MICHAEL FENIGER: Helpful. And, Jason, you touched on this earlier when we talked about the aftermarket, and then we also talked about it with capacity expansion. Can you just flush that out? You talked about the capacity expansion is going to help you service the aftermarket. It's on a common platform. You know, as we talk about this, there is a lot of fears of over capacity on the OE units. Just talk about how you are able to flex and be able to service that aftermarket with these capacity expansions?

>> JASON KAISER: Yeah. If you think about the lifecycle of an engine or a turbine, you know, we'll deliver the product and get it up and running for the customer. There will be a period of, I think, kind of normal maintenance, then there will be some heavier maintenance. We call it a top end overhaul. Then there will be some really serious, major overhaul and remanufacturing-type activity that happens over time. And those things happen, you know, through a cycle, through the product's lifecycle. The aftermarket comes along with that. You know, the more, the heavier the service, you know, it's the full overhaul of the engine, it's going to drive a lot more parts and services opportunities. So you see that come in cycles over a time period.

The units run for a very long time. They are built to be rebuilt. And it takes a lot of part capacity when we build that supply base in order to service those customers and that opportunity. So it gives us an opportunity to use. It's the same parts, the same component facilities, the same manufacturing facilities that are making our parts for our new units. They are also sending them to the aftermarket. So it gives us that diversity and we have to plan for both and make sure that we're set up to take care of the volume of new units we are going to see, but also this growing aftermarket. And I kind of go

back to that 40x gas gen set, running all the time versus the diesel standby. It's a tremendous opportunity for us.

>> MICHAEL FENIGER: And, Jason, that is helpful when we think of the aftermarket opportunity from prime versus backup. Can you just talk a little bit on the aftermarket side for the turbines? Because I believe you guys capture all that. It doesn't go through the dealer network. So what is the -- what are some of the nuisances we should think about the service opportunity when it comes to turbines, the overhaul? We've heard a lot about this one exchange fleet program you guys have, that customers really like. Can you talk about what that is, why customers prefer that? And what that really means for you guys in capturing some of the service and aftermarket?

>> JASON KAISER: Yeah. In the solar turbine space, we really pride ourselves on our services capability with customers. As we talked about, our history is in the oil and gas space, a lot of power and gas compression down pipelines. Those customers they need high, high reliability and really excellent service. And so that is how we are wired, that is how we think. The exchange program is a great asset for us. So what we do there is we have turbine engines ready to go. And when a customer needs an overhaul we will swap them out quickly, which greatly decreases their downtime. And then we will bring that other turbine engine back. We will bring it through an overhaul rebuild process, bring it up to great condition again and use that again with either that customer or another customer in the future. It allows us to, again, minimize downtime, keep customers up and running, you know, help them control their cost, and really have the outcomes that they want to have. And our Services provided to Solar is direct. So it's our technicians who are out doing the work. We service customers directly in our turbine application. This is a little different than our CAT brand engines where we have our dealer partners that are doing that work, out with our customers as well.

>> MICHAEL FENIGER: And, Jason, it's been kind of unique to see CAT announce these, you know, six over one Gigawatt agreements with customers. It's something we don't normally see from CAT historically. Can you kind of talk about these agreements? I know there was one recently with Atlas Energy for 1.4 Gigawatts of power equipment. It was most on the recip side with some of that going actually behind the meter. Just what do these agreements provide you? Do you get a higher capture rate on the services? Why are we seeing these agreements be announced with Caterpillar over the last 12 to 24 months, something that we just never saw before?

>> JASON KAISER: Yeah. Good question. So one of the things I'm excited about is we've built a lot of capability to work more directly with our customers over the last few years. And we've done that in Power and Energy, both in Oil and Gas and the Power Gen parts of the business. Our dealers are still very, very important for local execution. But a lot of these big customers, they value an OEM relationship and we have leaned in to support that. They come to us because -- a couple of reasons. One, they really want to be able to plan for and have certainty on the equipment that they

need to get in order to provide power to their customers. And so, by signing these framework agreements with us, it gives them that clarity and certainty for execution on their side. It gives us the clarity that we need in order to make the investments to support it. And oftentimes it's a services element as well. So, again, they are not looking just for the product, but they want to make sure that we are there to support them, to take care of that product over time and ensure it stays reliable, ensure that they get the outcomes that they need with their customers as well. So lots of benefits for frankly us and our customers and how we are putting those together. And, you know, we are really excited to now have the six large agreements that we've been able to talk about. We have several other smaller ones that we haven't announced as well, so exciting time in the business.

>> MICHAEL FENIGER: And, Jason, do you think the conversation around the grid and connectivity, can we see this bring your own power outside of data centers? You talked before about hospitals, you know, manufacturing sites, these mega projects are getting bigger and bigger. I'm just kind of curious if you are seeing a pickup in Power Gen not just with backup and prime for data centers, but in other areas, manufacturing, construction sites, commercial buildings? What are you kind of seeing there as these conversations evolve?

>> JASON KAISER: Yeah. I absolutely see an opportunity in that. Our grid will -- the utility grid will continue to be challenged. It's going to need lots of support. Our customers are going to need lots of support, you know, with speed and reliability as well. Some of the customers we've worked with, and even some of the frame agreements that we've signed, are not just for data centers. They are also supporting, you know, industrial opportunities in the marketplace.

And I continue to be excited about supporting the utility grid as well. So I mentioned, you know, things like peak shaving where a unit runs not all the time, but when it's needed to support the utility grid. That will continue to be important. I think that is going to grow in importance as the grid is more strained. And utilities are our customers as well. So when they need to add quick capacity or resiliency to their network, you know, we work with them to do that, again, either through engines or turbines as well. So lots of opportunity all around that space for us moving forward.

>> MICHAEL FENIGER: And they're leveraging, Jason, the engines and the turbines to help with that peak shaving?

>> JASON KAISER: Yes. Yeah. We see opportunities for both of those technologies to support the grid and support peak shaving.

>> MICHAEL FENIGER: Interesting. And just late last year Solar turbines and Vertiv made an announcement. Can you -- I know you touched on it briefly, but can you expand on this opportunity? What it really means at the end of the day? Can we see CAT make other announcements around reliable power and cooling? And is this pull,

Jason, coming from the developers, the hyperscalers, suppliers? Who's pulling and asking for this when you guys are making these partnerships?

>> JASON KAISER: Yeah. As I mentioned, with Vertiv it's a great example. So if you think about where we sit in a data center and then what they do. Their UPS systems, their cooling technologies, they're right around our gen sets and turbines at the data center. And we're on the same site. We're working together to provide outcomes for the customer, but we have been doing that separately. By working together what we -- what we plan to achieve is, one, help standardize offerings so that we can be faster to power the customers, right? With speed to power being such an objective or the primary objective now, you know, it's a really strong way to serve customers by being faster.

The other thing we can do is be more efficient, look at the system holistically, provide the power and the cooling together in a more integrated way and raise efficiencies and outcomes for customers over time, which, again, makes that, say the primary power data center is an example, more competitive, lowers the cost, and, again, helps our customers with outcome. So lots that we're excited about in that space with Vertiv. Certainly, looking for other ways to do that with other companies that make sense. And we are really focused on customers, right? So it's a customer backed point of view. How can we help them be successful? And when we can do that with all of our own technology and equipment, great. When we can partner with others to help them even more, we are open to that as well, you know, as evidenced by that announcement.

>> MICHAEL FENIGER: Great. And, Jason, just last question, and I'm getting from the audience, we talked a lot about turbines and recips and gas and diesel recips. Just how much of an advantage is having this portfolio? When you are going into these conversations, are you seeing an advantage of being able to mix a solution of diesel gas recips but also the turbine side as well compared to other players that maybe can just offer one of those solutions? I'm just curious if that is coming up in conversations as an advantage when you have some single source players out there that you compete against?

>> JASON KAISER: Yeah. I really think it is. Our customers tell us that they appreciate that from us, not only the engines and fuel types with the engines, plus the turbines; but our ability to provide switchgear, controls, inverters, battery integration. You know, really provide a full system for them of technologies to solve their need and have a menu of technologies that we can put forward depending on what their primary focus is. And it depends on how quickly they need the power, what reliability levels they are looking for, what kinds of loads that they are trying to support. You know, all of those things factor in. And we are able to bring different technology solutions together to serve those needs.

And every one, you know, you mentioned those six agreements, and some of the primary power sites that we are doing, you know, a lot of them look pretty different

because we mix those technologies together, you know, in a way that best meets the customers' needs based on those criteria that I mentioned.

>> MICHAEL FENIGER: Super helpful. All right. I want to thank Jason for joining us today. Thank you, everyone. I know we didn't get to everyone's questions that are coming in. If you have any more questions, please feel free to reach out to the CAT IR team. I'm sure they will be able to help you. Jason, thanks again today for talking about the Power and Energy side. Appreciate it.

>> JASON KAISER: Yeah, thank you, Michael. It was a pleasure. Appreciate it.