

## Caterpillar

20250321 11618-01 2025 JP Morgan Virtual HQ Visit

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>> TAMI ZAKARIA: Hi, good morning, afternoon or evening, wherever you're dialing in from. This is Tami Zakaria, the U.S. machinery analyst here at JP Morgan. It is my pleasure to host this virtual headquarters visit with Caterpillar. Today we have with us Bob De Lange, Group President of Services, Distribution and Digital; and Ogi Redzic, Chief Digital Officer.

Before I start, I think Alex Kapper from Investor Relations, has a message for all of us.

>> ALEX KAPPER: Just a few reminders before we get started. During today's meeting, we'll 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're 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 a 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](http://investors.Caterpillar.com). And, with that, I will turn it back to Tami.

>> TAMI ZAKARIA: So, with that, welcome Bob and Ogi. So let's start on services. Bob, I will start with you. Caterpillar speaks to OPACC dollars as a guiding tool for improving profitability of the overall business. So let's start there. Could you speak to whether and how this applies to your services division?

>> BOB DE LANGE: Sure, I can. And, first of all, thank you, Tami, for having us and good morning, good afternoon, and good evening, everyone.

As you know, Tami, in 2017 we launched our new strategy for long-term profitable growth. There are four key pillars: operational excellence, expanded offerings, services, and sustainability. And within that our execution is really driven by what we call our Operating & Execution Model to grow absolute OPACC [Operating Profit After Capital Charge] dollars for the long-term, which is internally our definition of winning and we

also believe has the best correlation with total shareholder return over the long-term (company clarified after the discussion). So, in simple terms, it's kind of our approach to drive that understanding of where we are creating shareholder value. And, on the flip side, where we aren't.

In practice, what we ask our teams to do is review our products and also potential new investments at a very, very granular level, so by product line, by product, by model, and by market, and by geographic location, by different types of applications to really get that in-depth understanding of where the profit pools lie. And then the consequence and then also allocating our resources. So, time, talent and money to those areas where we have the best opportunity for profitable growth. And, as we will talk about today, services and digitals are great examples of where we do see that profitable growth opportunity, which is also why we are continuing to make pretty significant investments in connected assets, in digital enablers like PSEs, Prioritized Service Events, that Ogi will talk about later this morning. On the flip side...

>> BOB DE LANGE: So, talk to our dealers about the nonperforming dealer or the underperforming products, see how we can improve the profitability of those. Or, if we can't, possibly make a decision on exiting those product lines.

But, so to your question now specifically on my division and for services, you will recall at the start of our strategy we set this goal to double services, some \$14 to \$28 billion in a ten year period from 2016 to 2026. It started as, I'll say, an aspirational target to really change the mindsets of our teams from a "more product" to a "more solutions" focused. But I think we are making pretty good progress and embedding that with our teams, with our dealers, and also, if you look at the results through last year, we had grown services revenue from \$14 billion in 2016 to last year \$24 billion. And so we are already at \$10 billion growth over that period. So we think that strategic focus can be used as well, and so that is the track we are still on today.

>> TAMI ZAKARIA: That is fantastic to hear. And I think that is a great start to this conversation. I just wanted to look back a little bit. So, Caterpillar ended 2024 with \$61 billion of ME&T sales with record margins and EPS. And, as you said, growing the services portion has been a focus in recent years. So, just to set the stage, can you remind investors what the mix of parts and services revenue was for Caterpillar in 2024 and then how that mix evolved over the last five, ten years? And, more importantly, is there a target mix percentage of services as a percentage of ME&T sales over the next five, ten years?

>> BOB DE LANGE: Yeah. Thanks, Tami. And I think the important part is to start by going back to our customers and why we think services is a more consistent revenue stream, more reoccurring revenue. So, if you think a customer, and maybe the business environment is changing, maybe the business environment is becoming more uncertain, as a result, a customer might decide to postpone for now or hold off on the renewal of their engine purchase or machine purchase until they get better clarity on

their outlook or their incoming order book. But at the same time chances are they still have work day after day. So, if they don't renew that equipment, they will probably double down and make sure to do the right investment. And they might make an investment in a rebuild to extend the life of that piece of equipment or an overhaul of the engine just to make sure they maintain that uptime. So, you can see on how, even during uncertain times, that services revenue is more constant, more of a recurring revenue. And we also saw that last year. Last year Caterpillar's top line sales and revenues came down 3%. At the same time, services continued to grow by 4%. So, a good example of that resilience of services revenues.

To your question, last year services represented 39% of our ME&T sales. It was 36% the year before. So overall we believe that, a lot of opportunities exist to continue growing services. And so finding new, innovative ways with our dealers to help customers, that is where it's rooted in customer success; but at the same time continue to grow that reoccurring revenue.

>> TAMI ZAKARIA: So are you, a simple question, are you satisfied with the progress you have made this far?

>> BOB DE LANGE: Yes. Simple question, I'll give a simple answer. No, we are never satisfied. You heard it from Jim Umpleby as well. I mean, we always want more. We always want it faster. So, we continue to focus on customer success. We think we are doing a lot of things already, but there are more opportunities to help customers avoid downtime, improve the uptime of their equipment, maximize their availability, and especially also increasingly become easier to do business for our customers. And for all of that and working with different product segments, there is a big role for digital as well, and I will be able to talk about that, to help grow the services revenues to make Caterpillar even easier to do business with.

But, no, we are not satisfied. I think we have a long journey still ahead of us, a lot of ideas on how we continue to grow.

>> TAMI ZAKARIA: I mean, I agree with it. Complacency is never good for businesses. So let me ask you this: How confident are you that you will achieve the \$28 billion target? And, more importantly, do you expect services growth this year, despite lower total sales and revenue growth that you guided when you hosted the fourth quarter earnings call in February?

>> BOB DE LANGE: I would say, Tami, one thing is for sure, absolutely, we are continuing to strive towards hitting that aspirational goal of \$28 billion in services revenues and continue to grow even beyond that. As I mentioned before, I think we've made a lot of progress already. I mean, we have grown it already from \$14 billion in 2016 to \$24 billion last year. So you should look at it over time and say it's a pretty healthy growth rate. But we continue to focus on making our customers more successful through existing and new services. I mean, we have now over a million and a half connected assets. And Ogi will talk about it later, a lot of new ideas of what we

can do even more, using new technologies to make customers more efficient, improve their uptime.

And so, directly to your question, even this year in 2025, yes, for all three [primary] segments (company clarified after the discussion). We are working hard to make sure we continue growing services also this year.

>> TAMI ZAKARIA: That's great to hear. And by segment, because you mentioned the three segments, which among Construction Industries, Resource Industries, and Energy & Transportation currently has the highest versus lowest parts or services penetration; in other words, where is the most near-term opportunity amongst these three segments?

>> BOB DE LANGE: Thank you, Tami. And, as you know, Caterpillar has a very, very diverse portfolio, from Oil and Gas customers to large data centers to marine applications to mining, large construction. I would say, generally, services penetration is lower with our smaller customers. Think, for example, a landscaper who has one or two pieces of equipment and they might not be as hyper focused on long-term efficiency, up-time, or total cost of ownership and calculated like some of our largest customers in the world. So that is where we see, I would say, a very large opportunity for services growth is with those retail and small core customers in our Construction Industries segment, which is also why, with that segment, we are very heavily focused on onboarding those small and retail customers into our Caterpillar digital ecosystem, mainly for them to become easy to do business with, a key buying criteria.

Imagine, for example, if that small landscaper, when they get up in the morning, first they can do is they can go to our Cat Central Mobile App and they can see the location of their equipment and what was the fuel level. Do they need to plan to refuel them before they start working? Were there any alerts from the day before that might need preventative maintenance? What is the status of their financing with Cat Financial? All those things in one very convenient ecosystem, which we will believe, if we can indeed build that, will drive loyalty with those customers and will over time help us make them successful and grow services revenue for us.

As one extreme, if you think of the other end customers who have very large turbines, large engines, they are very keenly aware of their uptime and very focused on that. So with those very specialized and dedicated or even one-off service contracts that we sell there. And in those cases we already today have a higher services capture as we are. Does that make sense?

>> TAMI ZAKARIA: Absolutely. Thank you so much. So let's move to digital. So, Ogi, the spotlight is on you. On the digital space, machine connectivity is increasingly a big focus to make sound decisions based on data, on machine health, usage, maintenance, and other insights that help customers manage their fleets better. How is Caterpillar innovating in this space to differentiate itself from competition? And is there a total cost of ownership benefits?

>> OGI REDZIC: Yeah. Hi, Tami. It's an absolutely great question. Connectivity has been and it remains a pretty foundational element of our digital strategy. We have been connecting most of our assets in factories since 2015. Today we have more than 1.5 million connected and reporting assets worldwide. And really, when you think about our digital model, connectivity enables all our digital solutions. Think the raw telematics data going into our platforms. We transform that data into business insights, make it actionable, we create common services. And that enables services that benefit our customers like preventive maintenance. We give them service opportunities. We do all of these different digital tools that help them reduce their total cost of ownership.

So I'll give you some actual examples. Think Over-The-Air, remote services where, we can update an asset for a customer remotely, update firmware, enhance safety of operations and profitability. We equipped them by doing these things and most critical things for our customers to minimize downtime, right? So, keep the uptime as high as possible. A lot of digital tools that we built for our dealers and our customers are actually there to help them reduce that downtime.

So, as we continue to build our solutions, I can tell you that pretty much every single one really relies on comprehensive and integral connectivity that we have on our assets.

>> TAMI ZAKARIA: Great. So a follow-up on that. Does Caterpillar have any cloud-based services or data platforms that connect machines in the field to the back office for data analysis and insights or are there any partnerships, for example, with third parties to provide the service to customize? And also, related to that question, are...is that platform brand agnostic; meaning, can other branded machinery be connected to that common platform, if you have one?

>> OGI REDZIC: Yeah. Great question. So we are very proud of the platform that we built within Caterpillar. We call it internally Helios. It's our core digital platform. We developed it about five years ago and we continue to enhance it, obviously technology is changing quite a bit. We are extremely proud because it's a fully cloud-based system and it gives us access to secure, high-value and reusable data. We really had the idea that we wanted to make sure we have a common set of trusted data and that every application we build can benefit from that common data and common set of services that we built on top of it. It presented, when we built it, a major upgrade to our digital infrastructure. It's designed to integrate, process and transform not just machine data but also data we get from our dealers, connected asset data from non-Caterpillar equipment.

So, Tami, to answer your question, absolutely. We can take in data from other OEMs as well, with customer consent of course. And our digital platform really helps us position Caterpillar, we believe, as an industry leader because, when you think of all the advancements in the AI, that I'm sure we will touch on today as well, the fact that we have all this data consolidated and well-groomed and well-prepared really puts us in a very good position to provide AI kind of services that we are starting to do right now.

And, just to give you an idea of the scale, we process about 50 billion data records per month, so that's about 20,000 per second. We serve more than 800 million API calls every month, that is about 300 times a second. There is an application within the enterprise and with our dealers, they will be asking for a piece of data from Helios. So we are carving the platform. It's fully in cloud and it does support Caterpillar and other brands as well. So I think our customers are taking full advantage of our investment.

>> TAMI ZAKARIA: Got it. So, Bob, let me switch to you for a minute. We have heard about CVAs that are driving growth in services revenue. Can you remind us and the audience what a CVA is and what's the uptake or adoption rate now amongst customers and what benefits they offer to customers? And how does Caterpillar's CVA differ from, let's say, some of your competitors out there?

>> BOB DE LANGE: Yes. I will start with an apology. We have lots of acronyms. CVA stands for Customer Value Agreement. So think of it as a service agreement with a customer.

So it's really making sure we have an agreement of service, we offer it to customers, that adds value to them, peace of mind, predictable cost, predictable ownership, and relationship with their dealer, really throughout the life from new equipment purchase, if we can, all the way through disposal of the equipment. Over time we have seen, with a lot of effort, the popularity of those CVAs that grow quite significantly to the point that today we sell over two thirds of all of our new equipment, [which includes] machines and engines, with a CVA at the point of sale (company clarified after the discussion). So big benefit for our customers. I mean, they get that peace of mind, added service from our dealers. It's good for the dealers, too, and for Caterpillar, because we have seen for those customers that have a CVA, even beyond a CVA, because we have that ongoing relationship with the customers. We also see dealers selling more parts and service to those customers.

Again, to the point I previously made, we have a very diverse portfolio, so those CVAs come in many different shapes and sizes. I mean, going back to that large turbine customer I mentioned, I mean, in that instance it might be a very highly customized, customer-specific CVA that includes even an uptime guarantee that we provide, and together with all the backup and support, so that the customer exactly knows what uptime they can count on.

On the flip side, and back to my landscaper example, a small retail customer, that might be much more simple. I call it the preventative maintenance CVA where we just have an agreement to on a regular basis through connectivity, we can monitor the hours of when service is due and that we ship to the customer and the maintenance elements that they need to their place of choice so that they can perform the service themselves at the right time, with the right parts, and with the right instruction. So, again, it can come in many different forms.

To your point on how do we believe it differentiates versus competition, in one example I bring out is the services commitment our dealers provide. What does that mean, service commitment? Actually, it includes a number of elements. First, our dealers get a commitment to make sure we get maintenance and common repair parts and when the customer needs it. If not, they will get a credit for future purchase.

In addition to that, our dealers will also get a commitment for priority service scheduling to make sure they get the fastest service response time, again in our aim to help customers through this CVA, maximize their uptime, things I think that stands out in what our dealers offer versus some of the competitive offerings.

>> TAMI ZAKARIA: Perfect. So, Ogi, you mentioned AI. Let's talk about AI. Where is AI supporting your digital solutions for customers? And also internally, Bob, how is that AI making Caterpillar more efficient and productive internally?

>> OGI REDZIC: Yeah. Tami, maybe I will start by just saying Cat has been leveraging AI for, literally for years, to deliver processes and products safely to customers and dealers. I think one example Bob already touched on, Prioritized Service Events, that is something we are incredibly proud of. It's really good to think about in those intelligent leads that leverage a lot of data and system capabilities to provide intelligent leads to customers.

So think about leads that are being developed from all the telematic data that we collect, all the previous customer service experiences. We collect data from [more than] one and a half million connected assets (company clarified after the discussion). And, as I said, we combine it with 30 different data sources. Think of engineering, recommendations for component life, dealer work order, invoices, history of customer behavior, inspections, condition monitoring insights, many others. And then we have our AI tools that actually go over them and create Prioritized Service Events.

So, we get ahead of a potential downtime for our customer. We create it and tell the dealer, "hey, please call this customer because we believe that he needs to perform a particular service on the asset." So, if you can do this at a large scale like we can because we have invested in digital infrastructure, it really makes it much easier for our dealers to satisfy so many various and different customers and different applications around the world.

And we are very proud of the progress we made with PSEs, talked a lot about not only the engagement that we get with our dealers, but tangible business results as well that have been really good.

Bob, I didn't know if you wanted to touch on internal or if you wanted me to.

>> BOB DE LANGE: Yes, like with most industrial enterprises, we continue to use it. I mean, a simple application is translations. I mean, we do business in over 160 countries. We have lots of new product introductions. You can just imagine the number of manuals we need to translate every year. We can do this through AI a lot and lower cost, faster, and with better quality, increasingly a lot of applications on the industrial

side, in visual pattern recognition for quality control and our factories. So, I mean, it continues to evolve at a very, very rapid pace. And every month our teams find new applications in our factories to bring AI in real tangible, real life applications to make our operations more lean and more predictable.

>> TAMI ZAKARIA: So what about e-commerce, Ogi? I know you had growth targets there. Are you achieving your expectations?

>> OGI REDZIC: Yeah. I think we are incredibly excited about our progress with e-commerce. Numbers, I will touch on in a second, but we have a number of platforms that are serving different groups of customers globally. We have invested heavily over the last four years, made some major improvements, really making it easy for our customers to find parts, identify parts, and then purchase parts. And, obviously, we help them with service as well through our dealers.

So, at the time of Investor Day back in May of 2022, we told the market that our dealers are doing about \$10 million per business day in part sales through e-commerce. We targeted 50% growth over the next three years. And I can gladly tell you that we already achieved that within a couple of years already. So, it's an exciting time for us. We added, more than doubled the number of customers that transact with us online and that we continue to get some really good feedback both from customers and dealers. So we continue to put investments, obviously, enhancing the tools day in day out, and the results have been very, very good.

>> TAMI ZAKARIA: And, Bob, you mentioned the importance of customers' uptime and that you make it easy for customers with your apps. Can you tell us about the Cat Inspect app?

>> BOB DE LANGE: Yeah. Thank you, Tami. And, I mean, it's a simple application. You could say Cat Inspect to automate and record inspections. But I would say that it is a story of big data. I mean, imagine in the past we would have dealers in 160 countries around the world, doing manual inspections on paper, and maybe rarely with pictures included. And then you can see, well, the inspections were done yesterday in the Philippines or in Australia or in Western Africa. I mean, you can imagine the time lag and the language barriers to bring that all to our engineering centers in a different part of the world. I mean, what we have done is developed simple digital applications that allows all of our Cat field team members, all of our dealer technicians, but also customers, to do real life, very simple and easy inspections around the machine, include pictures, include comments, include diagnostic and assessments, and then real life bring that into our data platform Helios that Ogi described, including, and where it is needed, AI generated translations for engineers. So that we can use all of that to start real life, those same inspections that were done yesterday in Japan or the Philippines and make sure. And right now all our engineers around the world can already use those. So big power of building that big data, underlying data source to help power all of our new predicted and digital applications, that has been growing very quickly. And

we've already had [about] 16 million inspections conducted using this app (company clarified after the discussion). Last year more than 3.8 million. I mean, we have seen that the monthly inspection rate more than tripled since 2019. They grew again by 15% last year. So all those numbers I hope give you an indication that it's very rapidly growing. And it's really a significant data set that we are building, all the digital applications, those predicted capabilities that we are developing to support customers and support their uptime. So, I hope you can see the opportunities that we can get from collecting this data.

>> TAMI ZAKARIA: Great. Thanks, Bob. So, Ogi, what are some of the digital solutions that are resonating with your customers?

>> OGI REDZIC: Well, Tami, we obviously always add new digital solutions as we work very closely with our segment partners. So Caterpillar segments, but also dealers directly. So we have means of getting dealers' input into our product roadmaps, which is very important. So we continue to enhance the existing portfolio and also to add new capabilities and new systems and tools.

I would say one of those tools that's probably most exciting for our customers today is the tool we call VisionLink. And that is our application for equipment management. So if you think about equipment management over time, it was very reactive. A customer may think about last time they serviced an asset. They called someone back in the service department and pulling records and deciding maybe it's time to service this machine again. Today they utilize VisionLink. So our fraction tool instantly seeing hours in each piece of equipment in the fleets, they can see the last maintenance effort that was performed on a machine, when the next maintenance will be needed, in addition to seeing fault codes or additional opportunities to extend the performance of each asset. So we actually give them some very valuable advice as well.

So, we think that by being able to manage their fleet through a centralized tool like this, we really give them the ability to increase the uptime of their equipment, make machines more efficient. They don't have to necessarily drive them to a dealer. They can have the dealer come and service the machine in the field. We have had some really good successes, as well, in allowing our customers to view their previous work orders, all the service history of an asset.

It can also interface with a customer through the tools. Say if an asset is left for service, for example, we can communicate directly, our dealer can communicate directly with the customer, leveraging the tool itself. So some incredible growth. And also usage, we had about 67,000 companies using this to actually manage their fleet, so very exciting. And that is one example.

We are also very, very proud of our Service Information System, which is a tool really dedicated for service technicians. So, think the technician that needs the service, you know, our pretty broad portfolio. He does need some help to get information about service graphics, what are all the part numbers that are going into a particular repair.

Think about 25,000 books all consolidated and made it really easy for our technicians to search, to actually perform service and find what they needed and make it very quick and convenient for them. So incredible progress.

With all of these tools, our usage is at all-time highs. And there is no better judgment, I think, than the fact that our customers and dealers are very happily using all of our tools.

>> TAMI ZAKARIA: Well, that is an impressive area of solutions. So, Bob, are you seeing the payoff for the investments you have made here?

>> BOB DE LANGE: Yeah, absolutely, Tami. And it's actually pretty exciting and rewarding to see the impact the digital solutions have on customer engagement, customer loyalty, and how it's actually helping us grow, that we reoccur services and services revenues. I think you might have heard before in an earlier investor day that we said when we have customers that we can transition from buying mostly parts over-the-counter to starting to use our ecommerce channel, that we see those customers buying up to 24% incremental parts. That was for ecommerce. I mean, now as we continue to expand our ecosystem of multiple digital applications, that we actually see customers that engage in multiple of our digital solutions and that they spend up to one-third more in services revenues than those who do not.

Another good example is for PSEs. So, that Ogi mentioned, Prioritized Service Events, where we give customers indications of service that is needed to help avoid an unplanned failure. We see that, customers that we can help them that way, and those customers are buying up to 20% more parts. And it does not only necessarily mean that they buy more parts, but they might just buy more parts from us instead of somebody else. But all those things, I mean, are real bottom-line impact we see and that, certainly, give us confidence to continue making the investments we are and continue to do that in digital solutions and to help our ongoing services growth in years to come.

>> TAMI ZAKARIA: Perfect. So, Bob, let's switch gears a bit. I know you have a responsibility for your distribution network. To start off, can you explain why the dealer network is such an advantage for Caterpillar?

>> BOB DE LANGE: Yeah. Thank you, Tami. And, as you know, we are celebrating a hundred years this year. And, for sure, in those hundred years, our dealer network has been the pillar of our success. As you know, our dealers are independent companies. We have about 150 dealers worldwide, which have [approximately] 180,000 employees worldwide. So quite a bit more for Caterpillar. [About] 3900 locations in most of the countries around the world (company clarified after the discussion). And I would say that most impressive statistic is probably that the average tenure for our dealers is now over 60 years. And what that means is that our dealers really are engrained in their local communities. I mean, they have over decades built

customer relationships, built customer loyalty, and really know how to operate and do business in their territory. And that we think is a really, really strong strength.

The second element of that is just the history. I think it's what our brand, what our dealer brand stands for: strong aftermarket support. I mean, we are with customers through the good, the difficult, and the bad times. We are always ready for them whatever the time of the day. So that strength in product supports, again, is, I think, the second key pillar of our dealer success. So, all focused on customer success, but we believe it's a win-win-win. Win for the customer because they have a local partner that is focused on product support. But, as we do that, I mean, it helps growth for our dealers. It helps grow services for us as well.

>> TAMI ZAKARIA: Got it. So, it's a win-win situation for you. So what about your approach with global customers that may cross numerous dealer territories or regions? For instance, with that large hyperscaler, what is your approach to serve them and why wouldn't a direct sale model work better?

>> BOB DE LANGE: Yeah. I think that, Tami, is a great example of the world around us changing and us adapting to that changing environment, changing customer requirements. Those hyperscalers, big data center customers are a very good example of that. And I do think that our model can continue to combine the best of both worlds. I mean, what we do in those specific cases for the big data centers, but also for some other large global customers that operate in multiple territories, multiple countries around the world is what we call a Caterpillar led, dealer executed commercial model. And what we mean with that is that we have, on the Caterpillar side, a team, an individual supported by a team that interacts directly with the end customer. And where we then serve, as Caterpillar, as the single point of contact for that customer to take care of all their needs. And then internally we coordinate across the global dealer network, so that becomes transparent and for the dealer. So, on one hand, the customer will get the benefit of us, direct contact with Caterpillar, one point of contact. But at the same time we still combine it with that local expertise. And, I mean, we have large mining customers as well that might operate in Western Africa and Australia. We still have that local dealer support that is engrained in those local communities. And the combination of those two we believe will both service well with those customers.

>> TAMI ZAKARIA: Got it. That is very helpful. And we have talked in the past about Caterpillar's remanufacturing process. But I think many investors may not be aware of the full scale of opportunities there. Can you talk about how Caterpillar equipment is built to be rebuilt? And explain the opportunities for you and the Cat dealers there.

>> BOB DE LANGE: Yeah. Thanks, Tami. I think it's another example of this ongoing source of new ideas for ongoing services growth in the coming years. But let me maybe split it in two and talk about Reman and then rebuilds separately. First Reman, what is that? Imagine a customer has a large engine in their equipment or a standalone large engine, and the engine is ready for replacement. And then they can

call in the Cat dealer who removes the core old engine and replaces it with a like-for-like remanufactured engine off the shelf with immediate availability but at a significant lower cost of a new build engine, with similar performance as of a new one. What we then do is take that old core back, but instead of sending the old engine to a landfill, we send it to one of our Reman facilities to bring it back, disassemble it, inspect the components, we can keep, replace, repair, upgrade our components to bring it back to like-new performance along with similar and warranty of new equipment.

So I think sustainability plays well. I mean, it's good for the customer. It's good for services growth, but it's good sustainability play. I mean, you can imagine a reman engine, 80 plus percent less new material, two thirds less new emissions. And so it's a growing part. We introduced [about] 1200 new Reman offers here just in the last three years (company clarified after the discussion). That is what we do on the Reman side.

In addition to that, the dealer can also offer rebuilds. Think of this, what we say is built to be rebuilt. A machine might be coming towards the end of its useful life, the dealer takes it back and starts extending the life, replacing some components. They might use a number of Reman components, but so extending the life of a piece of equipment or an engine to make sure the customer gets full and maximum value of their investment in a piece of Caterpillar equipment.

>> TAMI ZAKARIA: Thanks, Bob. I think we are almost up on time. So I want to ask one final question to close, to both of you actually: What is your top priority today? And then specifically, also for Ogi, what is your vision for the future of your division?

>> BOB DE LANGE: You can go, Ogi.

>> OGI REDZIC: I will go first, Tami. And I would say my priority continues to be the same, to make it easier for our customers and dealers to do business with Caterpillar. As for my division, I expect a massive injection of AI capabilities in everything we do, for more integrated customer support, to more intuitive customer agents, helping customers navigate our portfolio, get ahead of any unexpected downtime in their equipment and making it all one really beautiful, delicious experience. So I definitely think a lot is going to be nested in the customer service and leveraging AI for us all. Very exciting times for us.

>> BOB DE LANGE: Thanks, Ogi. And for me, Tami, I would say is sticking with our strategy. Taking customer back, how do we help customers be more successful, and become even easier to do business with. I mean, we have the right strategy to focus on the longterm OPACC growth, to generate the best possible shareholder returns and do so through continuing to grow services, continue to grow reoccurring revenues. So that continues to be right at the top of our list.

>> TAMI ZAKARIA: Wonderful. That's all the time we had for today. Thank you, Bob and Ogi, for your time. And to everyone else that joined, thank you; and have a wonderful weekend.