

Caterpillar

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Alex Kapper >> Good morning, everyone and welcome to the Caterpillar Fireside chat here at ConExpo 2026. We are welcomed to have you join us today, live from Las Vegas. My name is Alex Kapper, Vice President of Investor Relations. Just a few quick reminders before we get started. Today we will make forward-looking statements which are subject to risks and uncertainties. For a full list of risks which may have a material impact on our actual results, please see our SEC filings including the 10K, which was filed just last month, and we will also refer to non-GAAP numbers. For any reconciliation to US GAAP numbers, you can see our appendix of our latest earnings presentation. And, lastly, we've done our safety briefing here in the room, so we just encourage anyone joining remotely to be aware of your surroundings and your local safety protocols. So, with that, I'll hand it over to our host, Steve Volkmann.

Steve Volkmann >> Thank you, Alex. And good morning, everybody. My welcome as well to this fireside chat. I'm Steve Volkmann with Jefferies and I'm very pleased to be hosting this event. Joining me here today are Joe Creed, Chairman and CEO; and Rod Shurman, who is the Group President of Construction Industries, and I think for 32 days now. All right. So, looking forward to, I think, your first fireside chat in this role. So why don't we go ahead and kick it off, and maybe I will start with you, Joe. You've introduced a new strategy, and I think Rod will be a big part of its implementation as you move toward this 1.25x sales growth to users target. Can you talk a little bit about your history with Rod and what you expect from him as the new leader of Construction Industries?

Joe Creed >> Thanks, Steven. And thanks everybody for joining us at ConExpo. We're really excited to launch our strategy last year and head into CES and talked about the invisible layer of the tech stack and that the technology runs on physical infrastructure, that all three of our segments will contribute to and are necessary to power and run today's technology-enabled world. And in this week, straight into ConExpo, to celebrate the construction customers and Construction Industries, our segment that builds that infrastructure. So, we have a lot of cool things here that we've talked about. Rod is a big part of all of this. Before we do that, I want to make sure I thank Tony Fassino. Tony is retiring after 30 amazing years at Caterpillar. He is a great leader. I've worked with Tony a really, really long time and he's driven Construction Industries to record results and leaves in a great position for Rod to take over. But Rod and I've worked together for - when did we start work, in 2009? Probably 17 years ago. We've- known each

other a long time. We've worked together in multiple divisions and in different capacities. And he is going to be an amazing leader for Construction Industries. By all the people I've worked with, Rod, he has run factories, he has done engineering jobs, and he is great at all of them. But one thing I would say is he is amazing with customers and has just this intellectual curiosity to understand, you know, how our customers use our equipment and then really buys into the mission statement, right? Solving our customers' toughest challenges. Rod is the kind of guy who likes to talk to not just loyal CAT customers, but to people who don't buy CAT equipment, to understand how we can get them to buy CAT equipment and what their challenges are so we can serve them. So, he's high energy. He is an expert. I'm excited to have him on the team.

Steve Volkmann >> Great. So let's turn to you then, Rod. What ConExpo or Caterpillar keynote highlights should investors be focused on?

Rod Shurman >> As investors, as you hear this week, a couple things, it's our commitment to customers to solve the toughest challenges. And as you go through the show, you would see, if you are in operating stadium, you're in west, how will you solve and how we are focused on those challenges for customers' safety, labor, productivity, mixed fleet challenges common, challenges for every Construction Industries customer that has big fleets. But even from a side of being easy to do business with, you will see what we have in the west hall, which is the launch of CAT Compact which is focused on the new customers coming into the business.

Steve Volkmann >> And how does your history with Building Construction Products signal an increased focus on smaller, compact equipment? And you have a lot in your booth in the last hall I've noticed and on your compact.

Rod Shurman >> I think it signifies a really important part of our strategy in Construction Industries. We think of commercial excellence and how important commercial excellence is. One of the pillars in our strategy that we rolled out late last year is just taking that voice and listening to customers and what they wanted. And it was clear for us. We have been in the compact construction equipment industry for over 20 years when we still had customers that didn't know we made small equipment. And so having a channel that was very simple and easy to reach for them was critical. And when you are over there in the CAT Compact booth, it's just a simple Omnichannel solution, connects digital with physical so they can really find what they need. So, they can try, buy, lease, rent, get service, and get financing all in one spot. So, it really kind of helps solve the challenges they gave us to solve. And the key thing about it, and Joe hit it, he was talking to people who bought CAT equipment but was also really listening to

thousands of people who did not buy CAT equipment and what they wanted. And, in that perspective, that is kind of what that is about. It's an important part of our strategy and it's one of the areas of commercial excellence we are focused on.

Steve Volkmann >> I was at your keynote yesterday and I think you talked about accosting a customer at a gas station. I thought it was interesting. Maybe you want to mention that.

Rod Shurman >> My esteemed colleague Jamie brought this up. And so we heard about as we worked through this, and it's getting me to laugh quite a bit this morning. I'm a small CAT machine owner myself. We own a CAT 265 and then we owned a 259 prior to that. And, you know, just stopping, right, and talking to people all the time, it becomes quite the challenge to have anybody with you in the vehicle. But kind of a strange person, you are talking to all of these strangers. But the amount of feedback, I mean, you just meet people who use machines to make a living and you really understand from the lens of the customer back to Caterpillar what we can do to really help them solve challenges. For small contractors the challenges can be you can look at them and they are different. And we take a large, civil contractor and they can have completely different challenges. But it's our commitment to be focused across the spectrum.

Steve Volkmann >> So, Construction Industries has historically had more of a dealer inventory sort of stock, destock cycle. Is there any way to reduce that volatility?

Rod Shurman >> Yup. For us, one, the dealers are independent businesses, and so they will focus on what inventory they need for their customers. As we work through that, the opportunity we have as we continue to look at that is we are focused on growing services and rental. The rental will be some we will see that kind of change, too. But the opportunity we really have, and, again, this is the commercial excellence side of the strategy coming in and taking that, see what the customers need and what we did and how we drive it is we look at these problems for our customers, and they could have a big job come up and they need that flexibility to get into assets quick, having the right equipment out there for them is going to be critical to solving that problem and continuing to grow in Construction Industries.

Joe Creed >> I would say on that, we have done a lot of work on our S&OP process and working with our dealers. Our dealers are independent businesses. But it varies by region in the world, by size of the equipment, what application of equipment and that our dealers are working with customers in certain parts of the world. And, we have done a lot to reduce that volatility. But we need to make sure we have the right inventory on

the ground so that we continue to support our customers and not have them wait for equipment. So, we have done a lot of work on that. The data that we have helps us with all that. And, again, I think, that was, I understand, an issue for us in the past; but I think we have done a lot to mitigate a lot of those impacts.

Steve Volkmann >> Okay. Good. All right. So, you mentioned rental. What's your assessment of sort of the dealer rental business now and does the dealer fleet size, composition, age need to change? And what can CAT do to help dealers grow this business?

Rod Shurman >> So, there is a lot in that question right there, but we hit through this. One, it's, you know, rental for us is really focused on helping our customers solve challenges. And the other part, as you think about rental from that simple to do business with, for many customers it's their first experience with Caterpillar when they come into rentals. So you look through that and you'd see a launch at [Rent.Cat.com], which is a simple interface for customers to deal with (company clarified after the call). And we look at dealers and it's not as much about fleet size, it's age, it's composition, it's how they are pulling assets in and moving those out. And, for a lot of customers, it's really solving cash flow challenges they could have on a job site. They might not need a machine long-term, but maybe there is something they need short-term. And it's just a great way for us to continue to grow our financial portfolio and get some more stability in the business between cycles.

Steve Volkmann >> All right. Good. So I'm going to change the topic a little bit. I'm curious if you think CAT is a lean company? Which businesses stand out? Is there still significant upside? What are the best metrics for us to be watching?

Rod Shurman >> Well, coming from Construction Industries with Joe, coming up with Caterpillar, but for Construction Industries for us we have a lean business. We are focused on the lean. I think it's important for everybody to understand lean is not just a project, right? Lean is always taking place for us. And as we go through and continue to work on the lean in our business, we look at demand, supply planning, focus on the intersection and where things come through from the commercial side of the business to our operational side and getting that dealer input. Those are opportunities that we continue to have in the lean space that focus on improving that. And, by doing that, it's a way for us to lower cost and become more efficient and ultimately improve total cost of ownership for our customers as we continue to improve that.

Steve Volkmann >> A journey, not a destination.

Rod Shurman >> Yeah. It's an infinite type of a thing, not a finite thing.

Joe Creed >> If you are working on lean and you declare your lean, I would contend you don't understand lean, right? Lean is a constant process of continuing to figure out how to be more and more efficient and different parts of our businesses are definitely farther along than others. And some have their challenges like large engines and turbines where we are trying to expand capacity and keep up with demand. It's probably not as lean as we would like it to be. We still implement all the time and put all the philosophy and concepts in, but we have a lot of room to continue to improve.

Steve Volkmann >> Great. So, let's maybe switch to some market trends. I think we need to make sure we make Alex an honest man about his forward-looking statements. So, let's get your thoughts here, maybe, Rod, you can chime in, too. 2025 was a massive year of backlog growth. What trends are you seeing by segment? Is pricing more robust than the backlog? Any risk of cancellations?

Joe Creed >> Our backlog has obviously grown, you know, tremendously year over year and even sequentially, as we ended the year. So, orders have been really strong. We are happy. And the good news is it was across all three primary segments. I think people had a lot of attention around the Power and Energy business, data centers, but fourth quarter, we had a record quarter in Oil and Gas. We are seeing good order trends in Oil and Gas. Construction Industries had a really, really good quarter when it comes to orders. In the fourth quarter, one of the best ever, and then Resource Industries even the best in a few years. So, you know, I think it's healthy across the board. Risk of cancellation, I don't think so. We talk to customers all the time, right? And so is it never going to happen? I mean, you can never say never. We had a large customer in the middle of last year in Power and Energy come to us and say, hey, one of our big projects is kind of getting stopped and moved around and can you work with us. And we work with customers all the time and move slots, and we have plenty of demand right now to sort of make sure we can cover everybody. The good news is we are taking orders further out and we are working with customers to plan. You know, and one of the things we mentioned in the fourth quarter is I think it dropped to about the percentage of backlog in the next month is lower, so we are starting to see line of sight to demand further out. And that is a good thing because we are working with customers to make sure we get product to them, especially when we are constrained in large engines when they need it and not ahead of time and allow us to serve more customers. So, I think we have healthy businesses. All three of them are in great shape, which is good to see. You can comment on Construction Industries, what you're seeing, amount ordered and the backlog standpoint.

Rod Shurman >> I think for Construction Industries we can see our backlog is good for us, as we think through tail winds, we still have coming from infrastructure. I think with the energy transition, we have data center build outs for us, for that. We are that invisible layer of the tech stack and just continuous demands. The demand continues to be strong for us there. We are close to the customers, as Joe said. And that said, and keep saying it, that is an important part of our strategy and that commercial excellence of pillars and working closely with customers. It lets us be much more dynamic and understand what is going on so we don't have these late responses to what is changing, but we are not seeing anything like that right now.

Steve Volkmann >> Okay. So you didn't comment on the pricing part of that question.

Joe Creed >> About pricing and the backlog, yeah. I mean, so we have, you know, most orders we take at current pricing. And most of our businesses are at normal lead time, normal availability, so it's not an issue. Power and Energy, obviously, is getting extended. On Solar we take progress payments. Those are specially priced, how [Solar] works (company clarified after the call). And in the large engine business, for our large customers we have frame agreements. And, again, those frame agreements, they are generally agreed to as escalators and things as we go on, into the future. So, I'm confident in the pricing that we have, and the backlog, and thinking about where we are at.

Steve Volkmann >> So maybe let's just recap sort of your growth outlook for the three primary segments for 2026, and specifically I guess maybe more for you Joe, but are mining customers finally ready to refresh their fleet?

Joe Creed >> Mining has been steady over the past few years, which is a good thing for us, for us, if you think about mining when it was in the super cycle, it was kind of boom or bust. So, you ramp the factory on the way up, volume would fall off and customers would slow down and then we would have to sort of restructure, and we would have a lot of inventory. This allows us to plan. We have mining customers that pushed off some rebuilds, and that put a little head wind to us in 2025 anyway on services. I don't think that business is lost. It's the timing issue. But from a mining standpoint, we saw strong orders in the fourth quarter. I just don't think it's going to be the boom and bust we saw in the past. It's been pretty steady. We want to stay close to our customers. And actually, extending the life of their equipment is a good thing for them and it's a good thing for us. It's good service to the business and it keeps them loyal, that way when it's time to buy they will come to us. We are working with them all with the new technology. We are excited to get Dynamic Energy Transfer (DET) out there. I think that is going to be a game changer for our mining customers. So, we feel good about

where it's at. And if you just look at mining as a long cycle business, you look at the next five to ten years, just the amount of minerals that are needed to support what is going on and the growth in the world, mining is going to have a good run.

Steve Volkmann >> And do you have data on sort of fleet ages?

Joe Creed >> Yeah. I mean, we track fleet age all the time. We track utilization. We track all those stats, right? Obviously, given the volumes that are out there and volumes we have been seeing, that fleet continues to age; but it's being utilized, continues to run, and we continue to support our customers with good services.

Steve Volkmann >> Okay. Do you think we can have a big AI boom without a natural gas cycle?

Joe Creed >> So, I'm glad you asked. We had a record [sales] quarter in Oil and Gas in the fourth quarter, and I think that is one of the underappreciated pieces of the Power and Energy portfolio is Oil and Gas -(company clarified after the call). We play in the entire value chain when it comes to natural gas from helping an extraction and then we move gas and then we help burn gas and turn it into power on the back end. So, we have a very good line of sight to natural gas, and gas compression has been really strong. You can look at forecasts for LNG exports out of the US. You can look at a lot of forecasts, IEA on what part of natural gas growth is going to be in the next 15 years and it continues to grow. So I think it's going to be a key part of the energy solution. Personally, if you, have not been in Oil and Gas, you are in Oil and Gas with me, so you know how this works. There are traditional ways we kind of forecast gas usage when you really think about data centers and the amount of power plants, whether it's our equipment or someone else's, there is going to be a lot of natural gas fired plants and power to satisfy this demand, which means we are going to move a lot of that natural gas in the next five plus years. And I think it's probably more than people realize when you add up all the power demand that is going to be out there. I'm very bullish on the natural gas and the gas compression part of our business. I think it's going to be healthy.

Steve Volkmann >> Great. So maybe let's switch to your services focus. And, you're looking for \$30 billion in services revenues in 2030. I think you did something like \$24 billion in 2025. What are the key drivers to achieve this?

Joe Creed >> I think you see a lot of those today. I mean, it's different by segment. As I've mentioned, in 2025 we got a little pause on some of the mining rebuilds. I think those will pick up, and that's good services growth for us. The more mining utilization

we have, the more services are going to grow in Resource Industries. When you look at Construction Industries, we are showing up, a lot of tools, services commitment 2.0, so increasing our services commitment. Rod can explain a little bit about that if we want to. Extending VisionLink to full fleet capability so more customers use VisionLink, which gets into our ecosystem and makes it easy to do business with us and Construction Industries. I just think we have a lot of room to grow. We continue to connect assets, use our tools, launch an AI assistant will get us even closer to the customers. So Construction Industries is an area, and Rod can comment, where we have a lot of opportunity to grow services in Power and Energy, the more we see a shift to prime power gas. Jason talked about this at our Investor Day, and is significantly more aftermarket to a generator that is running for prime power because it's running constantly, similar to Oil and Gas. When you are in a gas compression application, it's going to be running 24/7. So those require service. They require overhaul cycles. When you start to see that business grow and the field population grow as we head to the back part of this decade, it's going to lead to great service and opportunities for us. And we can talk about Construction Industries because it is one of the largest opportunities we have.

Rod Shurman >> For Construction Industries, for us, like you said, it's one of the largest opportunities. We think of the number of connected assets we have today, that are out there, and what we are doing with our new services commitment focus. For here, for us now, as we launch this year, North America and other countries around the world following it, that services commitment to a customer with the Caterpillar Customer Value Agreement, it's 24-hour parts, 48-hour return to work. In routing to the customer, the customer gets credit if we don't deliver on that. So, for us that is a big change we're putting in writing and we guarantee what we're going to do for that customer to give them the support they need to support that machine through the lifecycle and its next lifecycle and the next lifecycle. In addition, and Joe hit on it, is how we bring all that data together to make things simple for our customers. As a customer myself, it could have been cumbersome a couple years ago to go find the right part for your machine, for example, which can impact our [Services] (company clarified after the call). Today with how the data comes through with VisionLink, with CAT AI assistant, I can ask CAT AI assistant how do you change the oil in a CAT 265 and it will give me instructions and then it will link to the parts I need. So, we are making it simple for the customer to get what they need to service their machine and keep it running with genuine CAT parts. It would be some simple examples of how we are solving that. We can take this same thing with big leaps around the world and that niche leap challenge we are solving for them brings all that data together and really helps them grow and brings them closer to us and helps us serve them better and drop their cost of ownership for the long term.

Steve Volkmann >> Okay. So, when we get to the \$30 billion, how much of that roughly would be for parts versus services?

Joe Creed >> We don't really split it. But when you think of the Caterpillar brand in business, right, we use the dealer network for service. So, most of that is going to be aftermarket parts. When you go to the other parts of our business where we have a direct model like Solar Turbines, our Rail [division], it's a heavy services model as well (company clarified after the call). And we've seen terrific growth in those [divisions], both of them (company clarified after the call). And in particular Solar, as we are adding capacity for turbines, all those are prime applications and come with a great services opportunities. So that services aspect of [Solar] is going to continue to grow (company clarified after the call). It's also a big part of how we get the \$30 billion and beyond.

Steve Volkmann >> Okay. I guess where I'm going with this is that at the show here you actually have quite a bit of interesting sort of AI assistants. Both for operators and for upkeep and things like that. And so is there an opportunity to have a significant amount of subscription base?

Joe Creed >> Yeah. I mean, I think right now it's early, right? In how we deploy technology whether it's AI, whether it's autonomy, or task autonomy, and I think we will be flexible on what sort of commercial models we want to have. And that is one of the advantages we have versus a start up or somebody who is just a tech company and wants to do it, right? For big customers it's going to be part of a total package deal. Right now, in the \$30 billion we laid out, we talked about Resource Industries, growing autonomous fleet. I mean, that is obviously part of it. But the lion's share, it's going to be around traditional services for us with services, opportunity for each of our three primary segments because each one of those has the opportunity to grow.

Steve Volkmann >> Okay. Well, I probably would not endear myself to my community if I didn't ask you about Power and Energy, so we will spend a few minutes there. You've communicated plans to more than double your gas turbine business and double your large engine capacity to meet power demand. Can you talk about the ramped timing and sort of key execution?

Joe Creed >> Yeah. So we started on the large engine and generator set side of the capacity investment a couple of years ago. And we made great progress. We were actually a little bit ahead of schedule last year, which I am pleased with Jason and his team, are doing a really, really good job. We will continue to get more units out almost every quarter, so it's not, it's not just one, big step up. But we will see, I think, a step change as we exit this year and head into next year on large engines. When it comes

to doubling or more than doubling our turbine capacity, we just announced that last year. We obviously had started on that, but that one is going to be a little longer so it will probably come more '28, '29 timeframe. But, those are longer cycle, longer orders. We generally have a good line of sight to that. And we were already working on some of those things with the introduction of the Titan 350 and some of the new programs that we had in Solar. So we've got a good start on it. We are on time or ahead of schedule so far, and I'm happy with the way it's going.

Steve Volkmann >> So, it sounds like maybe a step up in recips in '27 and then a step up in turbines.

Joe Creed >> That is the goal. But it's not, it's not flat with the step. We want to continue to get more units out every quarter as we go, so...

Steve Volkmann >> Okay. And what are sort of the key gating factors here? Is it labor or suppliers, casting?

Joe Creed >> I don't think there is one key gating factor that we have right now. As we look at each of these projects, we are working to make sure we have the capability inside our four walls. We definitely are doing the labor planning for us, machine tools, probably they get ordered. Those have to get here and get installed. And then when we start to install new machine tools, one of the longest things we have to do is validate components, right? We have a CAT brand promise that it's high quality coming out of the gates and we have to get hours and validate these machine tools, that they are up to our quality standards before we launch products out to customers. But all that is in the works. And then, we are working with the supply base to make sure we have the right component supply. And that is a big part of this investment as well. When we think about capacity, it's not just it's going to help us with the data centers and this explosive demand that we are seeing. But, again, we use, on the large engines side and in the turbines, we use them in Oil and Gas, and then when it comes to large engines, in our marine [application] and in CAT machine[s] (company clarified after the call). So, there is a diversified set of applications and volume demand for this. It's being driven largely by the data centers; but a lot of this is also in our internal component capability as well as in the supply base. And when you think about services growth, which we talked about, and a lot of overall, coming on for large engines and gas compression and prime power and Solar, a lot of this is also going to help us with our services growth and make sure that as we put more and more units in the field, that we have the components to make sure we can keep up on the services side.

Steve Volkmann >> So, you almost anticipated my next question, but I will ask it anyway. So, I think a lot of times people don't realize that the large reciprocating engines and the turbines are somewhat fungible. In terms of what you use them for. And so, you mentioned earlier a fair amount of optimism around the natural gas cycle, but just talk about, can you basically use the same equipment across natural gas and Power Generation?

Joe Creed >> Yeah. And that is one of the reasons why it's a huge advantage for us to have, just the breadth of the businesses that we do. And we do this development with sort of a core engine in mind. And Rod used to work in large engines with me and the engineering group also ran some of those factories. So, we try to have a really core set of iron when it comes to the engine. And then we have application, engineering and application, iron and sort of tweak it to an Oil and Gas application. Even in Oil and Gas, our compression application for a 3500 versus the fracking application, it's going to be a little different. So you go to electric power, the same thing. Mining is a little different. But when it comes to the core iron and the core capability in the factory, which is where both of the capacity is going in for, that's an advantage for us. It supplies multiple applications, as well as the aftermarket.

Steve Volkmann >> Okay. So, a lot of very strong demand across this type of equipment. What's your approach to sort of pricing this stuff?

Joe Creed >> I mean the pricing varies by each one of our businesses. And it varies by region in the world, right? And so, we take a lot of things into account when it comes to pricing, mostly the competitiveness. And we price for value, right? We try to be the premium provider of value to our customers and then it allows us to drive a price premium in the industry because it's good for them when they look at their total owning and operating cost. And so that is why all the tools that you see here, when it comes to Construction Industries especially, where I would say, it's really competitive. And we talked about it last year. We introduced some merchandising programs that were very successful, got us some good momentum. But it's way more than just the merchandising program. You know, I think VisionLink, and CAT AI assistant, all the things that we are doing here, working with our dealers, with services commitment, and that's going to help us provide value to our customers. And that's the key, really driving factor of our pricing. But, of course, we take inflation and then all the other things that are going on in each part of the world, the competitive situation; but we are in a different spot in each one of our businesses.

Steve Volkmann >> Good. Going back to your analyst day, I was actually struck when you said this, you talked about how Solar Turbines are a good opportunity for bridge

power as we get sort of to some future state where the grid is bigger and more available. So, it sort of begs the question, and I get this a lot, what happens in, whatever, 2030, 2035, pick a year when the grid sort of catches up, and I don't need that bridge solution anymore?

Joe Creed >> I mean, I get this question, and you can imagine, a little bit as well. The demands here, now, and these are great assets, they're very efficient. Our turbine line ups, especially the 250 [and 350], are very efficient because they're newly developed, our newest developed products in the line up (company clarified after the call). We continue to work with customers. And the closer we get to them, we know all these data center customers well and how we can continue to drive efficiency through using the heat to help with cooling and just we will drive more and more efficiency. I think, ten years from now, I don't know what happens ten years from now; but I think this bridge might be a long bridge. I'm not sure. We are probably going to continue to add on to this bridge. Because if you think about the build out that needs to happen, if it is really grid connects, it's more than just building a new power plant. So you got to build a new power plant, then you need transmission to move the power and get it there and then you got everything connected. I think there are going to be more and more. We have to upgrade the grid here in North America and around the world. And, I mean, I think that is a necessity. But at the timing of that, I'm not sure. And then I'll put my former finance hat on in CFO days, right? Our asset will be in place so that it will be running. We will make them super efficient. I think then you have to do the math equation if you are the owner of the site, are you going to do the grid connect? What do you need? What kind of business outcome or business case do you have? And the more and more what you see is as well, you do this and read about it all the time, that data centers are going to have to pay their way. We don't want electricity rates to go on to the consumers and on to households when it comes to electricity. So, if you are a data center owner and a site owner, if you're going to pay your way, and you already have to do that, I've think it helps us, right? You want to control your own destiny versus kind of pay and having utility, some of that is going to happen. I'm sure they will work it out in the rates. But you can control your own destiny with your own power plant behind the meter. And we have the widest range of solutions if you're going to do that, because we have turbines and reciprocating engines all the way from 30 megawatts down to a small size. So, yeah, it's an evolving industry and evolving trend. I think that is why it's hard to say what will happen ten years from now. But I know right now, for the next five plus years, the demand is strong. And if it does happen down the road, keep in mind we have a big overhaul fleet in Solar, right? We have a huge Reman [division] where we can take cores back in and it helps our Reman be more profitable as we remanufacture the components and put them back out for offerings in the aftermarket (company

clarified after the call). So, we have a lot of opportunities and flexibility to deal with that when it happens, or if it happens; but I think that is a long way away.

Steve Volkmann >> Okay. Fair enough. I wanted to switch a little bit to just talking about sort of the broader portfolio at CAT. You've de-emphasized some underperforming operations, I guess my words, but things like underground mining, change to your approach in China a little bit. I'm curious if there are other areas where you might be considering some refocus?

Joe Creed >> Yeah, I mean, under Jim, and when we launched the strategy in 2017, I was a big part of that with him and with my colleagues and the executive office to implement that strategy. We put a lot of discipline in the business through the operating execution model, that is the lens with which we look at all of our businesses. It's how we do our resource allocation. It's what's driven the structural change in our margin profile, in our cash flow performance. You know, and we focus on growing absolute OPACC dollars, but we give those other metrics so people can see the impact that it has. And we did look at some of the product lines and decided that our resources are better used elsewhere. That's what has really changed the performance of our business. We will continue to use that discipline as we move forward. But we have great opportunities in all of our segments. We have a regular cadence of reviews every year and how we look at our businesses strategically and we will continue to do that. Rod can comment on China. We have a huge presence and a set of factories, employees, dealers in China. I would say China demand has been down in [the above] ten ton excavators, which we tend to participate (company clarified after the call). I don't think we've drastically changed our approach there. I think we are not as dependent on that because we have grown our businesses everywhere. So, China, like other parts of Construction Industries, not every region of Construction Industries is really going strong, North America is going strong, the Middle East is strong. China and other parts of Asia has been relatively weak the last few years. So, I don't think we've changed our approach that much. You know, we will be there if that business picks up for our customers. But we use the Operating & Execution model through the whole business, and that is how we run it.

Steve Volkmann >> Okay. I've wanted to give you a chance to talk about China a little bit.

Rod Shurman >> For us in Construction Industries, like Joe said, we've got a manufacturing footprint over there, several employees over there, and we continue to see China as an opportunity for us. We are going to continue to focus on that, focus to grow there profitably. We see that as customer segments come back, where we can

participate in bringing the value that we bring as Caterpillar, and work on that, that is our commitment as we go through it. We have a global footprint. We continue to serve customers around the world as we best can to continually grow profitably; and that is part of the world we will continue to be in.

Joe Creed >> Yeah. I just don't view China as different than the Middle East or Australia or, I mean, South America. We want to compete everywhere and support our customers everywhere. And I think we can add value to our customers everywhere and continue to grow, so...

Steve Volkmann >> Okay. What about the Rail business, is that still sort of a central CAT business?

Joe Creed >> Yeah. I mean, our Rail [division], our services in Rail have been growing very consistently (company clarified after the call). The North America locomotive market has been down for a really, really long time, being down to almost zero. I mean, there's occasionally a deal here or there. So, we've done the right sizing to that business. And John Newman, president of our Rail [division], has done an amazing job, with adjusting that [division] to the lower demand (company clarified after the call). But we have great product development going on and being there for our customer when the buying opportunity happens. And until then we continue to help with rebuilds and continue to grow services in Rail. So, I think it's a good part of our portfolio right now. And moving it to Resource Industries really makes a lot of sense because we have common customers. A lot of mining customers around the globe will buy locomotives internationally. Great services opportunity. And we share a common footprint with our assets inside Caterpillar, so it allowed us to kind of get some efficiencies between the two businesses.

Steve Volkmann >> Okay. So maybe I'll flip the question the other way. Obviously, you do return most of your free cash flow to investors; but are there any sort of dream assets out there where if you had the opportunity, you would take advantage?

Joe Creed >> I don't know if there is a dream asset, right? We continually look at what do we need, right? So, what are the capabilities that each one of our segments needs to grow, right? And to take care of our customers and solve our customers' toughest challenges. We generally look lately for things like RPM. We are really excited about closing on RPM. It's a digital platform that you come in and enhance, plug in to the rest of our MineStar and other autonomy and other things we do in Resource Industries and provide a better holistic solution to our mining customers. It's going to make them much more efficient and allow us to serve them in a lot better way. We look for assets that we

can bring in and scale across the businesses that makes sense. We have a part of the Operating & Execution model, right? What does it take to continue to grow in the industry? What do we see in industry trends? We look at our portfolio. Are there any gaps in technology or things that we need? So, I don't think of it as looking for dream assets, better right now. But if the right opportunity comes along, it's one of the great things about being a disciplined company, we generate a lot of cash. We have a lot of debt capacity. The balance sheets are in great shape. We will do the right thing at the right time to grow our business.

Steve Volkmann >> Okay. So, two predecessors ago from you I sat in Peoria and was told that the future of mining is underground and that you were going to have to figure that out at some point. Does that still resonate with you?

Steve Volkmann>> You know, I don't know what that conversation was with Doug. I'll have to ask him. It was a long time ago.

Steve Volkmann >> It was a long time ago.

Joe Creed >> I will see him soon and I can ask him. But we stay close to our mining customers, right? And I think there is a ton of opportunity with the portfolio that we have. We do have where we do participate in underground and is where we can add value to our customers. And we are not going to kind of say, oh, it's one certain subsegment of Resource Industries or mining or construction. We want to support our customers where we can add the most value, and that way it's a win-win for both of us and our dealers.

Steve Volkmann >> Okay. Good. So, I sort of saved this one for last, but it's the one I get first, probably you do too, but tariffs. Obviously, there's been a lot of noise around tariffs, and we are trying to figure out what the Supreme Court ruling might mean. Just any update regarding your view of tariff's impact?

Joe Creed >> I mean we've said this all last year, right? It continues to be a volatile situation. The Supreme Court ruling came out. We have teams working very hard to try to digest it and understand their announcements coming out and what's going to happen next. We will continue to monitor that. We don't have an update for anyone right now. We will hopefully have more when we release our first quarter earnings here in a few weeks. But for now, we don't really have an update on it. It continues to be fluid. The good news is you look at our order trends in all three primary segments, kind of how we started and when we talked about this, right? We had great order momentum in all three of our primary segments, great backlog in all of our segments,

and tremendous momentum in the business. And that's what we are doing right now is, of course, we are looking at all the tariff situation. But we have tremendous momentum in all three primary segments, and that is where we want to make sure we keep going.

Steve Volkmann >> So, you have had a fairly big hit to margins in the short run around all these tariffs. So, I'm curious about your sort of strategic approach. Is it more important for you to regain that less margin over time or to gain sort of PINS in the US market?

Joe Creed >> I think we can do both, and that's how you run a healthy business, right? We want to grow business. We also want to have a healthy margin. And I think, one, it's a testament of the discipline that we put in our business, that we've been able to absorb that level of expense in that short amount of time and still be sort of in our margin ranges. If you think about it, you know, our goal is to grow OPACC dollars, but we want to operate towards the middle of the margin range, right? And we are going to work our way back there over time, but it takes a little bit of time when things continue to move around. But I think we can do both. I think we can operate solidly in the margin range and continue to grow our business at the same time.

Steve Volkmann >> So, it's maybe for Rod in the same vein here, that there is this perception, I think, that there's been a lot of price push for the past few years and the contractors and customers are a little bit sick of price increases, to use a vernacular. You did see some negative pricing with some of your sales push last year. What is the outlook for you? Does pricing sort of stabilize? Is there an opportunity to push a little bit more through or is it an industry where the competition doesn't allow it?

Rod Shurman >> As we were previewing last year, we did talk, and as Joe mentioned earlier, we did some merchandising really to focus on customers, some of the things they need to do, we need to do for them. We will continue to have initiatives like that, that come out, that are focused on portions of the business where we are seeing some demand and we are really trying to work and show what we can do and drive the value that is out on the product. We will continue to work with our customers and help them understand the value that is there, along with the dealers. And when we can demonstrate that value to the customer, and we will see the price continue through and continue to stay focused on that. We largely follow where the industry is going to be at and we are in that position and we continue this work on demonstrating solutions for us that drive that value profit, for the customers have always known through Caterpillar.

Joe Creed >> We will do what drives value for our customer. We will lap those merchandising programs this year and expect a more positive pricing environment as

we go throughout 2026. So, we continue to look at the situation, that right now we have healthy margins. If you look at the operating margins of our segments and we are sort of the best in the industry and a testament to the way we have been running the business, and we can continue to grow and have good margins in the ranges. I think it's great, that is the right sweet spot we want to be at.

Steve Volkmann >> Do you think there have been any market share shifts in this whole process?

Joe Creed >> I think we outperformed the industry in Construction Industries last year, and I think we continue to do well with our large data center customers. Our goal is to continue to gain more customers. But what we are seeing with CAT Compact is the whole intent of that commercial excellence and CAT Compact getting close to the customers, to speak to the smaller subsegment of the construction industry that really doesn't consider us as much as we would like them to. So, through those types of opportunities, I think we can continue to grow the amount of customers that want to use CAT machines and CAT equipment.

Steve Volkmann >> All right. Good. Well, I guess I can attest to the fact you are a lean company because I'm out of questions. And if there is any final comment you would like to add?

Rod Shurman >> I thank everybody who is here. Take a chance to see everything we've brought because it's completely focused from what our customers have asked us for, solving safety, productivity, labor challenges, mixed fleet solutions that are out there. We brought everything we have in that space to show. You can see some of that from our keynote we did yesterday. But if you are at an operator stadium, go through the demonstration area, walk through the technology booth, take a chance to go over to the west hall and see what we can do to solve that. And just remember, CAT Compact, for the first customers, come. We are building the reputation and the brand that comes with Caterpillar, with that loyalty and that first touch. We are doing the same with rentals and all the solutions in technology that are out there to really solve our customers' toughest challenges, and that is what we are committed to do. This is our big show in North America, and we brought everything out there to show our customers what we can do for them today and in the future.

Joe Creed >> Yeah. Couldn't have said it better. We are focused on the mission statement, solving our customers' toughest challenges. And, when we do that, everything you see here, whether that is commercial excellence and easier to do business with or whether that's through all the technology that we have to make them

better and more efficient, it's really exciting to see the strategy come to life. We have amazing opportunities in all three of our primary segments and for me to come here at ConExpo to feel the energy. And you and I, Steve, were talking before, the energy here, in particular in our multiple booths, I think has been incredible. And it's fun to see our customers, our dealers, and most of all the incredible people with Caterpillar to make this happen every single day. So, we have an amazing team. I'm proud to be part of it. And we have a very bright future and think we will have a great year in 2026.

Steve Volkmann >> Well, Joe, Rod, thank you. On behalf of the investment community, we appreciate the time you spent with us and it's been fun.

Rod Shurman >> Thank you.

Joe Creed >> Thanks, everybody.

Rod Shurman >> Thank you.