



# Second Quarter 2018 Financial Review

July 30, 2018

OUR SOLUTIONS HELP OUR CUSTOMERS BUILD A BETTER WORLD.

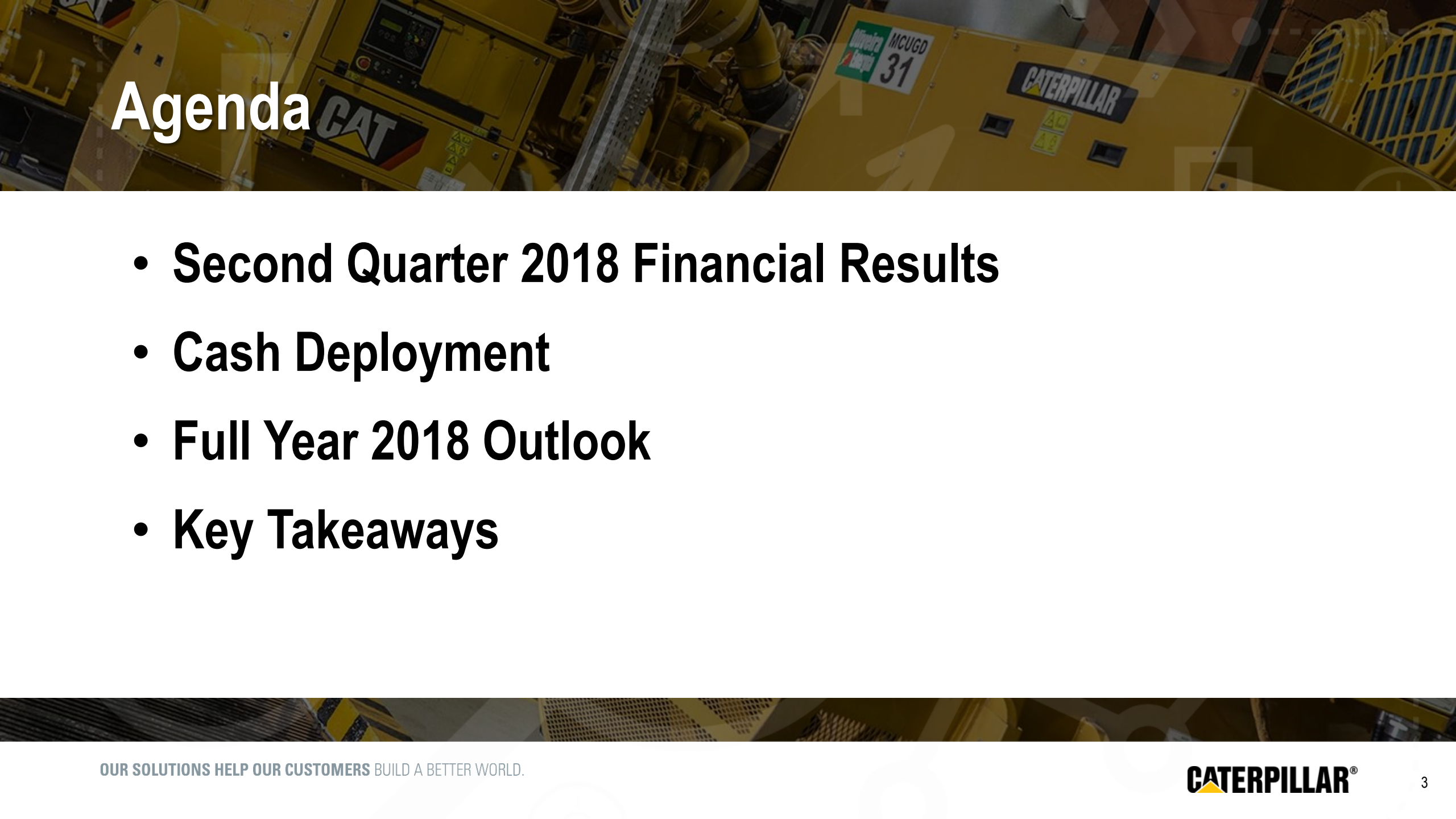
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# Forward-Looking Statements

Certain statements in this financial review relate to future events and expectations and are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “believe,” “estimate,” “will be,” “will,” “would,” “expect,” “anticipate,” “plan,” “project,” “intend,” “could,” “should” or other similar words or expressions often identify forward-looking statements. All statements other than statements of historical fact are forward-looking statements, including, without limitation, statements regarding our outlook, projections, forecasts or trend descriptions. These statements do not guarantee future performance and speak only as of the date they are made, and we do not undertake to update our forward-looking statements.

Caterpillar’s actual results may differ materially from those described or implied in our forward-looking statements based on a number of factors, including, but not limited to: (i) global and regional economic conditions and economic conditions in the industries we serve; (ii) commodity price changes, material price increases, fluctuations in demand for our products or significant shortages of material; (iii) government monetary or fiscal policies; (iv) political and economic risks, commercial instability and events beyond our control in the countries in which we operate; (v) international trade policies and their impact on demand for our products and our competitive position, including the imposition of new tariffs or changes in existing tariff rates; (vi) our ability to develop, produce and market quality products that meet our customers’ needs; (vii) the impact of the highly competitive environment in which we operate on our sales and pricing; (viii) information technology security threats and computer crime; (ix) additional restructuring costs or a failure to realize anticipated savings or benefits from past or future cost reduction actions; (x) failure to realize all of the anticipated benefits from initiatives to increase our productivity, efficiency and cash flow and to reduce costs; (xi) inventory management decisions and sourcing practices of our dealers and our OEM customers; (xii) a failure to realize, or a delay in realizing, all of the anticipated benefits of our acquisitions, joint ventures or divestitures; (xiii) union disputes or other employee relations issues; (xiv) adverse effects of unexpected events including natural disasters; (xv) disruptions or volatility in global financial markets limiting our sources of liquidity or the liquidity of our customers, dealers and suppliers; (xvi) failure to maintain our credit ratings and potential resulting increases to our cost of borrowing and adverse effects on our cost of funds, liquidity, competitive position and access to capital markets; (xvii) our Financial Products segment’s risks associated with the financial services industry; (xviii) changes in interest rates or market liquidity conditions; (xix) an increase in delinquencies, repossessions or net losses of Cat Financial’s customers; (xx) currency fluctuations; (xxi) our or Cat Financial’s compliance with financial and other restrictive covenants in debt agreements; (xxii) increased pension plan funding obligations; (xxiii) alleged or actual violations of trade or anti-corruption laws and regulations; (xxiv) additional tax expense or exposure, including the impact of U.S. tax reform; (xxv) significant legal proceedings, claims, lawsuits or government investigations; (xxvi) new regulations or changes in financial services regulations; (xxvii) compliance with environmental laws and regulations; and (xxviii) other factors described in more detail in Caterpillar’s Forms 10-Q, 10-K and other filings with the Securities and Exchange Commission.

See appendix A for adjusted operating profit margin calculation and reconciliation to U.S. GAAP. A reconciliation of all other non-GAAP financial information referenced in this presentation can be found in our press release describing 2018 second-quarter financial results which is available on our website at [www.caterpillar.com/earnings](http://www.caterpillar.com/earnings).



# Agenda

- **Second Quarter 2018 Financial Results**
- **Cash Deployment**
- **Full Year 2018 Outlook**
- **Key Takeaways**

# 2018 Financial Results

Second Quarter 2018 vs. Second Quarter 2017

## Sales and Revenues

(in billions of dollars)

**\$14.0**

**\$14.0**

**\$11.3**

2017

2018

## Profit Per Share

(in dollars)

**\$2.82**

**\$2.82**

**\$1.35**

2017

2018

## Adjusted Profit Per Share

(in dollars)

**\$2.97<sup>1</sup>**

**\$2.97<sup>1</sup>**

**\$1.49<sup>2</sup>**

2017

2018

## 2<sup>nd</sup> Quarter Highlights

### Sales and Revenues – Up 24%

- Increased across the three primary segments
- Construction Industries growth primarily in North America and China
- Mining equipment sales improved
- Energy & Transportation North America onshore oil and gas strength continues

### Profit

- Record 2Q profit per share
- Adjusted profit per share nearly doubled

### Financial Position

- \$750M in common stock repurchased
- \$8.7B cash on hand



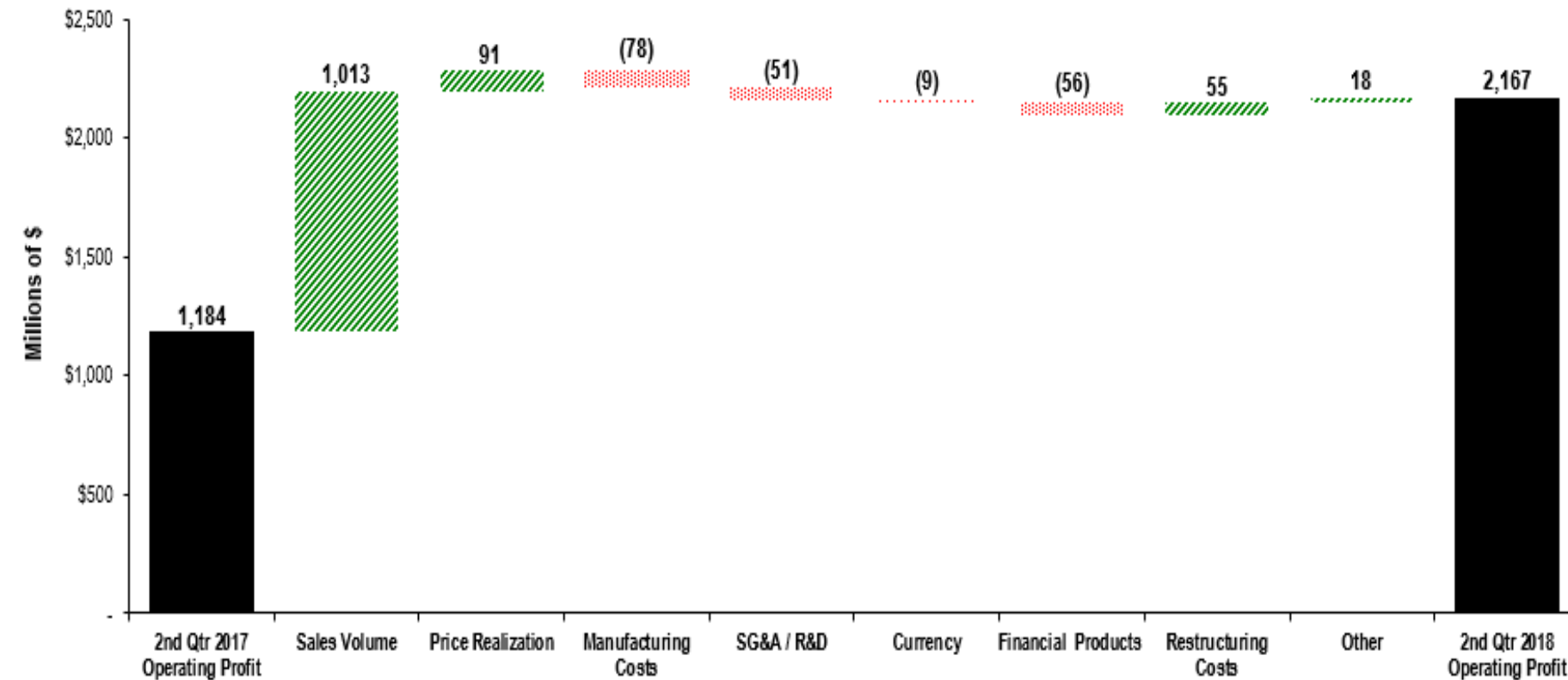
<sup>1</sup> Excludes restructuring costs

<sup>2</sup> Excludes restructuring costs and gain on sale of equity investment in IronPlanet

# Consolidated Operating Profit

Second Quarter 2018 vs. Second Quarter 2017

**Investor Day**  
Operating Profit  
Margin Range  
**14%-17%**



## 2<sup>nd</sup> Quarter Highlights

### Operating profit up 83%

- Higher sales volume across the three primary segments
- Favorable price realization partially offset by higher manufacturing costs
  - Increased freight costs
  - Higher material costs
  - Lower warranty expense

**2Q 2018 adjusted operating profit margin<sup>1</sup> – 16.3%**

<sup>1</sup> Excludes restructuring costs

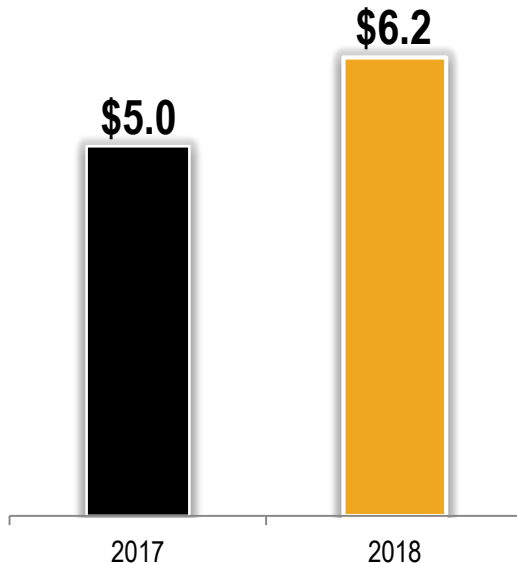
# Construction Industries

Second Quarter 2018 vs. Second Quarter 2017

**Investor Day**  
Segment  
Margin Range  
**15%-17%**

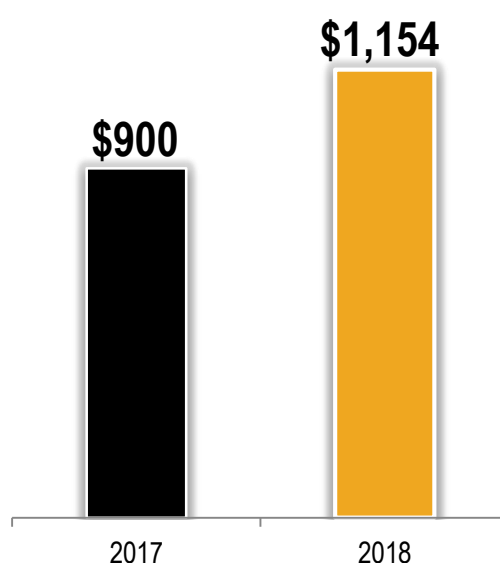
## Total Sales\*

(in billions of dollars)



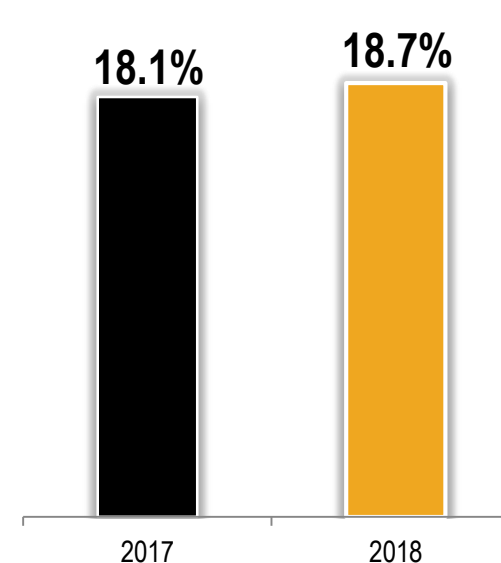
## Segment Profit

(in millions of dollars)



## Segment Profit

as a percent of total sales\*



\* Includes inter-segment sales

## 2<sup>nd</sup> Quarter Highlights

### Total Sales Increase – \$1.2B (24%)

- Sales increased in all regions:
  - **Asia/Pacific** – Higher demand across the region, largest increase in China
  - **North America** – Higher demand for oil and gas, including pipelines, and non-residential construction activity
  - **EAME** – Higher demand across the region and favorable currency
  - **Latin America** – Slightly higher while construction activities remained weak

### Segment Profit Increase – \$254M

- Higher sales volume
- Unfavorable price realization
- Higher material and freight costs
- Increased SG&A/R&D

# Resource Industries

Second Quarter 2018 vs. Second Quarter 2017

**Investor Day**  
Segment  
Margin Range  
**12%-16%**

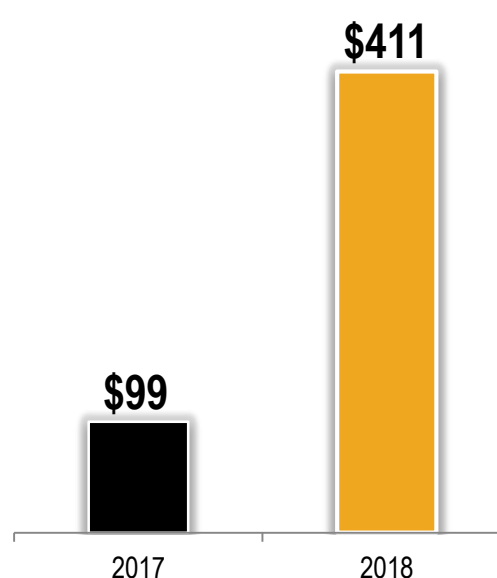
## Total Sales\*

(in billions of dollars)



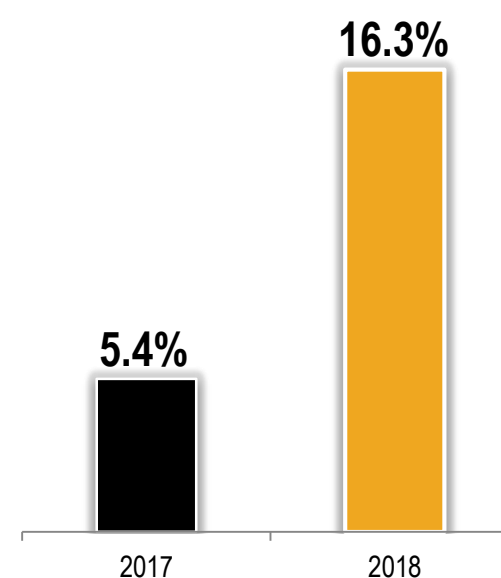
## Segment Profit

(in millions of dollars)



## Segment Profit

as a percent of total sales\*



\* Includes inter-segment sales

## 2<sup>nd</sup> Quarter Highlights

### Total Sales Increase – \$0.7B (38%)

- Commodity prices remained strong, mining customers investing
- Positive global economic growth resulted in higher heavy construction equipment sales

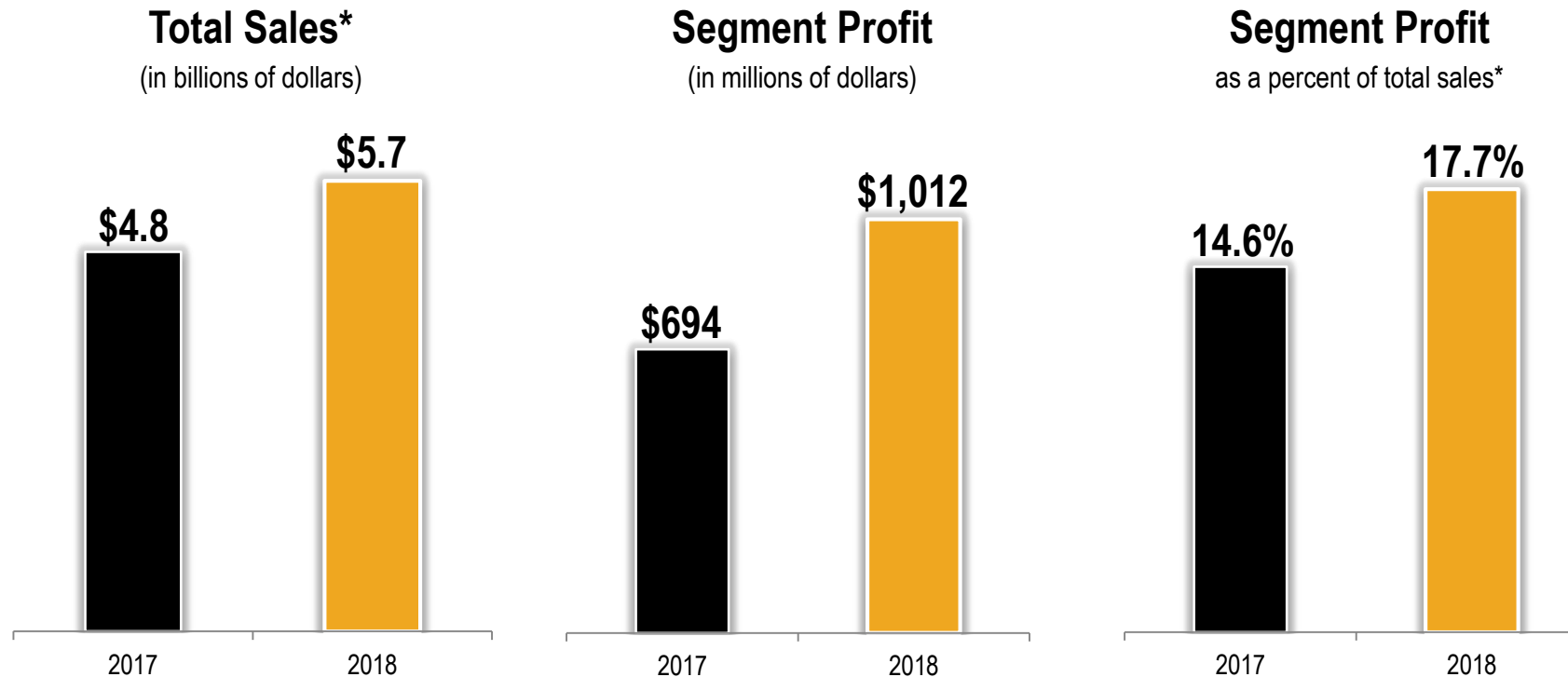
### Segment Profit Increase – \$312M

- Higher sales volume
- Favorable price realization
- Lower warranty expense, partially offset by increased freight

# Energy & Transportation

Second Quarter 2018 vs. Second Quarter 2017

**Investor Day**  
Segment  
Margin Range  
**16%-18%**



\* Includes inter-segment sales

## 2<sup>nd</sup> Quarter Highlights

**Total Sales Increase – \$0.9B (20%)**

- Sales increased across all applications:
  - **Oil and Gas** – strong North America onshore activity
  - **Power Generation** – primarily in EAME from gas power market growth
  - **Industrial** – improving economic conditions
  - **Transportation** – rail services from acquisitions and higher rail traffic

**Segment Profit Increase – \$318M**

- Higher sales volume
- Favorable price realization
- Higher freight costs and targeted investments

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# ME&T Cash Deployment

## Cash Deployment Priorities

**Maintain Financial Strength / Mid-A Rating**

**Operational Excellence & Commitments**

**Excess Cash**

## Discretionary Cash Deployment Priorities

### Strategic Growth Initiatives

Services  
Expanded Offerings  
M&A

### Return of Capital

Dividend Growth  
Share Repurchase

- Increased quarterly dividend \$0.08 per share, or about 10% per share
- Repurchased \$750 million of common stock in 2Q; \$1.25 billion YTD
- New board authorization for up to \$10.0 billion of stock repurchases, effective January 1, 2019

# Full Year 2018 Outlook

|                                              | Previous Outlook <sup>2</sup> | Current Outlook <sup>3</sup> |
|----------------------------------------------|-------------------------------|------------------------------|
| Profit Per Share Range                       | \$9.75 – \$10.75              | \$10.50 – \$11.50            |
| Restructuring Costs                          | ~\$400 million                | ~\$400 million               |
| Adjusted Profit Per Share Range <sup>1</sup> | \$10.25 – \$11.25             | \$11.00 – \$12.00            |

<sup>1</sup> Excludes restructuring costs

<sup>2</sup> As of April 24, 2018

<sup>3</sup> As of July 30, 2018

# 2018 Outlook – End Market Assumptions



## Slow to Recover



### Construction Industries:

- Latin America



### Energy & Transportation:

- Offshore
  - Oil and Gas
  - Marine
- Drilling
- Rail – New Locomotives



## Recovering



### Resource Industries:

- Mining Equipment



### Energy & Transportation:

- Rail
  - Locomotive Rebuilds and Modernizations
  - Rail Services
- Power Generation



## Strong Demand



### Construction Industries:

- Asia/Pacific - China
- North America
- EAME



### Energy & Transportation:

- Onshore Gas Compression and Well Servicing
- Industrial

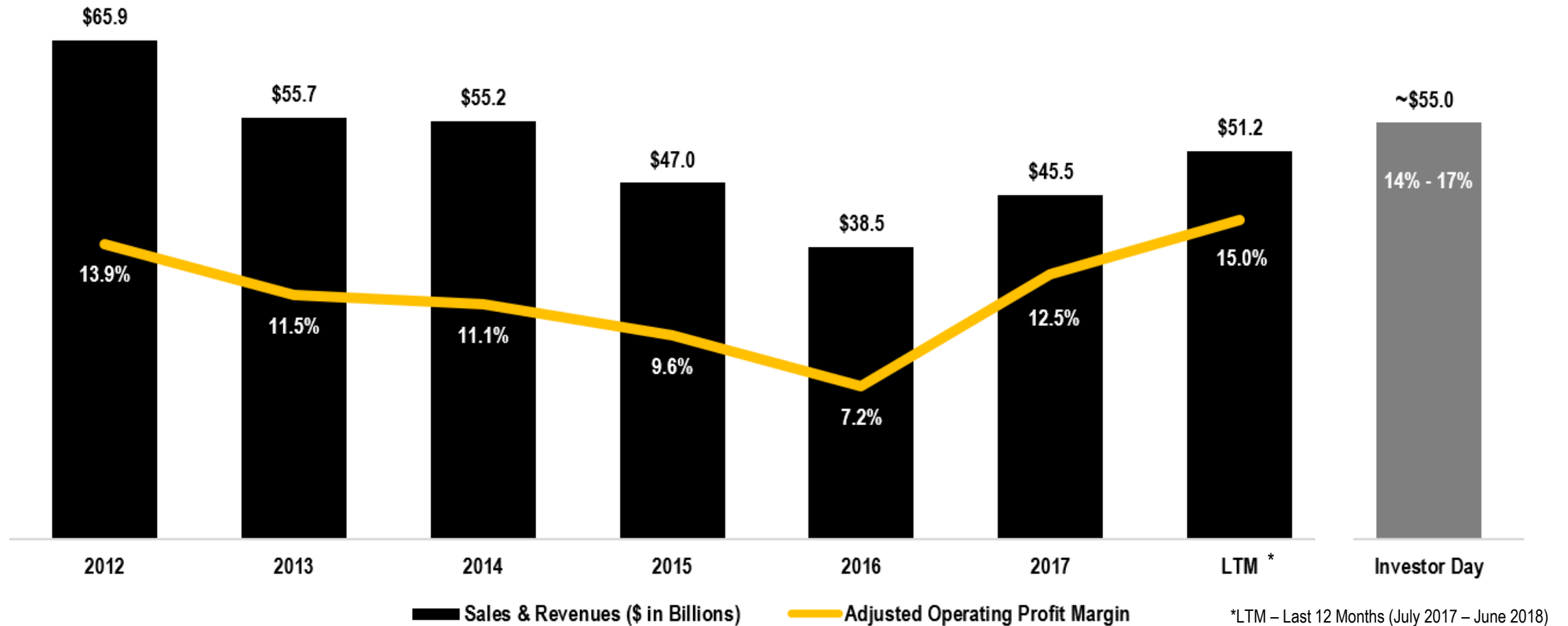


### Resource Industries:

- Heavy Construction

# Consolidated

*Sales and Revenues and Adjusted Operating Profit Margin*



# Key Takeaways



**Record  
second-quarter  
profit per share**



**Raised full year  
outlook range**



**Strong  
financial position**



**Strong operating margins**



**Executing our strategy and investing  
for long-term profitable growth**

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# Q&A

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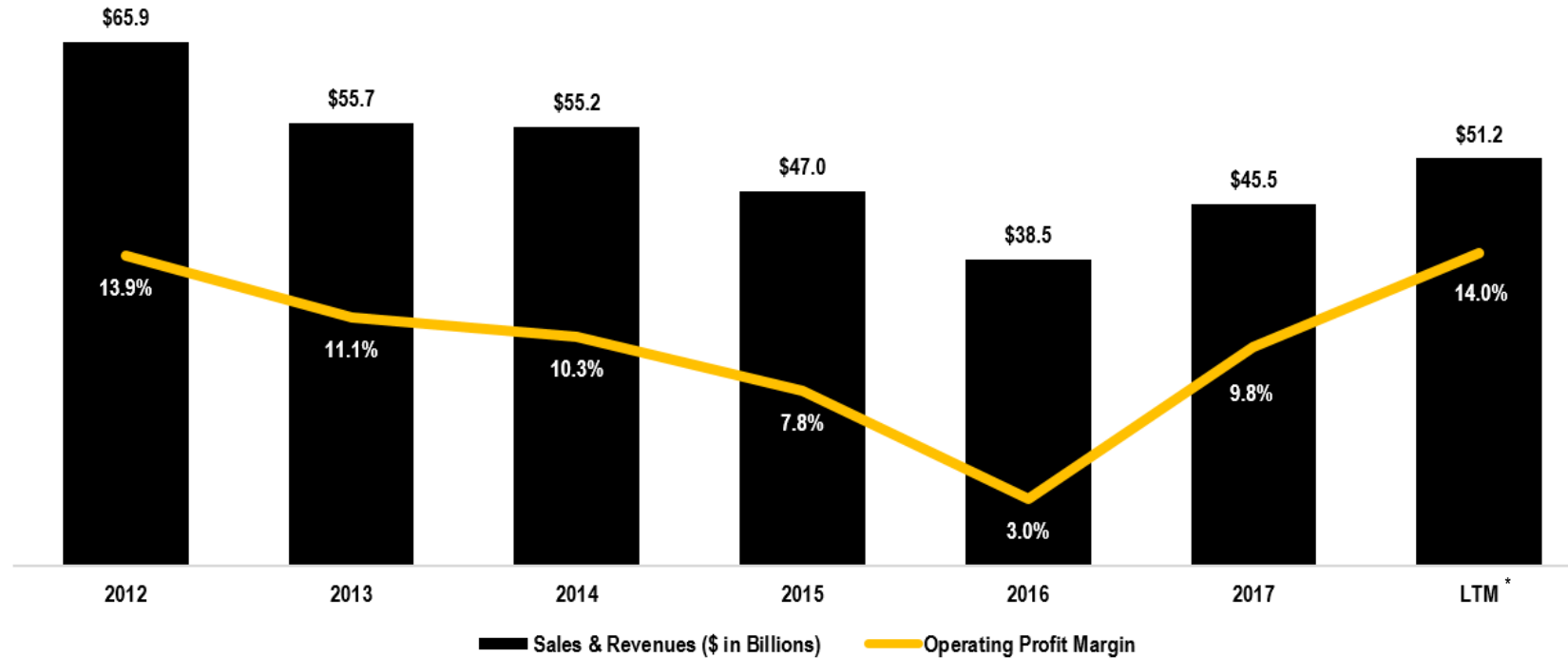
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# Appendix

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# Caterpillar Inc. – Appendix of Reconciliation to US GAAP



|                                        | 2012  | 2013  | 2014  | 2015 | 2016 | 2017  | LTM*  | 2Q 2018 |
|----------------------------------------|-------|-------|-------|------|------|-------|-------|---------|
| Operating margin %                     | 13.9% | 11.1% | 10.3% | 7.8% | 3.0% | 9.8%  | 14.0% | 15.5%   |
| Operating margin % restructuring costs | -     | 0.4%  | 0.8%  | 1.8% | 2.6% | 2.7%  | 1.0%  | 0.8%    |
| Operating margin % goodwill impairment | -     | -     | -     | -    | 1.6% | -     | -     | -       |
| Adjusted operating margin %            | 13.9% | 11.5% | 11.1% | 9.6% | 7.2% | 12.5% | 15.0% | 16.3%   |

\*LTM – Last 12 Months (July 2017 – June 2018)