

10 - 29 - 2025

Caterpillar Inc.

3Q 2025 Earnings

Caterpillar Inc.

3Q 2025 Earnings

CORPORATE SPEAKERS:

Alex Kapper

Caterpillar Inc.; Vice President of Investor Relations

Joseph Creed

Caterpillar Inc.; Chief Executive Officer

Andrew Bonfield

Caterpillar Inc.; Chief Financial Officer

PARTICIPANTS:

Kyle Menges

Citi; Analyst

Angel Castillo Malpica

Morgan Stanley; Analyst

David Raso

Evercore ISI; Analyst

Tami Zakaria

JPMorgan; Analyst

Mircea Dobre

Baird; Analyst

Robert Wertheimer

Melius Research; Analyst

Kristen Owen

Oppenheimer; Analyst

Michael Feniger

Bank of America; Analyst

Jamie Cook

Truist Securities; Analyst

Stephen Volkmann

Jefferies; Analyst

PRESENTATION:

Operator^ Welcome to the Third Quarter 2025 Caterpillar Earnings Conference Call. Please be advised that today's conference is being recorded.

Caterpillar Inc.

3Q 2025 Earnings

I will now hand the conference over to your speaker today, Alex Kapper. Thank you. Please go ahead.

Alex Kapper^ Thank you, Audra. Good morning, everyone, and welcome to Caterpillar's Third Quarter of 2025 Earnings Call. I'm Alex Kapper, Vice President of Investor Relations. Joining me today are Joe Creed, Chief Executive Officer; Andrew Bonfield, Chief Financial Officer; Kyle Epley, Senior Vice President of the Global Finance Services Division; and Rob Rengel, Senior Director of Investor Relations.

During our call we'll be discussing the third quarter earnings release we issued earlier today. You can find our slides, the news release and a webcast replay at investors.caterpillar.com under "Events and Presentations". The content of this call is protected by U.S. and international copyright law. Any rebroadcast, retransmission, reproduction or distribution of all or part of this content without Caterpillar's prior written permission is prohibited.

Moving to Slide 2. During our call today we'll make forward-looking statements which are subject to risks and uncertainties. We'll also make assumptions that could cause our actual results to be different from the information we're sharing with you on this call. Please refer to our recent SEC filings and the forward-looking statements reminder in the news release 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 in our SEC filings. On today's call we'll 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 the earnings call slides. Now, let's advance to Slide 3 and turn the call over to our CEO, Joe Creed.

Joseph Creed^ Thank you, Alex. And good morning, everyone. Thanks for joining us today. Solid performance from our team generated strong results this quarter, driven by resilient demand and focused execution across our three primary segments. And as a result, sales growth and adjusted operating profit margin were both slightly above our expectations.

Sales and revenues increased 10% to \$17.6 billion, an all-time record for a single quarter. Backlog grew by about \$2.4 billion, driven by strong orders in Energy &

Caterpillar Inc.

3Q 2025 Earnings

Transportation. The backlog is now \$39.8 billion, which is also an all-time record, and positions us for sustained momentum and long-term profitable growth. We also generated \$3.2 billion of ME&T free cash flow, and we deployed about \$1.1 billion to shareholders through dividends and share repurchases during the quarter.

I'll start with my perspectives about this quarter's performance. Then I'll discuss our outlook, along with insights about our end markets. And finally, Andrew will provide a detailed overview of results and key assumptions.

Turning to Slide 4. Sales and revenues were up 10% versus last year. The increase was primarily due to higher sales volume, partially offset by unfavorable price realization for machines. Higher sales volume was driven by higher sales of equipment to end users across our three primary segments. Third-quarter adjusted operating profit margin was 17.5%. For the quarter, the net impact of incremental tariffs was near the top end of our estimated range of \$500 million to \$600 million. Despite the tariff headwind, adjusted operating profit margin was slightly above our expectation primarily due to better-than-expected sales volume in Energy & Transportation. We achieved quarterly adjusted profit per share of \$4.95. Compared to the third quarter of 2024, sales to users increased 12%, led by 25% growth in Energy & Transportation, while machine sales to users increased 6%.

For Construction Industries, sales to users were up 7% year-over-year, broadly in line with our expectations. Let me take a minute to walk through the sales to users by region. North America increased 11% over the prior year and was better than we anticipated due to growth in both residential and nonresidential construction. While Rental fleet loading was down slightly, dealers' rental revenue continued to grow in the quarter. An increase in EAME was primarily due to growth in Africa and the Middle East. We saw a decline in Asia/Pacific, which was below our expectations, resulting from softness in a few key sub-regions. Latin America increased, but slightly lower than we anticipated.

In Resource Industries, sales to users increased 6% year-over-year, which was slightly above our expectations. Mining was better than expected due to the timing of deliveries to end customers for large mining trucks and off-highway trucks. Heavy Construction and Quarry & Aggregates were in line with our expectations.

Caterpillar Inc.

3Q 2025 Earnings

In Energy & Transportation, sales to users increased by 25% year-over-year with double-digit growth across all applications. The largest growth came from Power Generation with a 33% increase, primarily due to demand for reciprocating engines for data center applications. Turbines and turbine-related services also contributed to Power Generation growth. Sales to Users in Oil & Gas, Industrial, and Transportation all increased about 20%. The increase in Oil & Gas was primarily driven by higher demand for turbines and turbine-related services. Industrial grew from a relatively low level and was driven by sales into electric power applications. Transportation increased due to international locomotive deliveries.

Moving to dealer inventory and our backlog. In total, dealer inventory increased by approximately \$600 million versus the second quarter of 2025. Machine dealer inventory increased approximately \$300 million, about in line with our expectations. As I mentioned, backlog increased sequentially by \$2.4 billion, driven by robust order activity in Power Generation and Oil & Gas. Since the third quarter of 2024, our backlog has increased 39% with growth across all three primary segments.

Moving to Slide 5, I'll now discuss our outlook. I'm pleased with the continued positive momentum in our business. With a record backlog, strong order rates, and continued growth in sales to users, our outlook has improved since last quarter. For the fourth quarter, we anticipate strong sales growth versus the prior year. Sales growth is expected to be driven by higher volumes in all three segments. We also expect the year-over-year impact of price realization to be about flat in the fourth quarter. Excluding the net impact of incremental tariffs, fourth quarter adjusted operating profit margin is expected to be higher versus the prior year. When taking into account the net impact from incremental tariffs, we expect fourth quarter enterprise adjusted operating profit margin to be lower versus the prior year. Given the strength across our three primary segments, we now expect full-year 2025 sales and revenues to be higher than we previously anticipated, resulting in modest growth versus 2024. We continue to expect full-year services revenues to be about flat versus 2024.

Based on the incremental tariffs announced in 2025 and expected to be in place by November 1st, we expect the full-year net impact from tariffs to be between \$1.6 billion and \$1.75 billion. Tariff and trade negotiations remain fluid. Our team is continuously evaluating options to further reduce the impact of tariffs going

Caterpillar Inc.

3Q 2025 Earnings

forward, and we fully intend to implement longer-term actions once there's sufficient certainty. I remain confident that we'll manage the impact of tariffs over time.

Excluding the net impact of incremental tariffs, full-year adjusted operating profit margin is expected to be in the top half of our target margin range. Including the net impact from incremental tariffs, we expect full-year adjusted operating profit margin to be near the bottom of the target range corresponding to our current expectation for full-year sales and revenues. This margin estimate includes the initial mitigating actions already implemented and currently planned throughout the rest of the year. We also expect ME&T free cash flow to be above the midpoint of the \$5 billion to \$10 billion target range. Andrew will provide more details on key assumptions for the fourth quarter and full year in a moment.

To further support our sales outlook, I'll now share the latest view of our end markets. Starting with Construction Industries. As I mentioned earlier, we're encouraged by another quarter of growth in sales to users and strong order rates across many of our regions. Customers continue to be responsive to the attractive rates we're offering through CAT Financial.

We continue to anticipate full-year growth in Construction Industries sales to users despite softness in the global industry. In North America, overall construction spending remains at healthy levels and infrastructure projects funded by the IIJA continue to be awarded. We continue to expect full-year growth for sales to users. Full-year dealer rental revenues are also expected to grow, and we anticipate dealer rental fleet loading will increase in the fourth quarter compared to the prior year. In Asia/Pacific, we anticipate full-year sales to users to be about flat. China has shown positive momentum to start the year, and we expect full-year growth in the above-10-ton excavator industry, but from a very low level of activity. In Asia/Pacific, outside of China, we expect economic conditions to be soft. In EAME, we expect growth for the year, driven by healthy construction activity in Africa and the Middle East, and improving economic conditions in Europe. With ongoing weaker construction activity in Latin America, we now expect to be about flat for the full year.

Moving to Resource Industries. We anticipate lower sales to users in 2025 compared to last year as customers continue to display capital discipline. However,

Caterpillar Inc.

3Q 2025 Earnings

we see positive momentum with healthy orders for large mining trucks, articulated trucks and large track type tractors. Although most key commodities remain above investment thresholds, declining coal prices have caused an increase in the number of parked trucks. As a result, we continue to expect slightly lower rebuild activity compared to last year. Overall, customer product utilization remains high, and the age of the fleet remains elevated. We also continue to see growing demand and customer acceptance of our autonomous solutions.

And finally, in Energy & Transportation. We expect strong growth in full-year sales for Power Generation compared to last year. Demand remains robust, driven by data center growth related to cloud computing and generative AI. We are also pleased by healthy orders for the prime power applications, as evidenced by recent announcements with Joule Capital Partners and Hunt Energy Company. We continue to stay close to our largest data center customers and receive regular feedback on their long-term demand expectations. In Oil & Gas, we expect moderate growth in 2025. For reciprocating engines and services, we continue to expect softness in well servicing due to ongoing capital discipline, industry consolidation and efficiency improvements in our customers' operations. We do see positive momentum in demand for reciprocating engines used in gas compression applications. Solar Turbine's Oil & Gas backlog remains strong, and we see healthy order and inquiry activity. With our ongoing investment to increase large reciprocating engine capacity, we're continually improving manufacturing throughput to meet customer needs across a broad range of applications. Demand for products in Industrial applications is improving from previous lows, with order growth being driven by engines sold into Electric Power applications. Transportation is expected to remain stable.

The strong momentum we achieved in the third quarter, combined with the anticipated growth through year-end, sets the stage for exciting opportunities ahead. As a result, I look forward to sharing more about our long-term outlook at our 2025 Investor Day on November 4th. And now, I'll turn it over to Andrew for a detailed overview of results and key assumptions looking forward.

Andrew Bonfield^ Thank you, Joe, and good morning, everyone. As usual, I will start with a brief overview of our third-quarter results, followed by our segment performance. Then, I'll discuss the balance sheet and free cash flow before concluding with our current assumptions for the full year and the fourth quarter.

Caterpillar Inc.

3Q 2025 Earnings

Beginning on Slide 6. Sales and revenues were \$17.6 billion, a 10% increase versus the prior year. This was slightly better than we had expected on stronger volume. Adjusted operating profit was \$3.1 billion, and our adjusted operating profit margin was 17.5%-both were slightly better than we had expected. Profit per share was \$4.88 in the third quarter compared to \$5.06 in the third quarter of last year. Adjusted profit per share was \$4.95 in the quarter, compared to \$5.17 last year. Adjusted profit per share excluded restructuring costs of \$0.07 in the quarter, compared to \$0.11 in the third quarter of 2024. Other income and expense was favorable by \$132 million, primarily due to the absence of an unfavorable ME&T balance sheet translation impact which occurred in the prior year. Excluding discrete items, the [estimated] global annual effective tax rate was 24%, an increase versus our prior expectation of 23%. The higher [rate] had an unfavorable impact on our performance in the quarter by about \$0.18 (company clarified after the call). This is due to changes in recently enacted U.S. tax legislation. While the changes have a negative impact on the tax rate in 2025, they benefit 2025 cash flow. In 2026 and beyond, we would expect a positive benefit to the tax rate versus the previous estimated tax rate for 2025 subject to a consistent mix of profits. The year-over-year impact from the reduction in the average number of shares outstanding, primarily due to share repurchases, resulted in a favorable impact on adjusted profit per share of approximately \$0.17.

Moving to Slide 7, I'll discuss our top line results for the third quarter. Sales and revenues increased by 10% compared to the prior year, driven by higher volume which was primarily due to stronger sales of equipment to end users. Changes in dealer inventory acted as a slight tailwind to sales while price realization was a slight headwind. As I mentioned, sales were slightly better than we had expected in August.

Moving to operating profit on Slide 8. Operating profit in the third quarter [decreased] by 3% to \$3.1 billion compared to the prior year. Adjusted operating profit [decreased] by 4% versus the prior year to \$3.1 billion (company corrected after the call). Stronger sales volume and favorability in Other Operating Income and Expenses was more than offset by unfavorable manufacturing costs, unfavorable price realization and higher SG&A and R&D expenses. The unfavorable manufacturing costs largely reflected the impact of tariffs. You'll note that there was a headwind of \$127 million in Corporate Items and Eliminations this quarter

Caterpillar Inc.

3Q 2025 Earnings

compared to the prior year. The unfavorable impact was driven by higher short-term incentive compensation expense and an accrual for incremental tariffs in corporate items, which I will discuss in a moment. This was partially offset by the proceeds from an insurance claim. The adjusted operating profit margin was 17.5%, a decrease of 250 basis points compared to the prior year. The margin was slightly higher than we had anticipated mainly due to better than expected sales volume in Energy & Transportation. As Joe mentioned, the net impact from incremental tariffs was near the top end of our estimated \$500 million to \$600 million range for the third quarter. Excluding tariffs, adjusted operating profit margin was slightly higher versus the prior year. This compares favorably to our expectations of a similar margin to the prior year, excluding tariffs. Tariffs impacted all three primary segments, and as I mentioned part of the charge was recorded in corporate items, similar to what we saw in the second quarter. This timing impact reflects the additional tariffs that were announced within the quarter, which we noted in the 8-K filing on August 28.

Moving to Slide 9, I'll review the performance of the segments. Starting with Construction Industries, sales increased by 7% in the third quarter to \$6.8 billion. The sales increase was about in line with our expectations. The 7% sales increase was primarily due to higher sales volume and favorable currency impacts, partially offset by unfavorable price realization. By region, Construction Industries' sales in North America increased by 8% versus the prior year. Sales in the EAME region increased by 6%. In Asia Pacific, sales increased by 3% and in Latin America, sales decreased by 1%. Third-quarter profit for Construction Industries was \$1.4 billion, a 7% decrease versus the prior year. The segment's margin of 20.4% was a decrease of 300 basis points versus the prior year. The decrease was mainly due to unfavorable price realization and increased manufacturing costs largely due to tariffs, while the profit impact of higher sales volume provided a partial offset. The net impact of incremental tariffs in Construction Industries had a negative impact on the segment's margin of around 340 basis points. Excluding this impact from tariffs, the margin was slightly higher than the prior year, and about in line with our expectations.

Turning to Slide 10. Resource Industries sales increased by 2% in the third quarter to \$3.1 billion. Sales were about in line with our expectations. Note that sales to users were slightly stronger than we had expected due to timing, as shipments originally expected to occur in the fourth quarter were delivered to customers

Caterpillar Inc.

3Q 2025 Earnings

early. This resulted in a decrease in dealer inventory. Compared to the prior year, the 2% sales increase was primarily due to higher sales volume partially offset by unfavorable price realization. Third-quarter profit for Resource Industries decreased by 19% versus the prior year to \$499 million. The segment's margin of 16% was a decrease of 430 basis points versus the prior year. The decrease was primarily due to unfavorable manufacturing costs from tariffs and unfavorable price realization. This was partially offset by the profit impact of higher sales volume. The net impact of incremental tariffs on Resource Industries' margin was approximately 260 basis points. Excluding this impact from tariffs, the margin was lower versus the prior year, and about in line with our expectations.

Now on Slide 11. Energy & Transportation sales of \$8.4 billion increased by 17% versus the prior year. Sales were stronger than we had expected due to higher sales volume. The 17% sales increase versus the prior year was mainly due to higher sales volume including higher intersegment sales. Also, price realization was favorable. By application, Power Generation sales increased by 31%; Oil & Gas sales increased by 20%; sales in Industrial and Transportation each increased by 5%. Third quarter profit for Energy & Transportation increased by 17% versus the prior year to \$1.7 billion. The increase was primarily due to the profit impact of higher sales volume and favorable price realization, partially offset by higher manufacturing costs primarily due to tariffs. The segment's margin of 20% was an increase of 10 basis points versus the prior year. The net impact of incremental tariffs on Energy & Transportation's margin was approximately 140 basis points. Excluding this impact from tariffs, the margin was higher versus the prior year, and slightly stronger than we had expected.

Moving to Slide 12. Financial Products revenues were approximately \$1.1 billion in the quarter, a 4% increase versus the prior year [primarily] due to a favorable impact from higher average earning assets in North America (company clarified after the call). This was partially offset by an unfavorable impact from lower average financing rates across all regions except Latin America. Segment profit decreased by 2% to \$241 million. The decrease was mainly due to a higher provision for credit losses at Cat Financial, higher SG&A expenses, and an unfavorable impact from equity securities at Insurance Services. This was partially offset by a favorable impact from higher average earning assets. Our customers' financial health remains strong. Past dues were 1.47% in the quarter, down 27 basis points versus the prior year, the lowest third quarter in over 25 years. The

Caterpillar Inc.

3Q 2025 Earnings

allowance rate was 0.89%, remaining near historic lows. Business activity at Cat Financial remains healthy. Retail credit applications increased by 16% and retail new business volume grew by 7% versus the prior year. In addition, used equipment [inventory] levels remain low and conversion [rates] remained above historical averages as customers choose to buy equipment at the end of their lease term (company clarified after the call).

Moving to Slide 13. ME&T free cash flow was about \$3.2 billion in the third quarter, approximately \$500 million higher than the prior year as stronger operating cash more than offset higher capex spend. We continue to anticipate CapEx spend of around \$2.5 billion this year. Moving to capital deployment. We deployed about \$1.1 billion to shareholders in the third quarter. Our quarterly dividend payment was [about] \$700 million, with the remainder reflecting share repurchases in the quarter (company clarified after the call). Our average balance sheet and liquidity positions remain strong. We ended the third quarter with an enterprise cash balance of \$7.5 billion. In addition, we held \$1.2 billion in slightly longer-dated liquid marketable securities to improve yields on that cash.

Now on Slide 14, let me start with a few comments on the full year. Based on what we see today, we are optimistic about our top line momentum supported by healthy demand signals including a robust backlog and growth in sales to users. Against this supportive backdrop, we now expect full year 2025 sales and revenues to increase modestly versus 2024, a slight improvement compared to our expectations last quarter. Now moving on to margins. Excluding the net impact from incremental tariffs, the full year adjusted operating profit margin is expected to be in the top half of our margin target range. Including the net impact from incremental tariffs, we expect full year adjusted operating profit margin to remain near the bottom of the target range. Given our improved sales and revenues expectations, adjusted operating profit margin should be slightly higher than we anticipated when we filed the 8-K on August 28. Based on the tariffs announced in 2025 and expected to be in place on November 1, we expect the impact from incremental tariffs for 2025 to be around \$1.6 billion to \$1.75 billion, net of some mitigating actions and cost controls. This assumes that the net incremental impact of tariffs will be greater in the fourth quarter than in the third, primarily due to the timing of tariff rate changes. As Joe mentioned, we expect ME&T free cash flow will be above the midpoint of the \$5 billion to \$10 billion target range. We continue to expect restructuring costs of approximately \$300 million to \$350 million this year.

Caterpillar Inc.

3Q 2025 Earnings

On taxes, as I mentioned we now anticipate our 2025 global annual effective tax rate to be 24%, excluding discrete items.

Turning to Slide 15 to assist you with your modeling, I'll provide our fourth quarter assumptions. Based on what we see today, we anticipate strong sales growth versus the prior year with higher sales volume across all three primary segments. We expect machine dealer inventory to decline slightly in the quarter, compared to a \$1.6 billion decrease in the prior year, which should result in a sales tailwind for the fourth quarter. We expect price to be roughly flat for the enterprise.

By segment, in Construction Industries we expect a strong sales increase in the fourth quarter versus the prior year on volume growth driven mainly by the dealer inventory tailwind previously mentioned. Higher sales to users should benefit volume as well, while we anticipate the year over year price impact to be about neutral.

In Resource Industries in the fourth quarter, we expect stronger sales versus the prior year, primarily due to higher volume driven by changes in dealer inventory. Note that we anticipate unfavorable sales to users in the fourth quarter in Resource Industries due to the timing impact that I mentioned a moment ago. The impact of price in Resource Industries is expected to remain unfavorable, but to a slightly lesser extent compared to what we saw in the third quarter versus the prior year.

In Energy & Transportation in the fourth quarter, we anticipate strong sales growth versus the prior year driven by continued strength in Power Generation. We also expect higher sales in Oil & Gas, driven by Solar turbines and turbine-related services. Price realization should remain favorable as well.

Let me provide some perspective on our expectations for Energy & Transportation. While we expect sales to increase sequentially in the fourth quarter, the increase will likely be different than the typical seasonal pattern. This reflects the impact from robust third quarter sales, which have tempered the usual fourth-quarter uplift. As a result, the sequential sales growth rate between the third and fourth quarters is projected to be slightly lower than last year's level.

Now I'll provide some color on our fourth quarter margin expectations. Excluding the net impact from incremental tariffs, we expect the fourth quarter enterprise adjusted operating profit margin will be higher versus the prior year. We anticipate

Caterpillar Inc.

3Q 2025 Earnings

stronger sales volume will be partially offset by higher manufacturing costs. As I mentioned, price realization for the enterprise should be roughly flat in the fourth quarter. Including the net impact from incremental tariffs, we anticipate a lower enterprise adjusted operating profit margin in the fourth quarter versus the prior year. As I mentioned, the tariff headwind should be larger than it was in the third quarter. We anticipate a net cost headwind of about \$650 million to \$800 million in the fourth quarter. At this point, we expect tariffs to have a minimal impact to Corporate Items in the fourth quarter as our current assumptions are based on tariffs announced and expected to be in place by November 1.

Now I'll make a few comments regarding our segment margin expectations for the fourth quarter. In Construction Industries, excluding the net impact from incremental tariffs, we expect a higher margin compared to the prior year. This is driven primarily by the profit impact from higher sales volume though the benefit within volume is lessened by unfavorable product mix compared to the prior year.

Now including the net impact from incremental tariffs, we anticipate a lower margin in Construction Industries versus the prior year. We expect about 55% of the fourth quarter net incremental tariff impact will be incurred in Construction Industries. In Resource Industries, excluding the net impact from incremental tariffs, we anticipate a higher margin versus the prior year mainly due to higher sales volume, partially offset by unfavorable price realization. Including the net impact from incremental tariffs, we anticipate a lower margin in Resource Industries versus the prior year. We expect about 20% of the fourth quarter net incremental tariff impact will be incurred in Resource Industries.

In Energy & Transportation, excluding the net impact from incremental tariffs, we anticipate a higher margin versus the prior year mainly due to higher sales volume and favorable price realization. Higher manufacturing costs should act as a partial offset. Including the net impact from incremental tariffs, we anticipate a slightly lower margin compared to the prior year. We expect about 25% of the fourth quarter net incremental tariff impact will be incurred in Energy & Transportation.

So turning to Slide 16, let me summarize. We remain optimistic about our underlying businesses and now anticipate modestly higher sales for the full year, including a strong fourth quarter. Business activity and customer financial health remain strong, as do our balance sheet and liquidity positions. Including the net

Caterpillar Inc.

3Q 2025 Earnings

impact from incremental tariffs, we expect to remain near the bottom of our target range for adjusted operating profit margins and we expect to be above the midpoint of the target range for ME&T free cash flow. We continue to execute our strategy for long-term profitable growth.

And with that, we'll take your questions.

Alex Kapper^ This is Alex. Just one quick clarification before we jump into the Q&A. The operating profit in the third quarter actually decreased by 3% to \$3.1 billion compared to the prior year, and adjusted operating profit actually decreased by 4% versus the prior year to \$3.1 billion. With that, we'll take your questions.

QUESTIONS:

Operator^ (Operator Instructions) Your first question comes from the line of Kyle Menges from Citi.

Kyle Menges^ It sounds like backlog growth was driven by Power Generation, and you alluded to orders for data center prime power applications as well. So, could you just talk to the emerging data center prime power opportunity? How much latent capacity do you think you have at solar to meet this demand? And what do you think you could actually deliver in the next year, given that we've heard some big numbers getting thrown around by some of your customers? Then I'm also just curious what that data center prime power backlog is looking like today.

Joseph Creed^ Kyle, this is Joe. So, we're definitely really excited about the prime power opportunity with data centers and, more broadly, just the demand for power that data centers and broader trends in the industry are putting onto the grid. We're going to see a lot more of this, I believe. Prime power is a great opportunity for us because it creates services opportunity as we move forward as well. So definitely, you saw the Joule announcement that's in our recip. Part of our capacity addition there will go to serve some of that. And with Solar, we're seeing a lot of ordering activity, and it's really healthy as you suggested. It's not just Power Generation. Power Generation is seeing more activity, but Oil and Gas has been really strong too, because we're moving a lot of natural gas and I think that trend is going to continue. So definitely a really positive outlook at Solar Turbines. We're able to keep up with the orders that we're seeing right now. Lead times are starting

Caterpillar Inc.

3Q 2025 Earnings

to get a little more extended at Solar. They're not to the extent of those super large class turbines that are more utility scale, but they are starting to get extended. I would say the way we're it's shaping up in our backlog, the larger turbines, the Titan 250, Titan 350, are longer lead times than the smaller ones, where we're able to react a little faster and have a little more. As it comes to capacity and things, we are always evaluating capacity. That would be a great thing when we need it. We're prepared to act when we feel like we need it. But we feel like we're able to meet the orders that are coming in right now.

Operator^ We'll move next to Angel Castillo at Morgan Stanley.

Angel Castillo Malpica^ Congrats on the strong quarter here. Just kind of following up on that Energy & Transportation conversation, obviously growth remains quite robust. I wanted to touch a little bit more on the kind of price realization and margins for the segments. Those have remained a little bit more stable, and I think you talked about a 140 basis point kind of headwind from tariffs. And maybe just to kind of expand on that topic a little bit more, just two quick questions. One, is there anything else kind of capping prices and margins for E&T as a whole? I don't know if it's mix versus services or anything else that you would note. Then related to that, for Power Generation, in particular, should we be assuming something kind of greater than the 30% type of incremental margins you typically see in Energy & Transportation given the strong pricing and volume trends there for the next 2 years? Or how would you kind of characterize that contribution to margins from Power Generation?

Joseph Creed^ I'll make a comment and I'll let Andrew maybe talk about the margins. But we're definitely, each of our businesses and segments, in a little bit of a different position. In the machine part of the business, we're in an unconstrained environment, we were constrained before and we've returned to a much more normal competitive pricing environment. In Energy & Transportation, as you know we're putting capacity in. Demand is really strong. And so we've been able to take pretty regular price increases, and we expect that trend to continue. Tariffs as well are not evenly spread across there. So, we're a very heavy North America footprint in Energy & Transportation. So, when you look at the margins, they've hung in there a little bit better than maybe a couple of the other segments. So, pricing across our businesses, we take into account many different things, and Energy & Transportation is definitely in a better position just given where that business is in

Caterpillar Inc.

3Q 2025 Earnings

the cycle and where we are from a demand standpoint and the outlook moving forward.

Andrew Bonfield^ On the margins, I mean if you look this quarter, I think it was very impressive that Energy & Transportation was actually able to manage flat margin despite the impact of tariffs, and actually would have grown substantially without that. I think that gives you an idea of the strength of the pull-through that is occurring. Just to remind you that if you look at our margin targets as a whole, and we manage margins at the enterprise basis, obviously our focus is always on absolute Operating Profit After Capital Charge (OPACC) dollars and growing OPACC. So, if there's a volume opportunity, which may not be necessarily as margin accretive, that doesn't mean necessarily we will pass on it, because absolute OPACC dollars actually drives the total shareholder return in our mind. But if you look at our margin targets, that requires a pull-through over 30% [at the midpoint] across the whole of the range when you look at where they are (company clarified after the call). So that gives you an idea of what we would be expecting from all our businesses when we're looking at the margin increase.

Operator^ We'll go next to David Raso at Evercore ISI.

David Raso^ Yes. Building on that, I mean given the backlog, retail activity, lower rates, secular growth, I mean the revenues, the expectations on the Street for '26 could go higher. The real debate is going to be the incremental margin. And building on what you just discussed, not looking for '26 guidance, but just some puts and takes thinking about 2026 at a high level. Obviously, I was intrigued by the price realization comment about being flat in the fourth quarter.

I'd be curious, in particular, when you think about that going to '26, especially for construction. Also, the capacity expansions out there, the efficiency of that capacity coming on. Should we think of some potential headwinds, adding be it turbine or even more Recip capacity? Or maybe you can do it more efficiently. The sales mix, geographic, a little on product? And maybe last, of course Andrew, anything else to consider puts and takes that we're not thinking about, incentive comp, even things below the line, tax rate? It's just that's going to be the debate, right, the margins, the incrementals? So, anything you want to answer from those, I'd really appreciate it.

Caterpillar Inc.

3Q 2025 Earnings

Andrew Bonfield^ Yes, David, I think you've asked -- I think your question actually covers about the whole of 2026 guidance. So, I think as you know we will talk a little bit more about that when we get to January when we update you. We're still in our planning process, so it's still very early. And obviously just stepping back though, obviously demand across the business is strong with the backlog that positions as well. Obviously as you look out, we are now lapping the impact of price. That's why we don't expect price to have an impact on the fourth quarter. So that's obviously a positive, which we don't have that headwind. Tariffs will still obviously be a headwind as we move into 2026. And you asked about the tax rate, and as I indicated in my comments, this year we did see an increase in the tax rate. That's just due to the changes in the way the legislation works, from the capitalization of R&D, in particular, to the immediate expensing. That obviously is cash benefit to us but [book] tax negative [in 2025] (company clarified after the call). Then you'll start seeing some of the benefits of some of the other foreign tax adjustments that were made in the legislation, which will be a positive for the tax rate as we move forward. But we'll give you more details, and hopefully, we'll give you a little bit more color on our expectations as we talk in Investor Day as well, next week.

Operator^ And we'll move back to Tami Zakaria at JP Morgan.

Tami Zakaria^ Curious about your thoughts on what drove the acceleration in sales to end users in the quarter in every segment and every region, except APAC. It seemed like some light switch got turned on. Did you anticipate this acceleration maybe because you had product launches or dealer incentives planned? So, my question is, are you gaining share or the end markets have just been getting better on all sides?

Joseph Creed^ Thanks, Tami. We're definitely pleased with the momentum we have in all three of our segments and seeing positive sales to users and momentum continues. Definitely in Energy & Transportation, as we mentioned in here, we're trying to get out as much product as we can, particularly on large engines. So, we were able to get out a little more product in the third quarter through the factory, and I'm happy with the way the capacity expansion is coming on. Many of you were able to see that earlier this year in Lafayette. But as we're bringing that capacity online, we continue to work with our supply base and the team there to get out as many units as we can. So that's creating some positive momentum there. I think and when you get to Resource Industries, some timing in some of the sales to users

Caterpillar Inc.

3Q 2025 Earnings

as to when some of the things get commissioned, and just remember that we've got great momentum in orders and the way that business is going, but from quarter-to-quarter, things can move from one quarter to the next. We continue to see just great pickup, particularly in North America, on our merchandising programs with Construction Industries. So, we mentioned the industry dynamics are a little softer, and we're continuing to perform and able to make strides. I think that what we have in place is working and generating great momentum. That gives us, obviously the backlog going up as well gives us good momentum heading into the fourth quarter and into next year. So, we're just really happy with the way the business is performing right now.

Operator^ We'll take our next question from Mig Dobre at Baird.

Mig Dobre^ I'd like to go back to Construction Industries, if we can. It's interesting that sales to end users are accelerating. I am curious, how much of this do you think is simply a function of the various incentives that you put through rather than just the end market getting better? It sounds like your dealers are looking to add more fleet to their rental operations. So maybe you can talk a little bit about that. But perhaps the bigger picture as we think about '26, as demand does look to get better, this segment has been absorbing the brunt of these tariff headwinds, how do you think about the puts and takes next year? Do you think that you have the ability to manage these tariffs on the cost side? Or should we be thinking that the trends here are solid enough to where you can actually start pushing some price to be able to offset some of these very real cost headwinds that you've experienced in '25?

Joseph Creed^ Well, there's a couple of different questions there. I'll start maybe on the demand side. I think the performance of the business has been better than the general industry, and I believe that's due to the strategy we have in place and the merchandising programs that are out there. As we finish the year this year, as you point out, I think we'll be in great shape on dealer inventory. So, heading into next year, we'll see what happens. But we've got great momentum, and we're hopeful that continues into next year. We'll talk to you more about that in our fourth quarter earnings call. As it comes to pricing, keep in mind, the fourth quarter we said is flat at the enterprise level. So, we're lapping the impact of these programs that are put in place. The way we're thinking about pricing is sort of our normal annual process, and we're heading into that time period. Now each of our

Caterpillar Inc.

3Q 2025 Earnings

segments, as I mentioned before, Energy & Transportation is in a much different place than Resource Industries and a much different place than Construction Industries. Then different regions of the world are also in very different positions competitively. So, we take a lot of factors into consideration. Cost inflation is one of them, but also market conditions, competitive situation. As Andrew said, our goal is to grow OPACC dollars. So, any volume impacts to these decisions, we'll obviously take that into account as well.

When it comes to tariffs, we've been able to really put some mitigating actions in, I would say on the margins. There have been no regrets actions, same thing we talked to you about last time. Short-term cost reductions and more belt tightening type of things. We've made limited sourcing changes where we have the ability to move sources without investments in our supply chain, but that's fairly limited. We work on certifying more USMCA compliant products. But when it comes to longer-term actions, we've sort of talked about this before, we're a global business with a very complicated supply chain. We are heavily U.S.-based. It's our largest footprint here. We have over 50,000 employees, 65 locations, in 25 states. We're a net exporter. We've increased exports 75% over the last 9 to 10 years. And at the same time our hourly workforce has grown 29%. But we have a broad and diverse portfolio that's very global and the supply chain is complicated. If we're going to make longer-term adjustments to really offset tariffs in that way it will require investments to do that, and that will take time. Because we'll have to certify components, we have to buy tooling, we have to validate them and test them. So, for us to make those types of decisions, we really need to have a greater level of predictability and stability in the situation. As we know trade deals are still being negotiated, and we're watching that very closely, and we have a lot of scenarios at play. We'll use everything in our toolkit when the time is right to react to the tariffs or to mitigate the tariffs. But I'm confident we'll manage it over time. It's just right now if we do something that requires investment, I don't want to have to spend that money and then turn around and spend money to reverse it. So, we're trying to take a measured approach. But we have great momentum heading into 2026 and as we finish this year, and we're really happy with the way the business is performing. So, we'll continue to update you as we move forward.

Operator^ Next, we'll go to Rob Wertheimer at Melius Research.

Caterpillar Inc.

3Q 2025 Earnings

Robert Wertheimer^ Wanted to ask, I guess around the shape of demand in Resource Industries, which you've touched on a couple of times. Is the order strength largely in gold, which obviously is going nuts, and copper is a little bit more broad-based. And then if you had any comments, we've seen a couple of industries including Cat investments in technology software autonomy. Is there any upshift or change in customer orders on autonomy and/or advanced powertrains or anything else notable change in there?

Andrew Bonfield^ I Order rates have remained pretty strong. As you would expect, where order rates are principally around large mining trucks. That is the area of strength. From a commodity perspective, I would say to you, rather than any commodity is as strong, obviously gold prices and copper prices are high, it's coal which is probably the little bit of the drag, as you would expect, and particularly in Indonesia. With regard to autonomy, we continue to see a greater acceptance by our customers of the need for autonomous solutions. I think we'll be talking to you a little bit more about RPM and also about where we think the industry is headed next week, Rob. So if you don't mind, I'm sure Denise will be giving you guys an update and you'll be able to ask more questions there about some of the things within Resource Industries in particular.

Operator^ And next, we'll go to Kristen Owen at Oppenheimer.

Kristen Owen^ Two that are related to the backlog. First, can you comment on the contribution of Construction Industries and Resource Industries to the sequential backlog growth? And then you made some comments on the year-over-year, but if you could hit the sequential backlog growth. Then second, when you talk about backlog or even revenue growth in oil and gas, would that include any turbine sales used for those prime power data center applications? Or should we anticipate that those will be allocated to the power gen backlog commentary? Thank you.

Joseph Creed^ Thanks, Kristen. So, the consecutive sequential growth in the backlog primarily came from E&T, and that was largely Power Generation and Oil and Gas contributing to that. As you did mention, year-over-year, we saw Resource Industries and Construction Industries up. So, we're following a little bit of a seasonal pattern in those while still growing. The backlog order activity across all three segments has been really strong in the quarter, and we're really happy with the momentum we have. When it comes to Solar and where those sales go and

Caterpillar Inc.

3Q 2025 Earnings

where you see them in the backlog and sales to users, if it's a data center application, it goes in Power Generation. If it's traditional offshore oil platforms or gas transmission, then it would be in Oil and Gas. So that's how you should look at where those end up in the numbers.

Operator^ We'll move to our next question from Michael Feniger at Bank of America.

Michael Feniger^ Joe, just in 2010, there was a filing that Cat had out that put turbines at \$3.3 billion of revenue. That was 15 years ago. Is that business closer to like \$7 billion today? Is that \$7 billion too low, too high? And just the fact that some areas of Oil and Gas CapEx like offshore has been weak, is that why you have some capacity to meet the orders on Power Generation? Does that change at all to meet this demand when you open the order book for Titan 350? When does that kind of plan happen? And does that change the equation at all as you got to kind of think about capacity going forward?

Andrew Bonfield^ So with regard to revenues, we are not going to disclose Solar revenues. Obviously, you are referring to a period a very long time ago. We split the business into Oil and Gas applications and Power Generation and where it's mixed up with reciprocating engines for obvious reasons. But Solar is a very strong business. It's a very good business for us, as you know, and one that we will continue to support very strongly. With regard to capacity, both, actually Oil and Gas applications are doing pretty well as well. So there's a lot of pipeline orders, particularly around gas transmission. So there's not necessarily weakness, which allows us to continue to meet other demand. It's really about prioritization. And as Joe said, we will discuss and make capacity decisions when we're ready and when we see the need to do that, we'll notify you accordingly.

Joseph Creed^ Yes. It was a long time ago, going back 15 years to 2010, the world in Oil and Gas is much different now as well, right? So you would have had a lot more offshore power in the Solar Oil and Gas business, and now post-shale, we are moving a lot of natural gas, and that's where we are very, very strong, is in the gas transmission side. So, I think the business is different now. We continue to grow services and services footprint. It's the first business where we really leaned in on the digital front with long-term service agreements. That's obviously, with Jim's background, helped shape our strategy that's made us successful here in the last

Caterpillar Inc.

3Q 2025 Earnings

few years. So, we're excited about the business. We're seeing a lot more demand in Power Generation. When we announced the Titan 350 and put that program through, we obviously had room to produce those units. So, we're excited that we're getting good uptake on them even sooner than we had thought when we started the program a few years ago.

Operator^ We'll move next to Jamie Cook at Truist Securities.

Jamie Cook^ Congrats on a nice quarter. I guess two quick ones for me. Joe, I guess what struck me about the quarter is just the backlog growth that you saw. I mean to what degree do you think the Street should continue to expect backlog to grow? Because on one side, you have these projects like Joule, there could be more of those coming online. The other side of it is you have the large numbers and potentially capacity coming online. So just the ability to grow the backlog because it just provides such earnings visibility. And my second follow-up is just, understanding what you're saying on tariffs by segment, et cetera, but should the street expect the fourth quarter to be the peak of tariff cost headwinds? Can it get better from here as we think about 2026?

Andrew Bonfield^ With regard to tariffs, the timing of mitigation actions, as Joe mentioned, will really be determined by the greater degree of certainty that we get out there. Obviously, all factors are on the table, and that will include potential for price. We'll make those decisions as we would normally do within our normal timeframe. The \$650 million to \$800 million is based on the tariffs that will be in effect by November 1st. So there is one month for some of the [additional] tariffs for the 232s (company clarified after the call). Obviously, the other factors which impact tariffs are the degree of imports in any quarter. But that would be the sort of run rate on an unmitigated basis that you would expect to see.

Joseph Creed^ And Jamie, it's a good question on the backlog and I think you expressed it well, there's a nuance to it. We continue to see significant demand, particularly in Energy & Transportation. I think we're at the early stages of the prime power opportunities. So, we're excited to have more of those come online. We talk to our large data center customers, both hyperscalers and co-locators frequently, monthly, mostly even, to manage that forecast. So, we have great confidence in the pipeline that's out there, and that's why we're putting the capacity in, and we continue to raise the capacity. So, I think it kind of depends on the circumstance.

Caterpillar Inc.

3Q 2025 Earnings

We like the fact that the backlog is going up. If the reason the backlog goes up a little less is that I'm able to get out more and more product and keep up, I think that's a good thing. So, we think it's positive. I would expect us to continue to see momentum in there. But we are getting pretty extended on some of our products in Energy & Transportation, and I'd like to try to at least get that stabilized or brought back in, if we can.

Alex Kapper^ We have time for one more question.

Operator^ Today's final question comes from the line of Steve Volkmann with Jefferies.

Stephen Volkmann^ Great. Joe, you mentioned services a few times with respect to Solar. I know for most of Cat equipment, a lot of that services revenue accrues to the dealer, but I think Solar is a little bit different. Can you just talk about how that's different and how the services business kind of impacts Cat directly rather than the dealers?

Joseph Creed^ Yes. It's, as you stated, Solar is a direct business model for us. So in Cat branded products, obviously the dealers service the equipment in the field. We sell them parts and support them with some other ancillary services. But when it comes to Solar, we have our own field technicians, our own group. So those units, as you know run continuously. So we pride ourselves as having tremendous customer service here, and that's why customers like us. So, as you point out, as Solar sales pick up, even the Power Generation space, it's all prime power, that's a great services growth opportunity for us. I would say even in the Caterpillar side, projects like Joule, and that will come in a few years time not as much in the early years, the more prime power opportunities we're able to satisfy with our customers, the greater service opportunity for us down the road in a few years' time. So, we're continuing to build that momentum in services. And you'll get a little chance, those of you who are coming to Investor Day next week, if you're able to stick around and go to the Solar plant in DeSoto, you'll be able to ask a lot more questions and get a better understanding of that.

So with that, I'd like to thank everyone for joining us today. We always appreciate your questions and interest in our results. We had a great quarter. I'm really proud of our team for the solid performance. And so we're really excited to see you all

Caterpillar Inc.

3Q 2025 Earnings

next week at Investor Day and I look forward to sharing more about our bright future and the attractive growth opportunities ahead.

With that, I'll turn it back over to Alex.

Alex Kapper^ Thank you, Joe, Andrew and everyone who joined us today. A replay of our call will be available online later this morning, also post a transcript on our Investor Relations website as soon as it's available. You'll find the third quarter results video with our CFO and an SEC filing with our sales to users data. Visit investors.caterpillar.com and then click on "Financials" to view those materials.

As Joe mentioned, we look forward to hosting you for our Investor Day on Tuesday November 4th. The webcast information is already available on investors.caterpillar.com. We'll issue a press release with more details the morning of November 4th. If you have any questions, please reach out to me or Rob Rengel. The Investor Relations general phone number is (309) 675-4549. Now let's turn the call back to Audra to conclude our call.

Operator^ Thank you. That concludes our call. Thank you for joining. You may all disconnect.