



# Second Quarter 2022 Financial Review

August 2, 2022

**OUR SOLUTIONS HELP OUR CUSTOMERS BUILD A BETTER WORLD.**

**CATERPILLAR®**



# 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,” “forecast,” “target,” “guide,” “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) inventory management decisions and sourcing practices of our dealers and our OEM customers; (x) a failure to realize, or a delay in realizing, all of the anticipated benefits of our acquisitions, joint ventures or divestitures; (xi) union disputes or other employee relations issues; (xii) adverse effects of unexpected events; (xiii) disruptions or volatility in global financial markets limiting our sources of liquidity or the liquidity of our customers, dealers and suppliers; (xiv) 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; (xv) our Financial Products segment’s risks associated with the financial services industry; (xvi) changes in interest rates or market liquidity conditions; (xvii) an increase in delinquencies, repossessions or net losses of Cat Financial’s customers; (xviii) currency fluctuations; (xix) our or Cat Financial’s compliance with financial and other restrictive covenants in debt agreements; (xx) increased pension plan funding obligations; (xxi) alleged or actual violations of trade or anti-corruption laws and regulations; (xxii) additional tax expense or exposure, including the impact of U.S. tax reform; (xxiii) significant legal proceedings, claims, lawsuits or government investigations; (xxiv) new regulations or changes in financial services regulations; (xxv) compliance with environmental laws and regulations; (xxvi) the duration and geographic spread of, business disruptions caused by, and the overall global economic impact of, the COVID-19 pandemic; and (xxvii) other factors described in more detail in Caterpillar’s Forms 10-Q, 10-K and other filings with the Securities and Exchange Commission.

A reconciliation of non-GAAP financial information can be found in our press release describing second-quarter 2022 financial results which is available on our website at [www.caterpillar.com/earnings](http://www.caterpillar.com/earnings).



# Strong Performance from our Global Team



**THANK YOU**  
TO OUR GLOBAL TEAM



CONTINUING TO EXECUTE OUR  
STRATEGY FOR LONG-TERM  
**PROFITABLE GROWTH**



**HEALTHY** DEMAND FOR  
**EQUIPMENT** AND **SERVICES**

# Financial Results Summary

*Second Quarter 2022 vs. Second Quarter 2021*



Sales  
& Revenues  
**\$14.2B**

**11%**



Operating  
Profit Margin<sup>1</sup>  
**13.6%**

**0.3pts**



Profit  
Per Share  
**\$3.13**

**22%**



Adjusted Profit  
Per Share<sup>2</sup>  
**\$3.18**

**22%**

<sup>1</sup> Adjusted operating profit margin in the second quarter of 2022 was 13.8%. Adjusted operating profit margin is a non-GAAP measure, and a reconciliation to the most directly comparable GAAP measure is included in the appendix.

<sup>2</sup> Second-quarter 2022 adjusted profit per share excluded restructuring expenses of \$0.05 per share. Second-quarter 2021 adjusted profit per share excluded restructuring expenses of \$0.04 per share.

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# ME&T Free Cash Flow<sup>1</sup> and Capital Deployment



**ME&T Free  
Cash Flow<sup>1</sup>**

**\$1.1B**

Expect to deliver Investor Day<sup>2</sup>  
ME&T FCF<sup>1</sup> targets for full year



**Returned to  
Shareholders in 2Q 2022**

**\$1.7B**

Through share repurchases  
and dividends



**Increased  
Dividend**

**8%**

Proud of our status as a  
Dividend Aristocrat

<sup>1</sup> ME&T free cash flow represents ME&T operating cash flow less capital expenditures, excluding discretionary pension contributions. A reconciliation of ME&T net cash provided by operating activities to ME&T free cash flow is included in the appendix.

<sup>2</sup> Investor Day targets based on Caterpillar Investor Day held in 2022. Caterpillar communicated a progressive adjusted operating profit margin target range of 10-13% at \$39B sales and revenues and up to 18-21% at \$66B sales and revenues and ME&T free cash flow in the range of \$4B to \$8B annually.



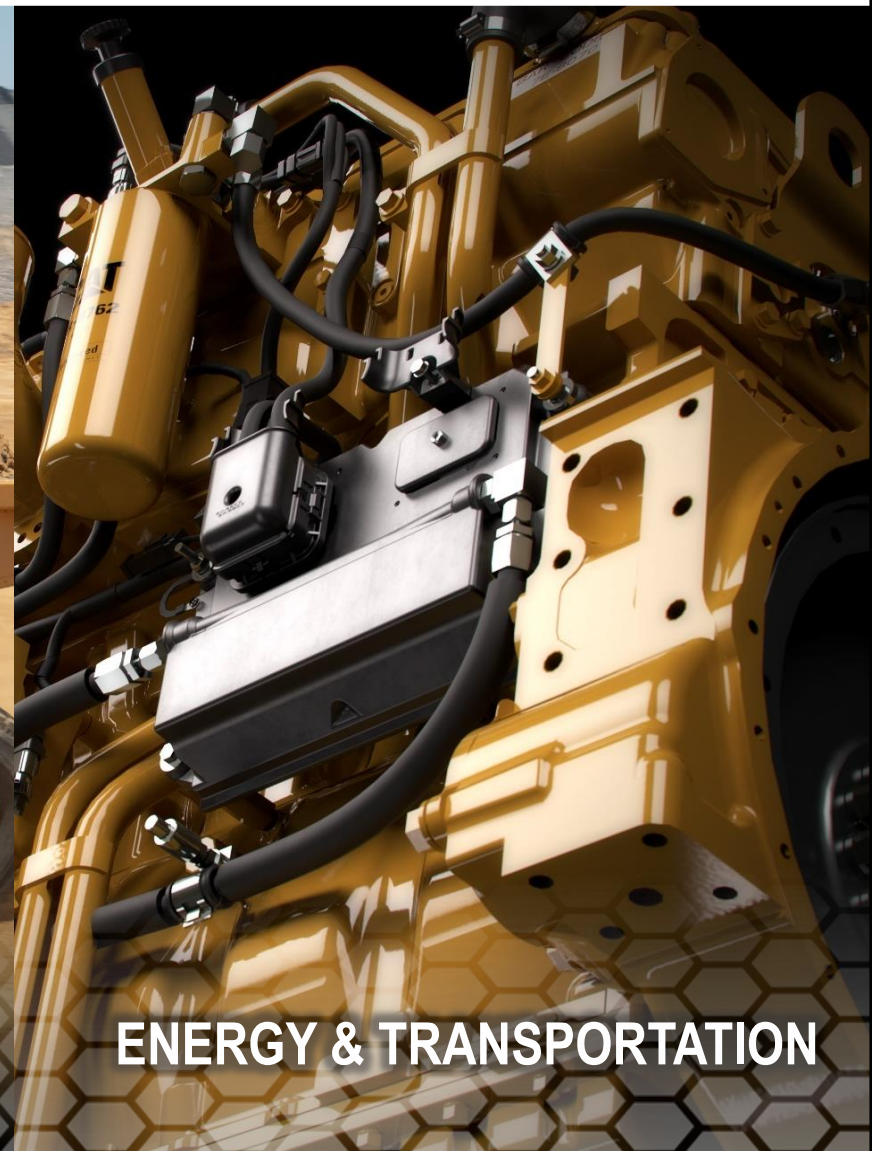
# End Market Commentary



**CONSTRUCTION INDUSTRIES**



**RESOURCE INDUSTRIES**



**ENERGY & TRANSPORTATION**

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# Sustainability

## Sustainability Report



## District Energy St. Paul



## Tangent Energy Solutions



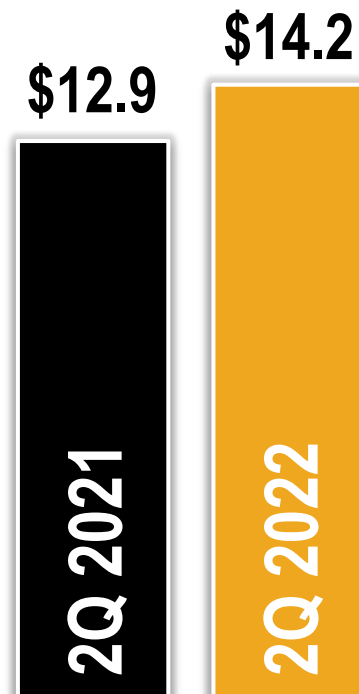
OUR SOLUTIONS HELP OUR CUSTOMERS BUILD A BETTER WORLD.

# Financial Results Summary

*Second Quarter 2022 vs. Second Quarter 2021*

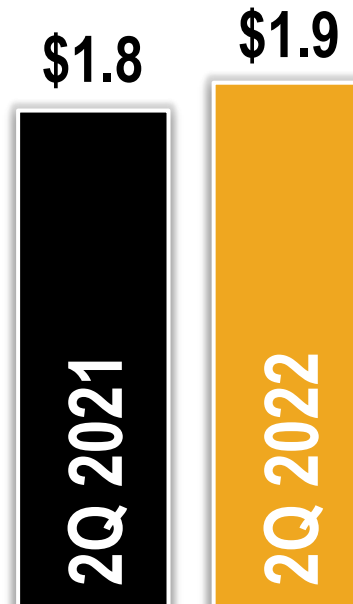
## SALES & REVENUES

(in billions of dollars)



## OPERATING PROFIT

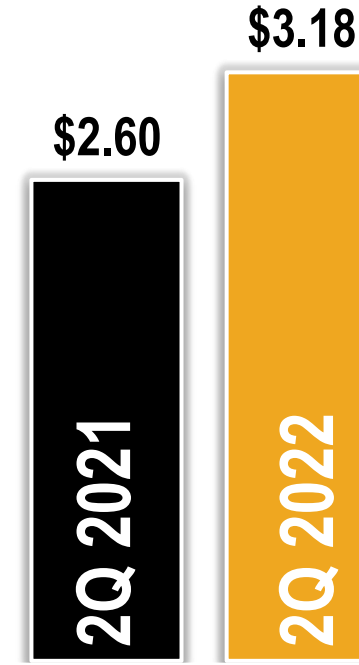
(in billions of dollars)



## ADJUSTED PROFIT

PER SHARE<sup>1</sup>

(in dollars)



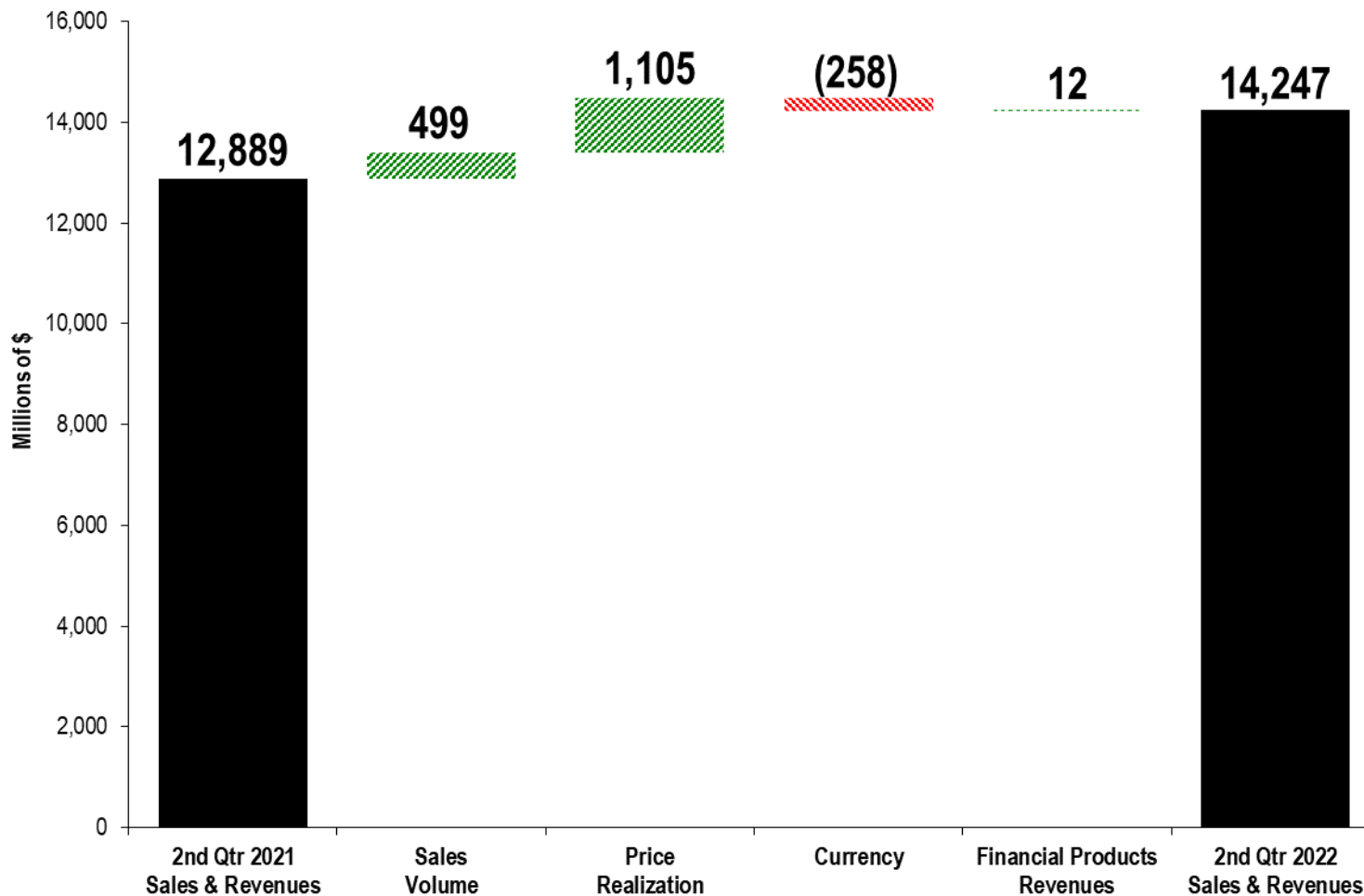
<sup>1</sup> Second-quarter 2022 adjusted profit per share excluded restructuring expenses of \$0.05 per share. Second-quarter 2021 adjusted profit per share excluded restructuring expenses of \$0.04 per share.

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# Consolidated Sales & Revenues

*Second Quarter 2022 vs. Second Quarter 2021*



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

### Sales & Revenues Increased \$1.4B or 11%

- Sales increased across the three primary segments
- Favorable impact from price realization
- Higher volume from services
- Partially offset by lower sales of equipment to end users

# Consolidated Operating Profit

Second Quarter 2022 vs. Second Quarter 2021



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

**Operating Profit Increased \$155M or 9%**

- Favorable price realization
- Increased sales volume
- Unfavorable manufacturing costs primarily from higher material and freight
- Higher SG&A/R&D expenses
- Adjusted operating profit margin<sup>1</sup> of 13.8% includes Corporate Items and Eliminations<sup>2</sup>

<sup>1</sup> Adjusted operating profit margin is a non-GAAP measure, and a reconciliation to the most directly comparable GAAP measure is included in the appendix.

<sup>2</sup> Corporate Items and Eliminations included corporate-level expenses, timing differences (as some expenses are reported in segment profit on a cash basis), methodology differences between segment and consolidated external reporting (the company values segment inventories and cost of sales using a current cost methodology), certain restructuring costs and inter-segment eliminations.

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# Construction Industries

*Second Quarter 2022 vs. Second Quarter 2021*

## Total Sales\*

(in billions of dollars)



## Segment Profit

(in millions of dollars)



## Segment Profit

as a percent of total sales\*



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

### Total Sales Increased \$377M or 7%

- **North America** – Higher sales due to favorable price realization
- **Latin America** – Increased volume and favorable price realization
- **EAME** – Lower sales volume and unfavorable currency impacts
- **Asia/Pacific** – Lower sales volume, primarily in China

### Segment Profit Decreased \$40M or 4%

- Favorable price realization
- Offset by higher manufacturing costs and lower sales volume

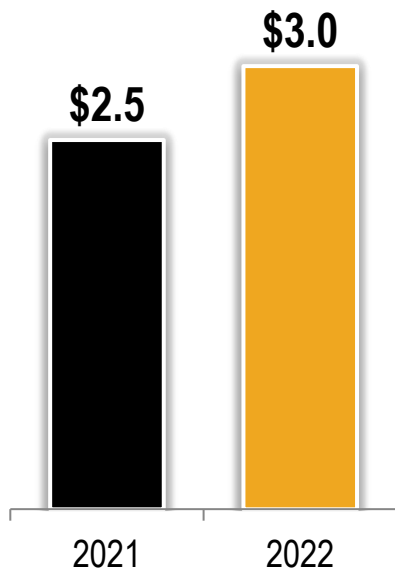
\* Includes inter-segment sales.

# Resource Industries

*Second Quarter 2022 vs. Second Quarter 2021*

## Total Sales\*

(in billions of dollars)



## Segment Profit

(in millions of dollars)



## Segment Profit

as a percent of total sales\*



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

### Total Sales Increased \$414M or 16%

- Increase due to favorable price realization and higher aftermarket parts sales

### Segment Profit Increased \$6M or 2%

- Favorable price realization and higher sales volume
- Mostly offset by unfavorable manufacturing costs

\* Includes inter-segment sales.

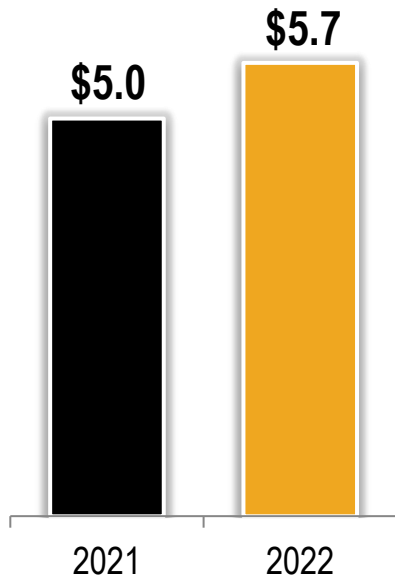


# Energy & Transportation

Second Quarter 2022 vs. Second Quarter 2021

## Total Sales\*

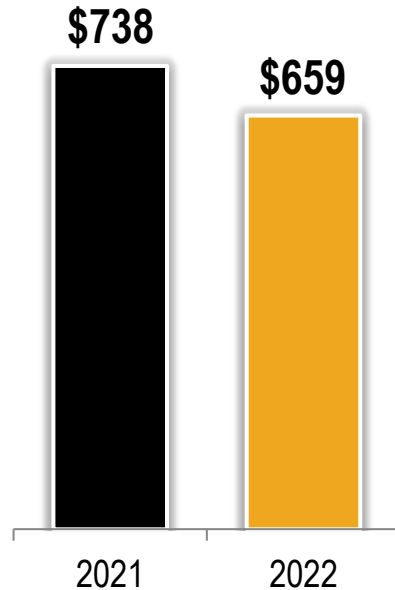
(in billions of dollars)



\* Includes inter-segment sales.

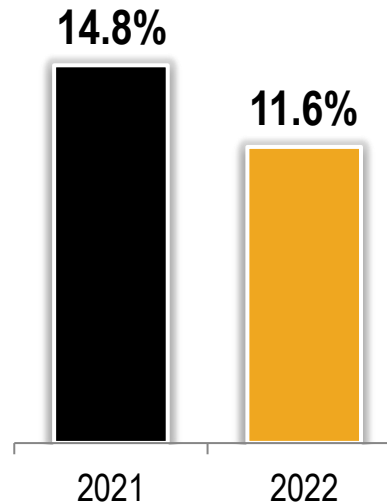
## Segment Profit

(in millions of dollars)



## Segment Profit

as a percent of total sales\*



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

### Total Sales Increased \$730M or 15%

- **Oil and Gas** – Increase in reciprocating engine aftermarket parts and engines used in well servicing and gas compression
- **Power Generation** – Increase in small reciprocating engine applications and reciprocating engine aftermarket parts
- **Industrial** – Increase in sales across all regions
- **Transportation** – Increase in reciprocating engine aftermarket parts and rail services

### Segment Profit Decreased \$79M or 11%

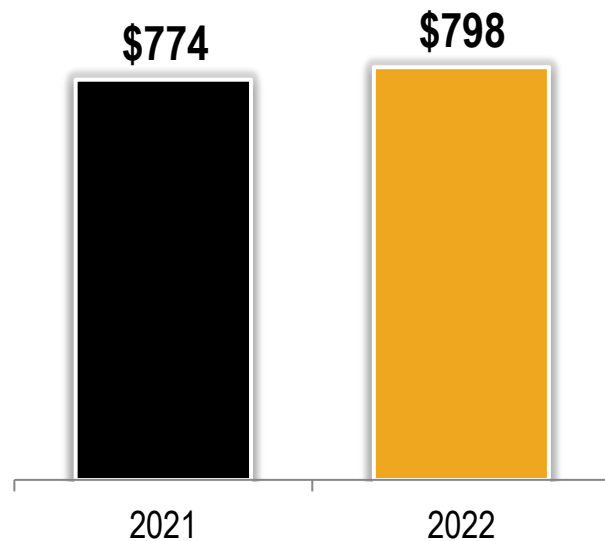
- Unfavorable manufacturing costs and higher SG&A/R&D expenses
- Partially offset by favorable price realization and higher sales volume

# Financial Products

## Second Quarter 2022 vs. Second Quarter 2021

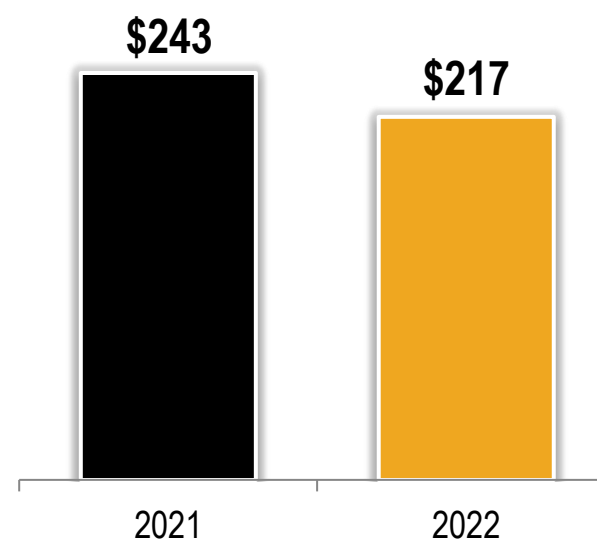
### Total Revenues\*

(in millions of dollars)



### Segment Profit

(in millions of dollars)



\* Includes inter-segment revenues.

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

### Total Revenues Increased \$24M or 3%

- Favorable impact from returned or repossessed equipment
- Higher average financing rates

### Segment Profit Decreased \$26M or 11%

- Unfavorable impact from equity securities
- Higher provision for credit losses
- Partially offset by favorable impact from returned or repossessed equipment



# ME&T Free Cash Flow<sup>1</sup> and Capital Deployment



**2Q ME&T Free  
Cash Flow<sup>1</sup>**

**\$1.1B**

Expect to deliver Investor Day<sup>2</sup>  
ME&T FCF<sup>1</sup> targets for full year



**Returned to Shareholders  
in 2Q 2022**

**\$1.7B**

Through share repurchases  
and dividends



**Enterprise Cash  
Balance**

**\$6.0B**

Liquidity remains strong

<sup>1</sup> ME&T free cash flow represents ME&T operating cash flow less capital expenditures, excluding discretionary pension contributions. A reconciliation of ME&T net cash provided by operating activities to ME&T free cash flow is included in the appendix.

<sup>2</sup> Investor Day targets based on Caterpillar Investor Day held in 2022. Caterpillar communicated a progressive adjusted operating profit margin target range of 10-13% at \$39B sales and revenues and up to 18-21% at \$66B sales and revenues and ME&T free cash flow in the range of \$4B to \$8B annually.

# Key Thoughts As We Look Ahead

- Anticipate 3Q sales to increase from higher sales to users and price realization
- Adjusted operating profit margin<sup>1</sup> to improve in second half of 2022
- Continue to anticipate price realization to more than offset manufacturing cost increases
- Short-term incentive compensation expense expected to be about \$1.6 billion
- Capex of approximately \$1.5 billion
- Current estimated global tax rate of about 24%
- Restructuring expense expected to be about \$600 million



<sup>1</sup>Adjusted operating profit margin is a non-GAAP measure, and a reconciliation to the most directly comparable GAAP measure is included in the appendix.

# Key Takeaways



Underlying demand  
remains strong



Expect to achieve  
Investor Day targets<sup>1</sup>



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

<sup>1</sup> Investor Day Targets based on Caterpillar Investor Day held in 2022. Caterpillar communicated a progressive adjusted operating profit margin target range of 10-13% at \$39B sales and revenues and up to 18-21% at \$66B sales and revenues and ME&T free cash flow in the range of \$4B to \$8B annually.



# Q&A

# 2022 Caterpillar Earnings Call Schedule

Earnings Quarter	Release Date	Call Time
3 <sup>rd</sup> Quarter 2022	Thursday, October 27, 2022	8:30 a.m. Eastern

# Dealer Inventory and Order Backlog



## Dealer Inventories\*

\*Dealers are independent businesses and control their own inventory.  
Note: Amounts may not add due to rounding.

Decreased  
**\$0.4B**  
2Q 2022  
vs. 1Q 2022

Decreased  
**\$0.4B**  
2Q 2021  
vs. 1Q 2021

Flat  
**\$0.0B**  
2Q 2022  
Impact on Total Sales



## Order Backlog

Increased  
**\$2.0B**  
2Q 2022  
vs. 1Q 2022

Increased  
**\$3.4B**  
1Q 2022  
vs. 4Q 2021

Increased  
**\$10.1B**  
2Q 2022  
vs. 2Q 2021



# Non-GAAP Financial Measures



(Dollars in millions except per share data)

	Operating Profit	Operating Profit Margin	Profit Before Taxes	Provision (Benefit) for Income Taxes	Effective Tax Rate	Profit	Profit per Share
<b>Three Months Ended June 30, 2022 - U.S. GAAP</b>	<b>\$ 1,944</b>	<b>13.6 %</b>	<b>\$ 2,096</b>	<b>\$ 427</b>	<b>20.4 %</b>	<b>\$ 1,673</b>	<b>\$ 3.13</b>
Restructuring costs	28	0.2 %	28	2	10.0 %	26	\$ 0.05
<b>Three Months Ended June 30, 2022 - Adjusted</b>	<b>\$ 1,972</b>	<b>13.8 %</b>	<b>\$ 2,124</b>	<b>\$ 429</b>	<b>20.2 %</b>	<b>\$ 1,699</b>	<b>\$ 3.18</b>
<b>Three Months Ended June 30, 2021 - U.S. GAAP</b>	<b>\$ 1,789</b>	<b>13.9 %</b>	<b>\$ 1,870</b>	<b>\$ 470</b>	<b>25.1 %</b>	<b>\$ 1,413</b>	<b>\$ 2.56</b>
Restructuring costs	25	0.2 %	25	3	15.0 %	22	\$ 0.04
<b>Three Months Ended June 30, 2021 - Adjusted</b>	<b>\$ 1,814</b>	<b>14.1 %</b>	<b>\$ 1,895</b>	<b>\$ 473</b>	<b>25.0 %</b>	<b>\$ 1,435</b>	<b>\$ 2.60</b>

Note: Amounts may not add due to rounding.

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# Reconciliation to U.S. GAAP

## Reconciliation of ME&T Cash Flow from Operations to ME&T Free Cash Flow



(USD in billions)

	2Q 2021	2Q 2022
ME&T cash flow from operations	\$ 1.9	\$ 1.4
ME&T capital expenditures	(0.2)	(0.2)
ME&T free cash flow	\$ 1.7	\$ 1.1

Note: Amounts may not add due to rounding.

Note: See reconciliation of ME&T cash flow from operations to consolidated net cash provided by operating activities in the Supplemental Data for Statement of Cash Flow contained in our quarter 10-Q filing.

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