



Fourth Quarter and Full Year 2019 Financial Review

January 31, 2020

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 including natural disasters; (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; and (xxvi) 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 for free cash flow calculation and reconciliation to U.S. GAAP. A reconciliation of non-GAAP financial information can be found in our press release describing fourth-quarter and full-year 2019 financial results which is available on our website at www.caterpillar.com/earnings.

Fourth Quarter 2019 Financial Results



Sales & Revenues

\$13.1B

(8%)



Profit Per Share

\$1.97

+11%



Operating Profit Margin

14.1%

+1.0pts



Adjusted Profit Per Share¹

\$2.63

+3%

¹ Adjusted PPS for 2019 excludes pension and OPEB mark-to-market losses. Adjusted PPS for 2018 excludes pension and OPEB mark-to-market losses, restructuring costs, the impact of U.S. tax reform and certain deferred tax valuation allowance adjustments.

Full Year 2019 Financial Results



Sales & Revenues

\$53.8B

(2%)



Profit Per Share

\$10.74

+5%



Operating Profit Margin

15.4%

+0.2pts



Adjusted Profit Per Share¹

\$11.06

(1%)

¹ Adjusted PPS for 2019 excludes pension and OPEB mark-to-market losses and a discrete tax benefit in the first quarter related to U.S. tax reform. Adjusted PPS for 2018 excludes pension and OPEB mark-to-market losses, restructuring costs, the impact of U.S. tax reform and certain deferred tax valuation allowance adjustments.

2019 Highlights



BEST SAFETY
PERFORMANCE ON RECORD



15.4% OPERATING
MARGIN WITHIN INVESTOR
DAY TARGET RANGE



\$6.9B ENTERPRISE OPERATING CASH FLOW
\$4.9B ME&T OPERATING CASH FLOW
\$5.3B FREE CASH FLOW*



\$6.2B RETURNED TO SHAREHOLDERS;
INCREASED DIVIDEND BY **20%**



9% SHARE COUNT
REDUCTION ACHIEVED
SINCE 1Q 2018



\$18B
ME&T SERVICES REVENUES
UP 2%

Executing Our Strategy



OPERATIONAL EXCELLENCE

- Best safety performance on record
- Proactively managed production levels
- Strong cost control

EXPANDED OFFERINGS

- New product launches to meet diverse customer needs
- Increase in mining trucks using Cat's autonomous solutions

SERVICES

- Continued growth in ME&T services revenues
- Achieved target of 1 million connected assets

Full Year 2020 Outlook

	2019 ACTUAL	2020 OUTLOOK ²
PROFIT PER SHARE	\$10.74	
ADJUSTED PROFIT PER SHARE ¹	\$11.06	\$8.50 - \$10.00

- ▶ Lower Sales & Revenues on expected decrease in end-user demand and dealers reducing their inventories
- ▶ Ready to respond quickly to positive or negative changes in demand
- ▶ Continue to take action to maintain a competitive and flexible cost structure
- ▶ Continue to invest in services and expanded offerings

2020 Key Areas of Focus



OPERATIONAL EXCELLENCE

- Maintain focus on safety and quality
- Continue Lean journey with focus on improving cost structure
- Address underperforming products

EXPANDED OFFERINGS

- Invest in new products to add value for our customers
- Expand our line of GC products

SERVICES

- Continued investment in digital capabilities
- Invest in customer-focused designs
- Improve parts availability

2020 End Market Assumptions by Segment

CONSTRUCTION INDUSTRIES



North America

- Reduction in dealer inventories
- Investment in state and local infrastructure stable
- Residential and non-residential construction to decline

Asia/Pacific

- China expected to be flat to down

EAME

- Growth in Europe slowing
- Africa/Middle East recovering from lows

Latin America

- Recovery continues from low levels, mainly in Brazil

RESOURCE INDUSTRIES



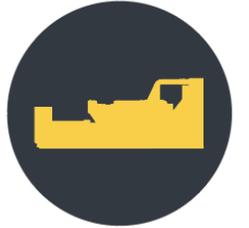
Mining

- End-user demand up mid-single digits
- Active quoting for large fleet deals, machine replacements and technology
- Commodity prices generally supportive of investment
- Miners remain cautious on capex amid continued economic uncertainty

Non-Residential/Quarry & Aggregate

- End-user demand softening
- Reduction in dealer inventories

ENERGY & TRANSPORTATION



Oil & Gas

- Weakness continuing in NA on-shore:
 - Well servicing
 - Reciprocating gas compression
 - Drilling
- Solar sales flat to slight growth

Power Generation

- Continued moderate growth

Industrial

- Slightly down

Transportation

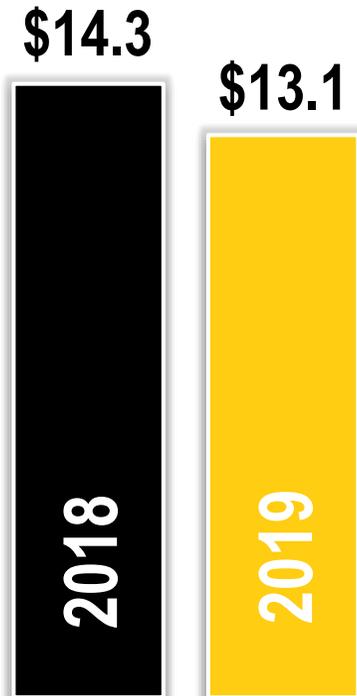
- Modest growth

2019 Financial Results

Fourth Quarter 2019 vs. Fourth Quarter 2018

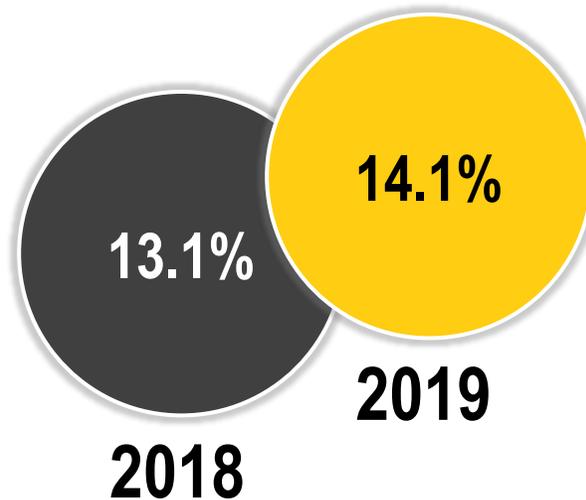
SALES & REVENUES

(in billions of dollars)



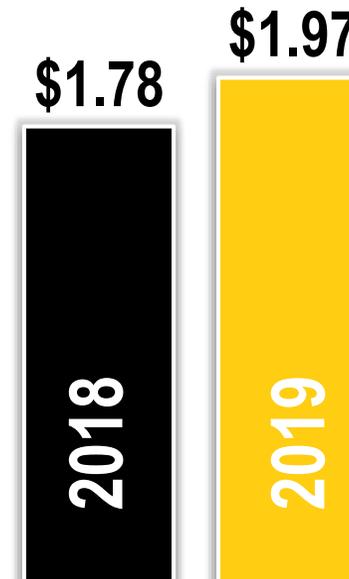
OPERATING PROFIT

as a percent of sales & revenues



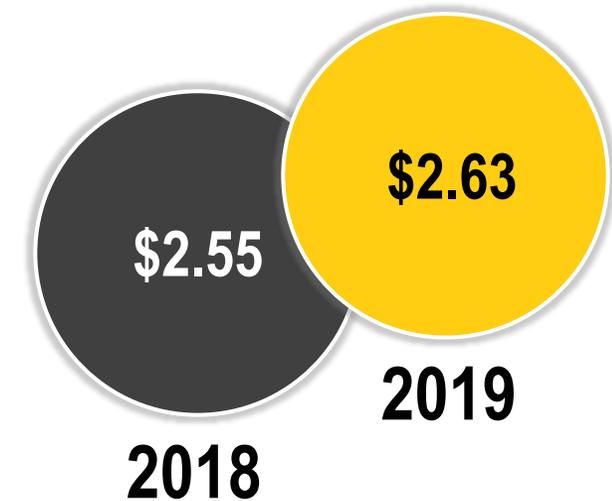
PROFIT PER SHARE

(in dollars)



ADJUSTED PROFIT PER SHARE¹

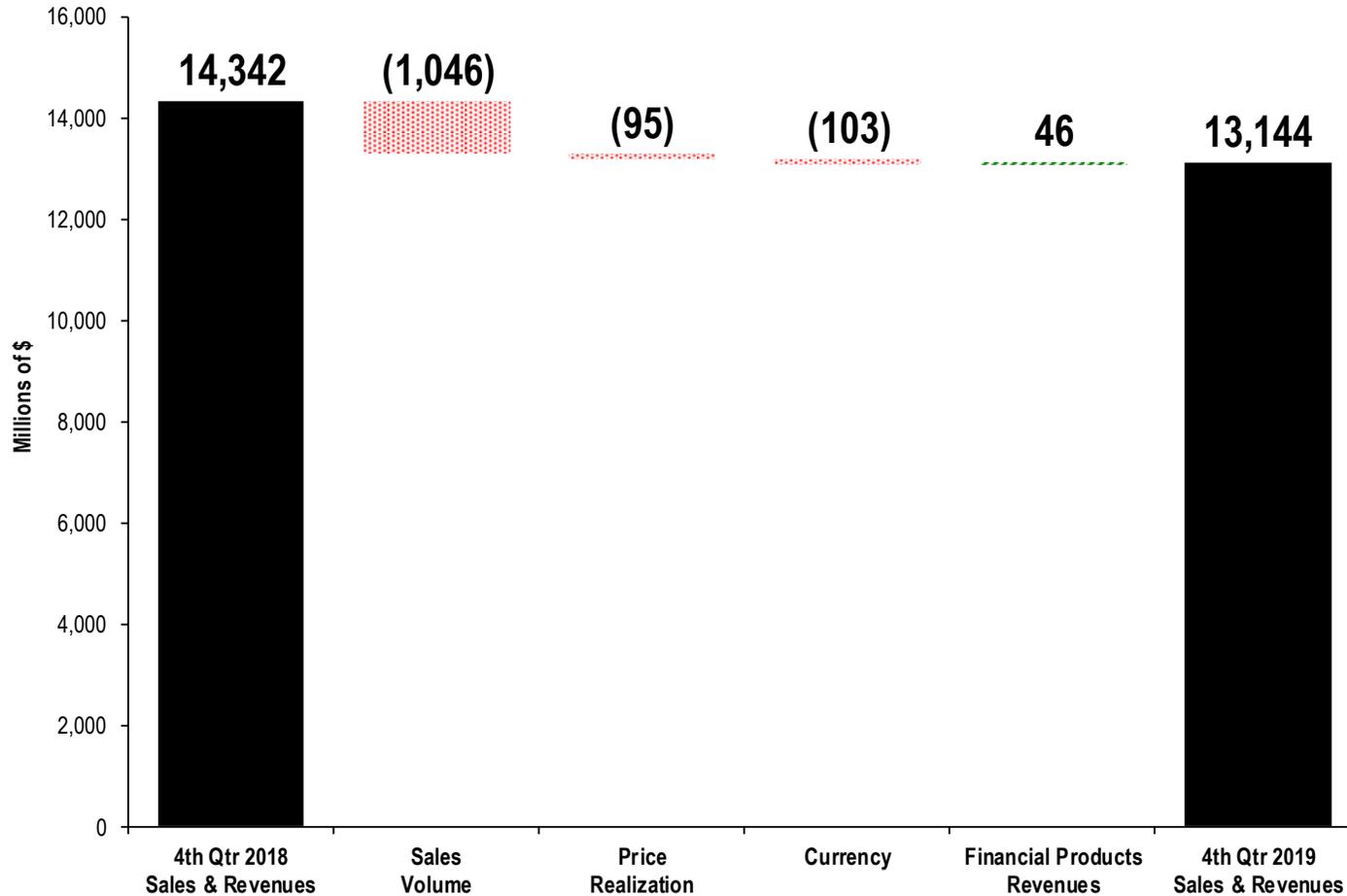
(in dollars)



¹ Adjusted PPS for 2019 excludes pension and OPEB mark-to-market losses. Adjusted PPS for 2018 excludes pension and OPEB mark-to-market losses, restructuring costs, the impact of U.S. tax reform and certain deferred tax valuation allowance adjustments.

Consolidated Sales & Revenues

Fourth Quarter 2019 vs. Fourth Quarter 2018



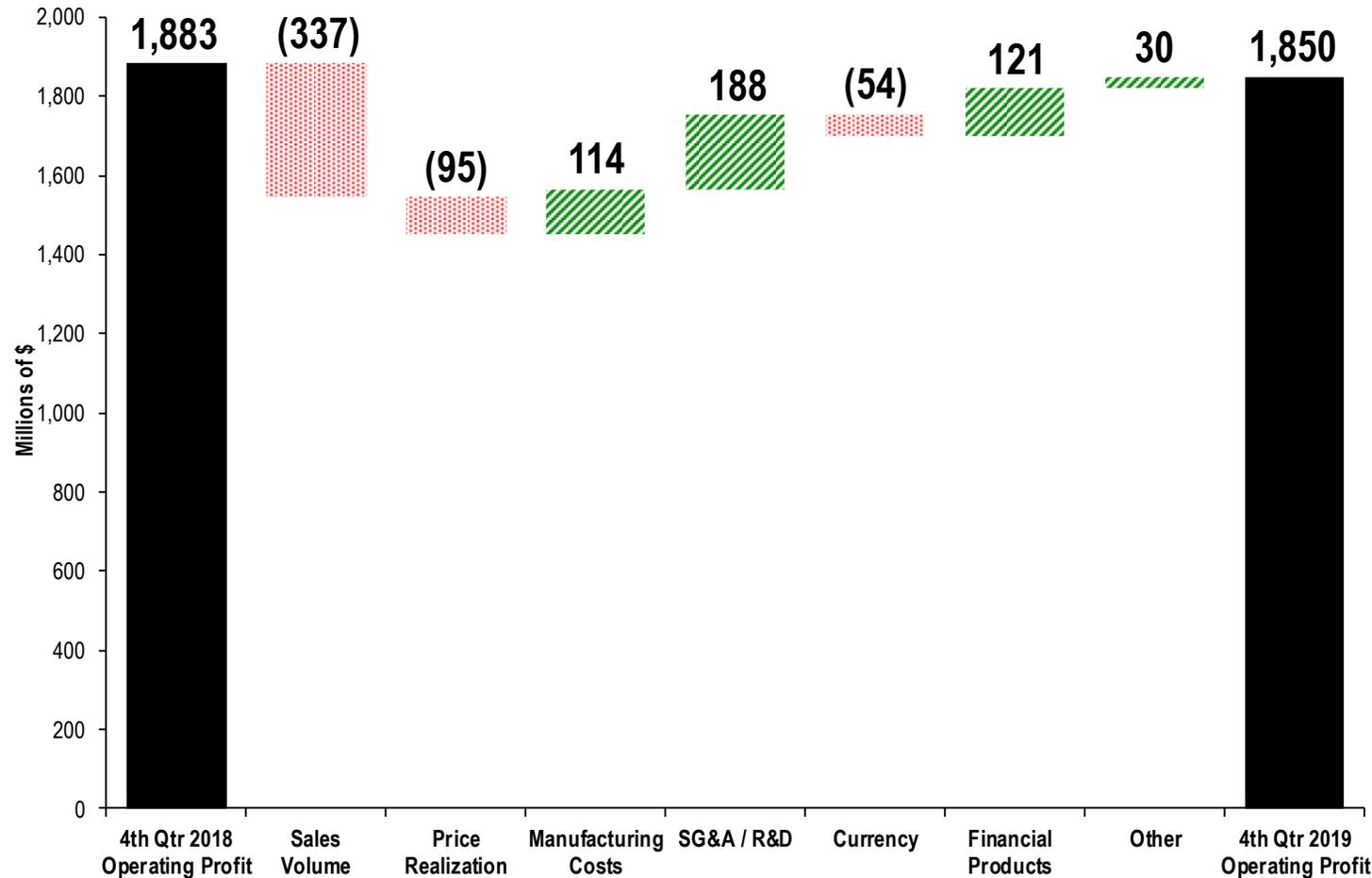
4th Quarter Highlights

Sales & Revenues Decreased (\$1.2B) or (8%)

- Sales volume decreased primarily in Construction Industries and Resource Industries
- End-user demand decreased
- Decrease due to changes in dealer inventories:
 - 4Q 2019 decreased \$700M
 - 4Q 2018 increased \$200M

Consolidated Operating Profit

Fourth Quarter 2019 vs. Fourth Quarter 2018



4th Quarter Highlights

Operating Profit Decreased (\$33M) or (2%)

- Lower sales volume
- Favorable SG&A/R&D, driven by short-term incentive compensation expense
- Higher Financial Products profit due to lower provision for credit losses
- Favorable manufacturing costs more than offset unfavorable price realization

Operating Profit Margin of 14.1%

Energy & Transportation

Fourth Quarter 2019 vs. Fourth Quarter 2018

Full Year 2019

Total Sales*

\$22.1B

Segment Margin

17.7%

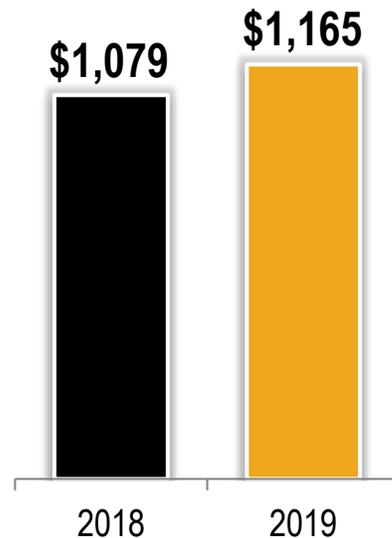
Total Sales*

(in billions of dollars)



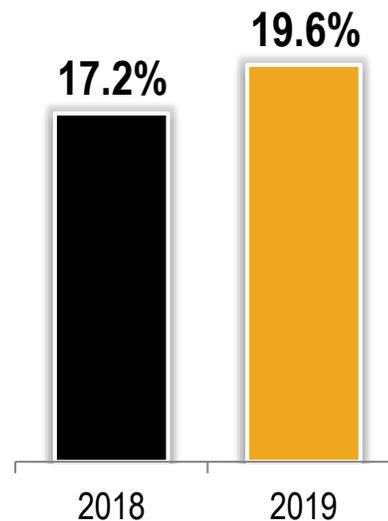
Segment Profit

(in millions of dollars)



Segment Profit

as a percent of total sales*



* Includes inter-segment sales.

4th Quarter Highlights

Total Sales Decreased (\$338M) or (5%)

- **Oil and Gas** – Lower demand in North America for reciprocating engines used in gas compression and turbine project deliveries
- **Power Generation** – Increased slightly due to turbines in EAME
- **Industrial** – About flat
- **Transportation** – Higher due to stronger marine demand in EAME

Segment Profit Increased +\$86M or +8%

- Favorable SG&A/R&D, driven by short-term incentive expense
- Favorable manufacturing costs offset lower sales volume

Construction Industries

Fourth Quarter 2019 vs. Fourth Quarter 2018

Full Year 2019

Total Sales*

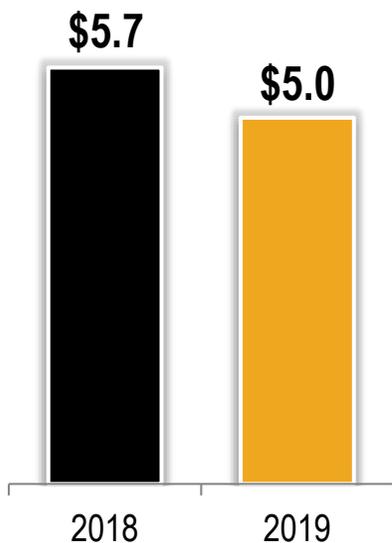
\$22.6B

Segment Margin

17.4%

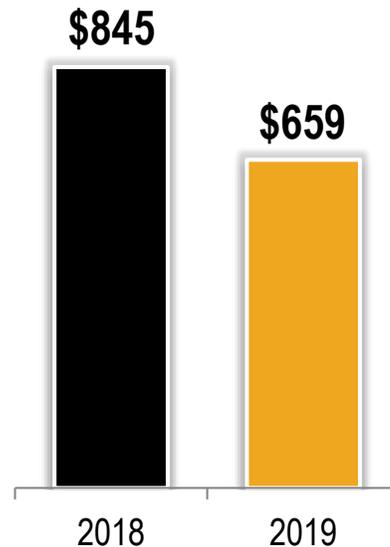
Total Sales*

(in billions of dollars)



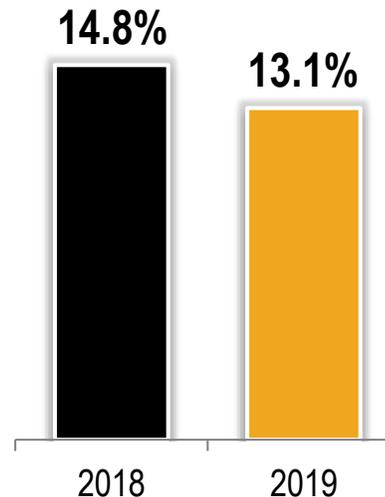
Segment Profit

(in millions of dollars)



Segment Profit

as a percent of total sales*



* Includes inter-segment sales.

4th Quarter Highlights

Total Sales Decreased (\$685M) or (12%)

- **North America** – Decreased due to changes in dealer inventories, while end-user demand was about flat
- **Latin America** – Higher sales driven by road and residential construction activities
- **EAME** – Decreased due to changes in dealer inventories and lower end-user demand
- **Asia/Pacific** – About flat; unfavorable price realization was mostly offset by higher sales volume

Segment Profit Decreased (\$186M) or (22%)

- Lower sales volume
- Favorable manufacturing costs, mostly offset by unfavorable price realization

Resource Industries

Fourth Quarter 2019 vs. Fourth Quarter 2018

Full Year 2019

Total Sales*

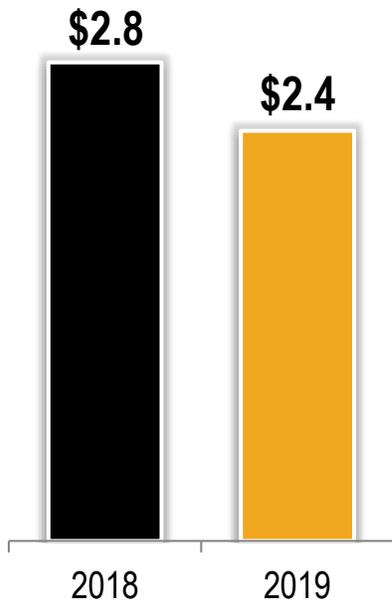
\$10.3B

Segment Margin

15.9%

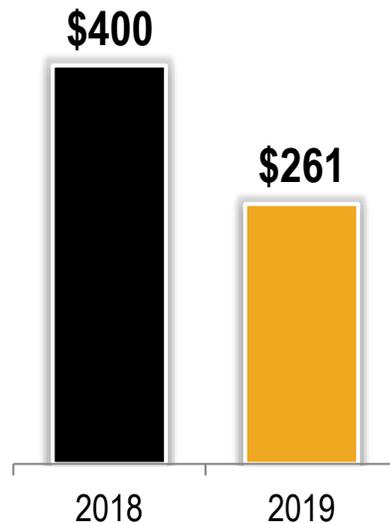
Total Sales*

(in billions of dollars)



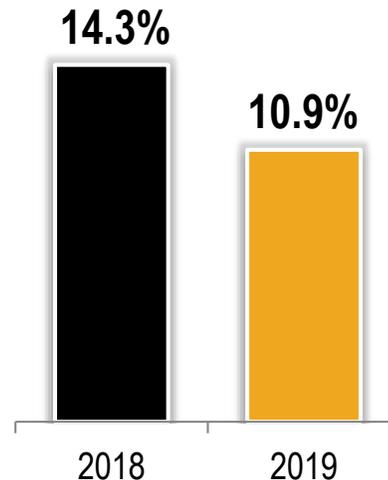
Segment Profit

(in millions of dollars)



Segment Profit

as a percent of total sales*



4th Quarter Highlights

Total Sales Decreased (\$402M) or (14%)

- Decreased due to changes in dealer inventories and lower end-user demand
- Mining customers remain disciplined in their capital expenditures
- Lower demand in non-residential construction

Segment Profit Decreased (\$139M) or (35%)

- Lower sales volume
- Favorable SG&A/R&D driven by short-term incentive compensation expense and timing of R&D expenses

* Includes inter-segment sales.

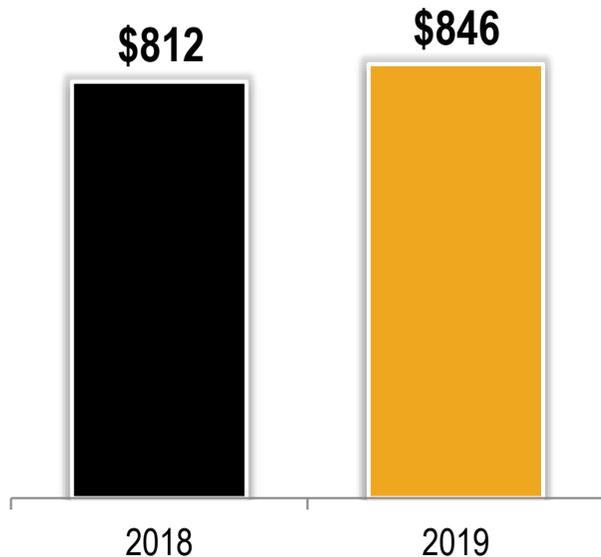
Financial Products

Fourth Quarter 2019 vs. Fourth Quarter 2018

Full Year 2019
Total Revenues*
\$3.4B
Segment Profit
\$0.8B

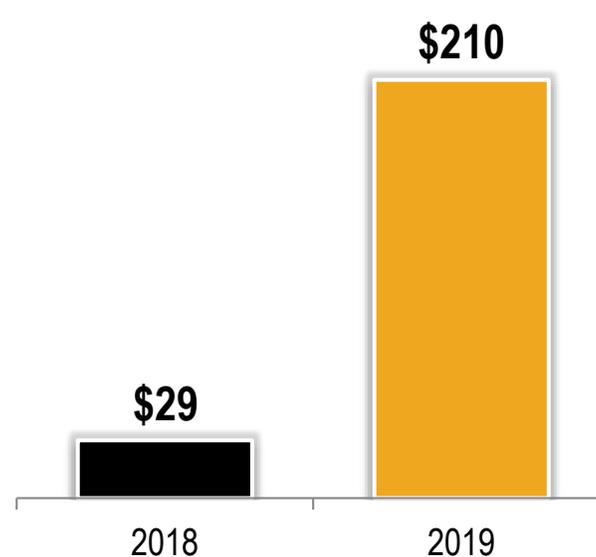
Total Revenues*

(in millions of dollars)



Segment Profit

(in millions of dollars)



4th Quarter Highlights

Total Revenues Increased +\$34M or +4%

- Absence of returned or repossessed equipment in EAME
- Favorable financing rates in North America

Segment Profit Increased +\$181M or +624%

- Lower provision for credit losses
- Favorable impact from equity securities in Insurance Services

* Includes inter-segment sales.

Full Year 2020 Outlook



OUTLOOK ASSUMPTIONS:

- ▶ Lower Sales & Revenues year-over-year
 - ▶ End-user demand down about 4% - 9%
 - ▶ Dealer inventory expected to decline about \$1.0 - \$1.5B
- ▶ Favorable manufacturing costs
- ▶ Restructuring costs at normal level; In addition, \$200M placeholder for strategic actions
- ▶ Tax rate about 25%, excluding discrete tax items
- ▶ Capex about \$1.2B

Cash Flow and Capital Structure



**ENTERPRISE
CASH BALANCE**

\$8.3B

**STRONG FINANCIAL
POSITION**



**2019 FREE
CASH FLOW***

\$5.3B

**STRONG CASH
GENERATION**



**RETURNED TO
SHAREHOLDERS
IN 2019**

\$6.2B

**THROUGH DIVIDENDS &
SHARE REPURCHASES**

**INCREASED
DIVIDEND BY 20%**



**2019 FREE CASH
FLOW
DEPLOYMENT**

~115%

**TARGET TO RETURN
SUBSTANTIALLY ALL
FREE CASH FLOW TO
SHAREHOLDERS
THROUGH THE CYCLES**

2019 Key Takeaways



Sales & Revenues decreased (2%); PPS of \$10.74



2020 PPS outlook range of \$8.50 to \$10.00



Proactively managing production



Increased dividend by 20%



Returned \$6.2B to shareholders through share repurchases & dividends

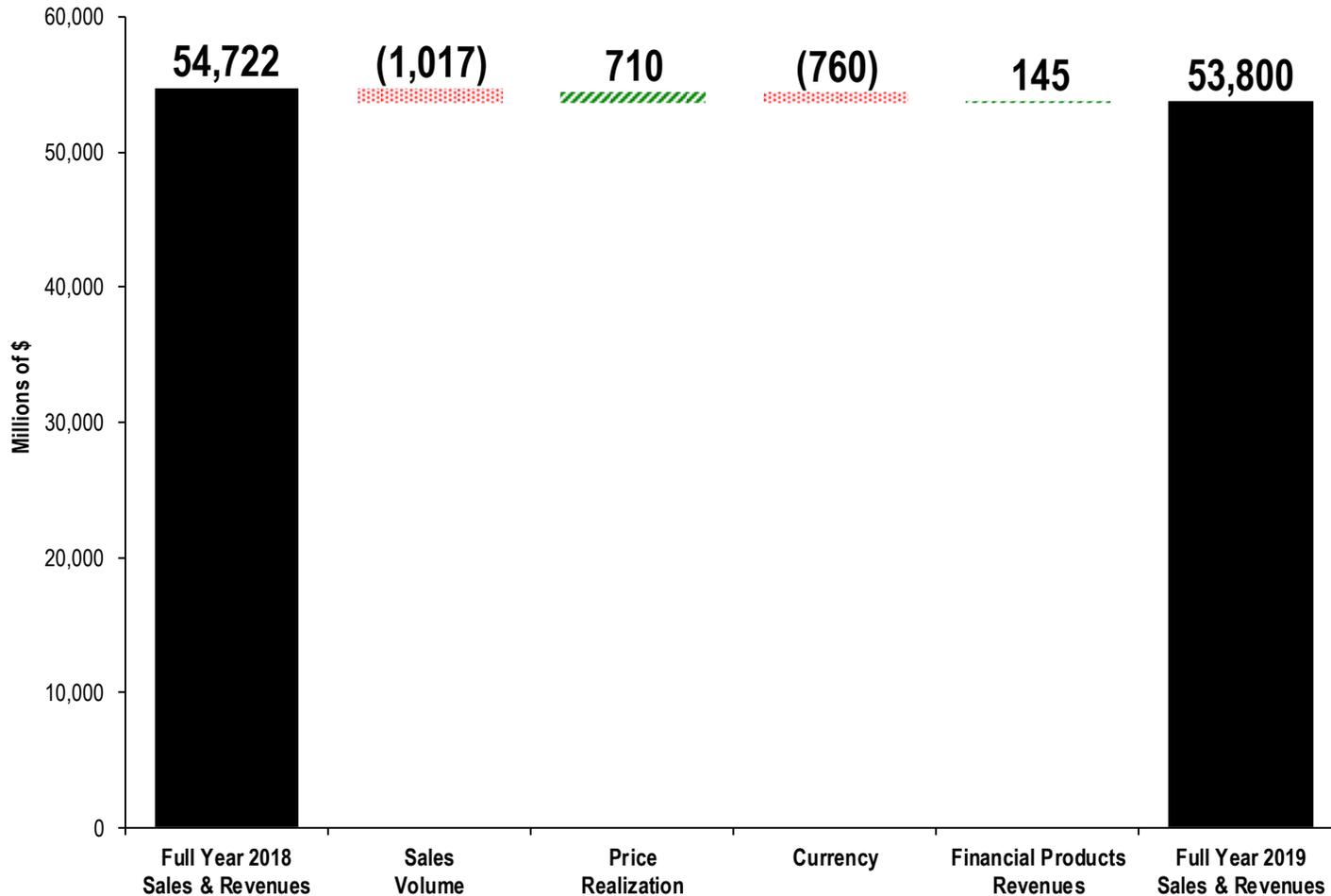


Executing our strategy & continuing to invest for long-term profitable growth

Q&A

Consolidated Sales & Revenues

Full Year 2019 vs. Full Year 2018



Full Year Highlights

Sales & Revenues Decreased (\$0.9B) or (2%)

- Sales decreased primarily in Energy & Transportation and Construction Industries
- Decrease due to changes in dealer inventories:
 - 2019 increased \$0.8B
 - 2018 increased \$2.3B
- End-user demand increased +2%
- Favorable price offset by unfavorable currency

Consolidated Operating Profit

Full Year 2019 vs. Full Year 2018



Full Year Highlights

Operating Profit nearly flat

- Lower sales volume
- Favorable price realization more than offset higher manufacturing costs
- Favorable SG&A/R&D, driven by short-term incentive compensation expense

Operating Profit Margin of 15.4%

Appendix – Reconciliation to U.S. GAAP

ME&T Cash Flow from Operations to ME&T Free Cash Flow

(USD in billions)	2019
ME&T cash flow from operations	\$4.9
ME&T discretionary pension and OPEB plan contributions	1.5
ME&T capital expenditures	(1.1)
ME&T free cash flow	\$5.3