



Third-Quarter 2019 Financial Review

October 23, 2019

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.

A reconciliation of non-GAAP financial information can be found in our press release describing third-quarter 2019 financial results which is available on our website at www.caterpillar.com/earnings.

2019 Third-Quarter Results



Sales & Revenues

\$12.8B

(6%)



Profit Per Share

\$2.66

(8%)

Volume decrease
primarily in
**Resource
Industries**
and
**Construction
Industries**

Dealer Inventory
net impact of
\$1.2B

Retail Sales
Statistics
Positive
+6%

Operating Profit
decreased
(5%)

Lower **Volume**
offset by
favorable **Price
Realization** and
lower
SG&A/R&D

Maintained
Operating Profit
Margin of
15.8%

Full-Year 2019 Outlook

	2018 Actual	Previous 2019 Outlook ¹	Current 2019 Outlook ¹
Profit Per Share	\$10.26	\$12.06 – \$13.06 Lower End of Range	\$10.90 – \$11.40

¹ The previous outlook as of July 24, 2019, and the current outlook as of October 23, 2019, include a first-quarter discrete tax benefit related to U.S. tax reform of \$0.31 per share.

- Revised outlook due to lower end-user demand and dealers reducing their inventories
- Ready to respond quickly to positive or negative developments
- Managing production levels and maintaining a competitive and flexible cost structure
- Continuing to achieve Investor Day targets for operating margins and free cash flow

Executing Our Strategy



Services

Expanding digital capabilities: providing actionable insights with ~100,000 monthly inspections on Cat Inspect

Operational Excellence

Using lean to improve production efficiency: ~40% reduction in 3600 engine assembly time

Expanded Offerings

Industry-leading solutions: Dynamic Gas Blending (DGB) engines and autonomous mining technologies

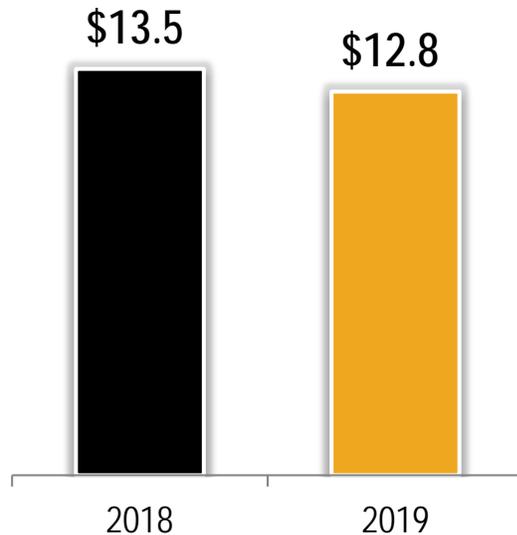
2019 Financial Results

Third Quarter 2019 vs. Third Quarter 2018

Sales & Revenues

(in billions of dollars)

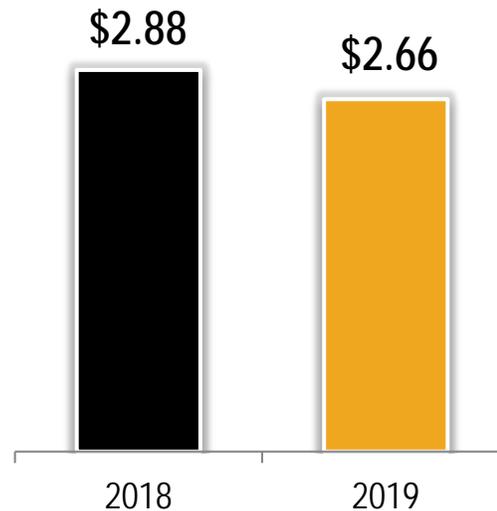
\$12.8



Profit Per Share

(in dollars)

\$2.66



3rd Quarter Highlights

Sales & Revenues Decreased (\$752M) or (6%)

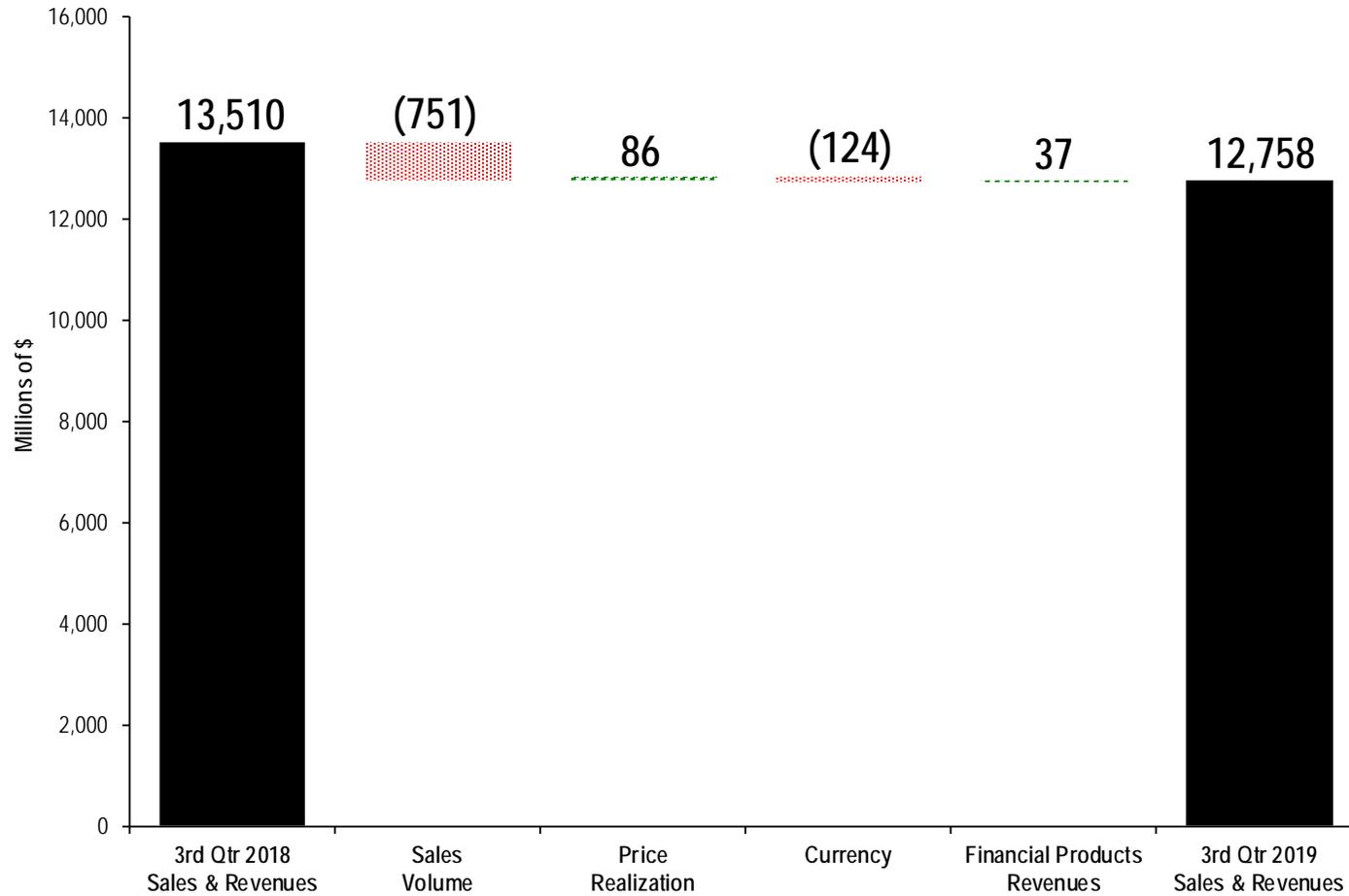
Profit Per Share Decreased (\$0.22) or (8%)

Financial Position

- \$1.2B share repurchases
- \$0.6B dividends paid
- \$7.9B enterprise cash on hand

Consolidated Sales & Revenues

Third Quarter 2019 vs. Third Quarter 2018



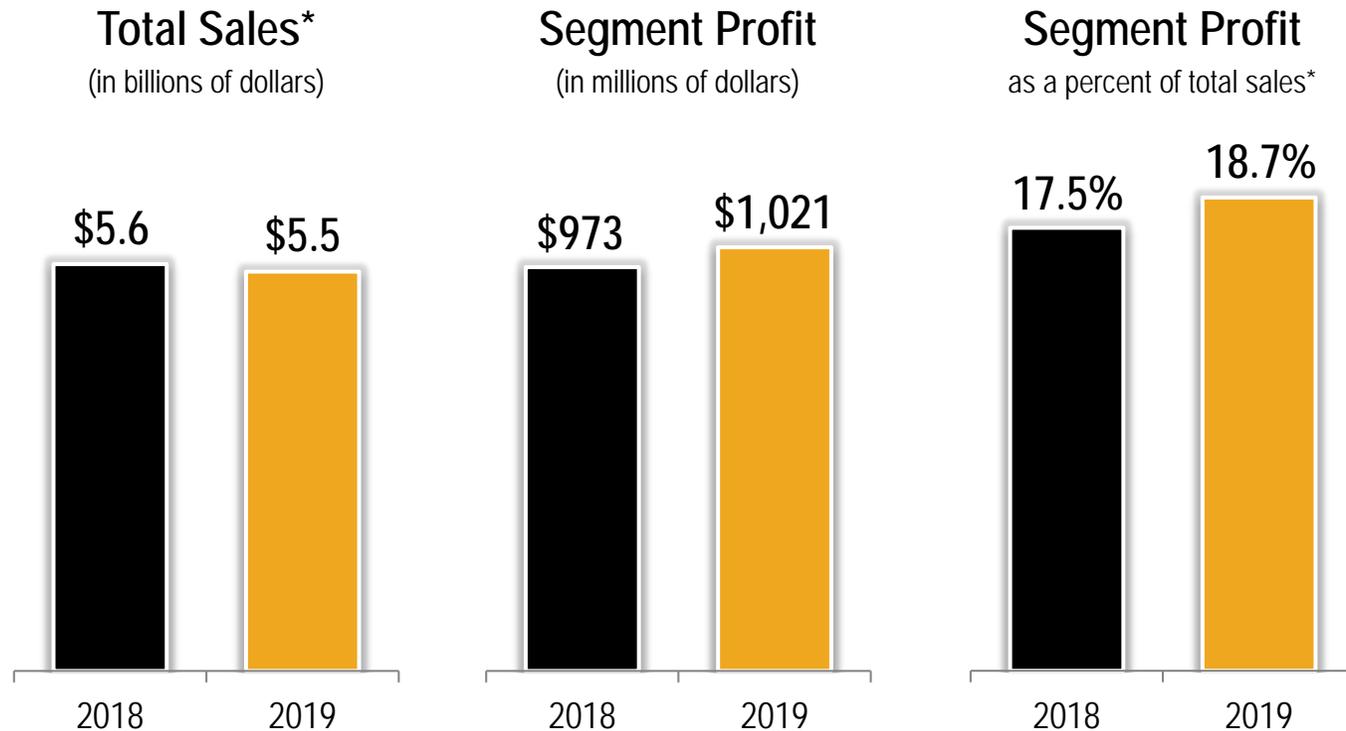
3rd Quarter Highlights

Sales & Revenues Decreased (\$752M) or (6%)

- Sales decreased across the three primary segments
- Decrease due to changes in dealer inventories
- Partially offset by higher end-user demand

Energy & Transportation

Third Quarter 2019 vs. Third Quarter 2018



* Includes inter-segment sales.

3rd Quarter Highlights

Total Sales Decreased (\$103M) or (2%)

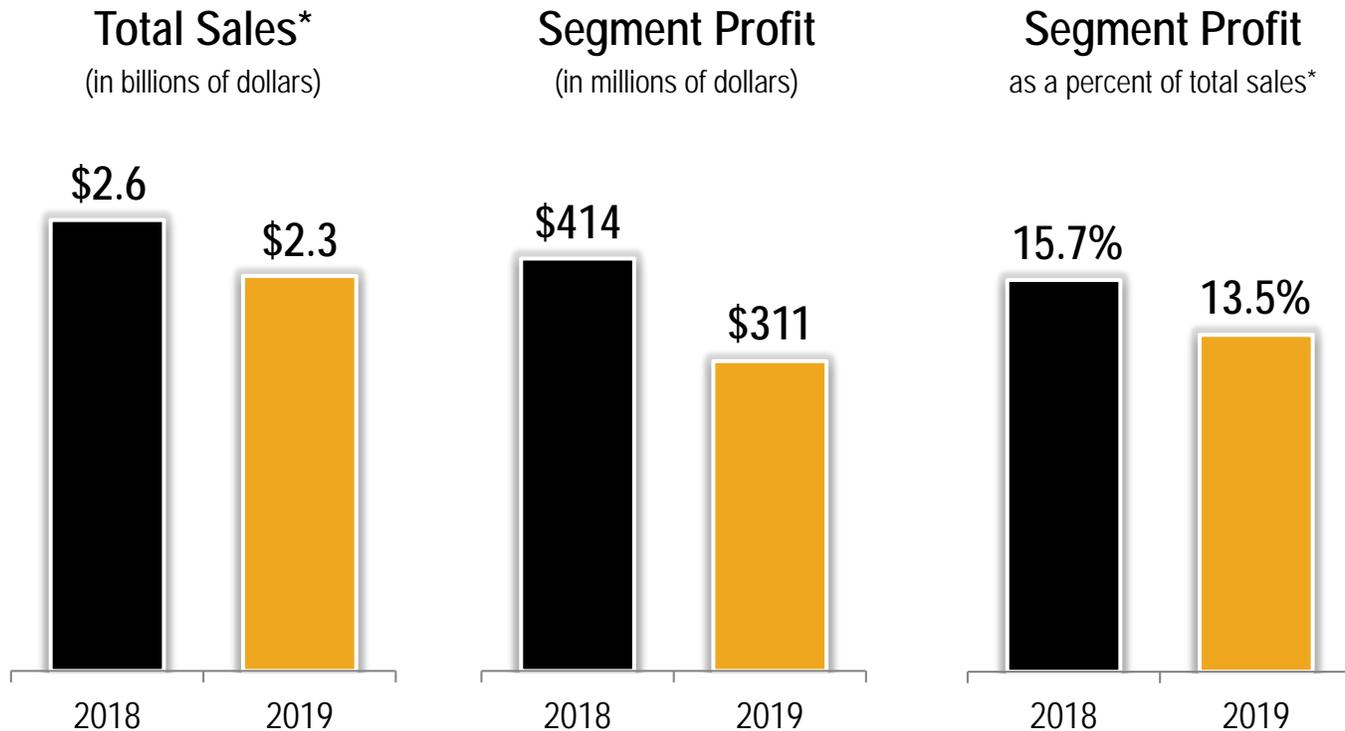
- **Oil and Gas** – Lower demand for reciprocating engines used in well servicing, partially offset by increased deliveries of turbines
- **Power Generation** – Increased due to North America large reciprocating engines
- **Industrial** – Increased in EAME & Asia/Pacific
- **Transportation** – Lower due to timing of locomotive deliveries

Segment Profit Increased +\$48M or +5%

- Lower sales volume, including unfavorable mix
- Favorable other operating income/expense
- Lower SG&A/R&D, driven by short-term incentive compensation expense

Resource Industries

Third Quarter 2019 vs. Third Quarter 2018



* Includes inter-segment sales.

3rd Quarter Highlights

Total Sales Decreased (\$327M) or (12%)

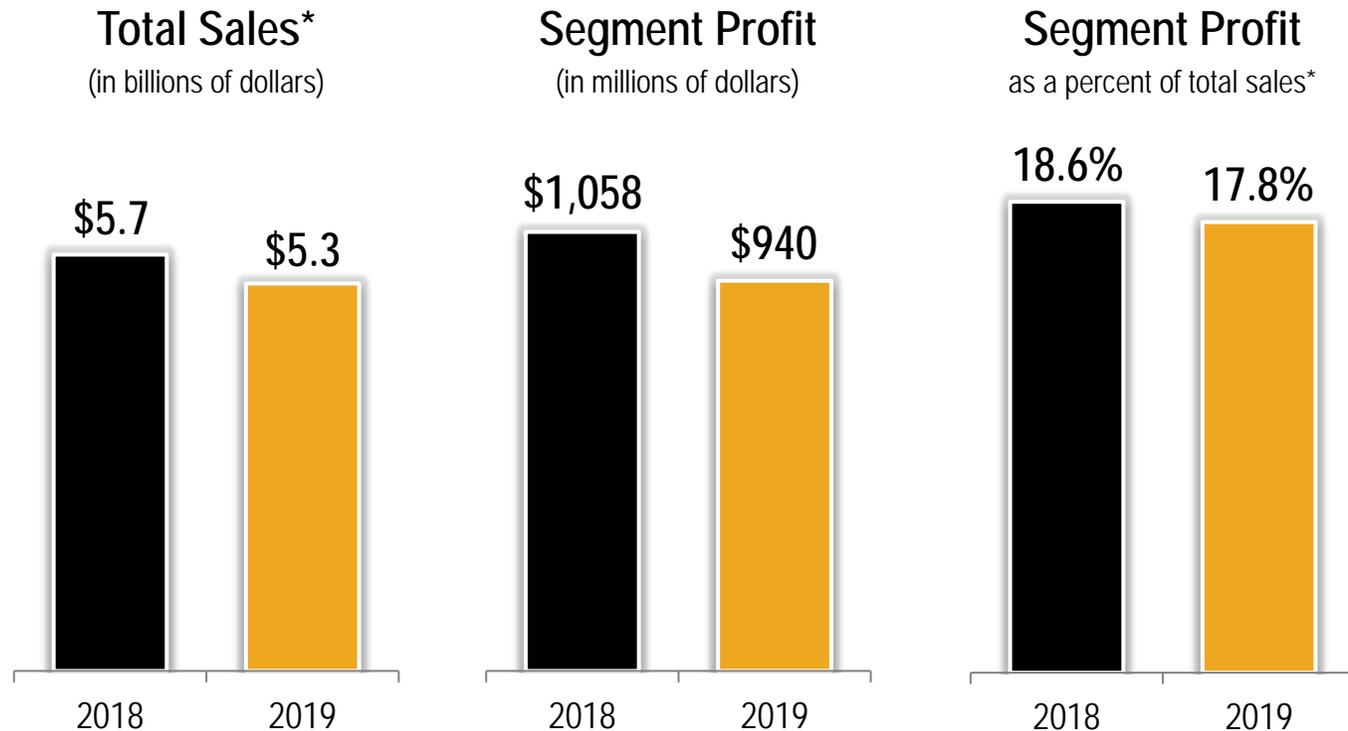
- Mining customers remain cautious due to economic uncertainty
- Lower demand related to thermal coal
- Dealer inventory reductions in non-residential construction and quarry & aggregates

Segment Profit Decreased (\$103M) or (25%)

- Lower sales volume
- Favorable price realization

Construction Industries

Third Quarter 2019 vs. Third Quarter 2018



* Includes inter-segment sales.

3rd Quarter Highlights

Total Sales Decreased (\$394M) or (7%)

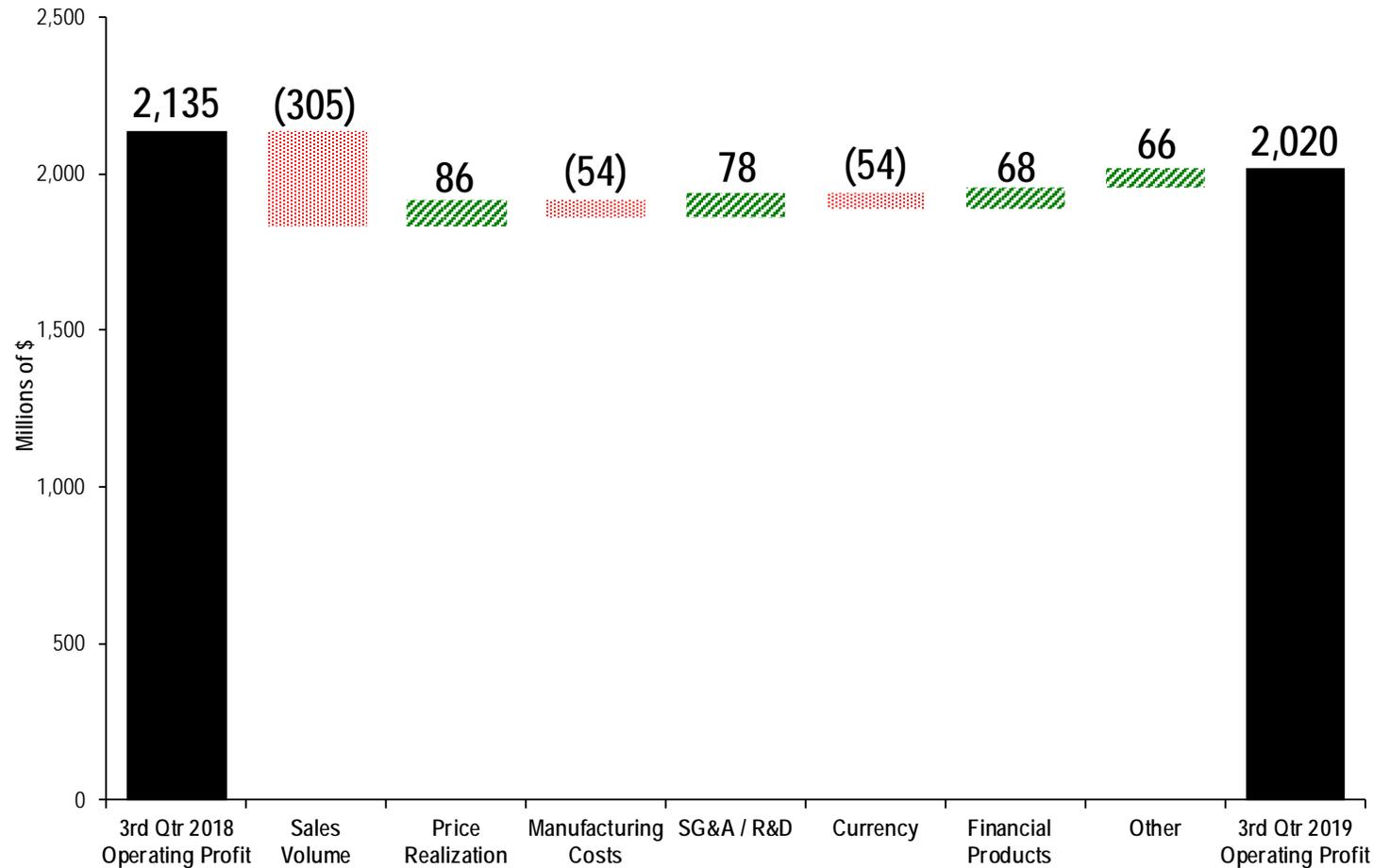
- **North America** – Favorable price realization and higher demand to support road and non-residential building construction activities
- **Latin America** – Higher sales, but construction activities remained at low levels
- **EAME** – Decreased due to unfavorable currency
- **Asia/Pacific** – Lower demand, primarily in China, due to continued competitive pressures

Segment Profit Decreased (\$118M) or (11%)

- Lower sales volume
- Lower SG&A/R&D, driven by short-term incentive compensation expense

Consolidated Operating Profit

Third Quarter 2019 vs. Third Quarter 2018



3rd Quarter Highlights

Operating Profit Decreased (\$115M) or (5%)

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

Operating Profit Margin of 15.8%

Full-Year 2019 Outlook

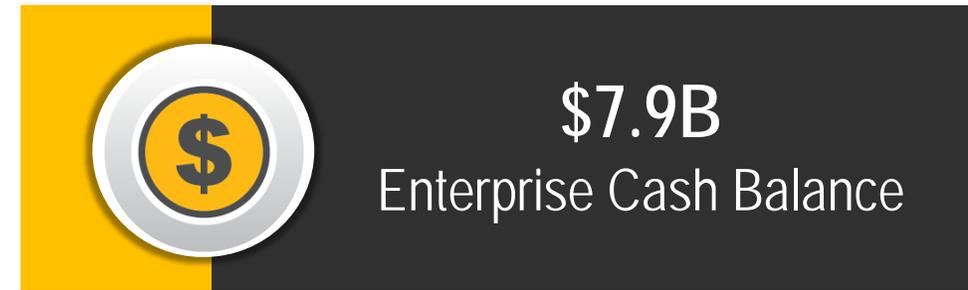
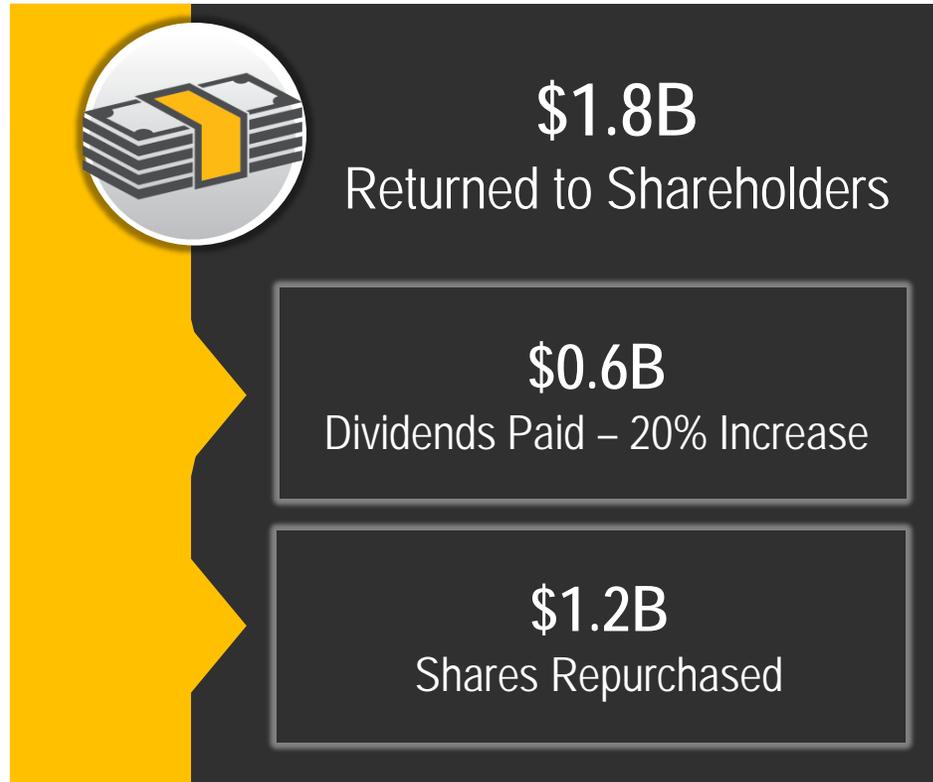
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2019 Assumptions:

- Modestly lower Sales & Revenues year-over-year
 - Year-end 2019 dealer inventory up about \$500 million vs. 2018
 - 4Q end-user demand flat year-over-year
- Price realization offsetting higher manufacturing costs
- About \$650 million lower short-term incentive compensation expense year-over-year
- Restructuring costs about \$200 million
- Tax rate 26%, excluding discrete tax items
- Capex about \$1.2 billion

3Q 2019 - Capital Structure



Key Takeaways



Sales & Revenues declined (6%); PPS down (8%)



Reduced 2019 PPS outlook range to \$10.90 to \$11.40



Proactively managing production



Financial position remains strong



Returned \$1.8B to shareholders in share buybacks and dividends



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

Q&A

Preliminary 2020 Caterpillar Earnings Call Schedule

Earnings Quarter	Release Date	Call Time
4 th Quarter 2019	Friday, January 31, 2020	8:30 a.m. Eastern
1 st Quarter 2020	Tuesday, April 28, 2020	8:30 a.m. Eastern
2 nd Quarter 2020	Friday, July 31, 2020	8:30 a.m. Eastern
3 rd Quarter 2020	Tuesday, October 27, 2020	8:30 a.m. Eastern