



First Quarter 2020 Financial Review

April 28, 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; (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 first-quarter 2020 financial results which is available on our website at www.caterpillar.com/earnings.

COVID-19 Response



Protecting the **health** and **safety** of our **global team**



Customers doing **essential business**



Caterpillar and dealers continue to serve customers

Cat Financial customer support in place



The Caterpillar Foundation has **committed \$10M** to COVID-19 relief efforts

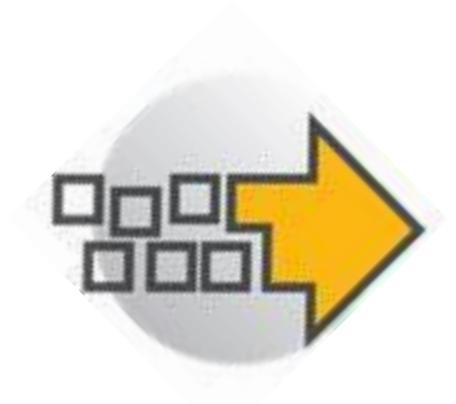


COVID-19 Response

Strong balance sheet, liquidity position and credit rating



Better positioned due to **disciplined** management of structural costs during upturn of 2017-2019

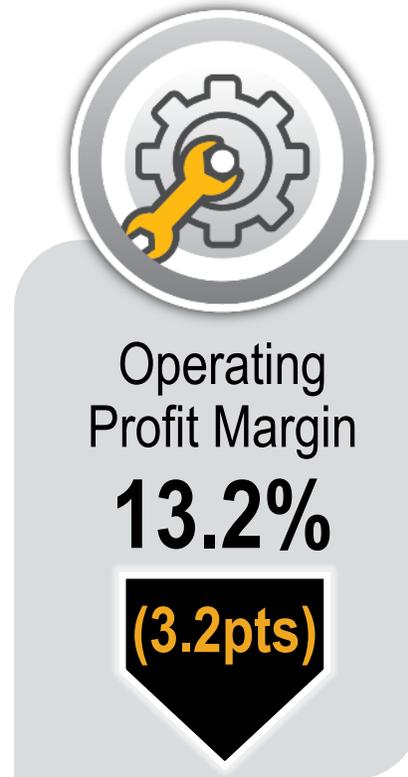


Lowering costs: reduced discretionary spending and suspended base pay increase and short-term incentive compensation



Approximately **75%** of primary production facilities **continue to operate**

First Quarter 2020 Financial Results



¹ First-quarter 2020 profit per share included a remeasurement gain of \$0.38 per share resulting from settlement of a non-U.S. pension obligation. First-quarter 2019 profit per share included a discrete tax benefit related to U.S. tax reform of \$0.31 per share.

Executing Our Strategy



We expect to continue to **return substantially all free cash flow** to shareholders



Focused on operational excellence, continuing to invest in services and expanded offerings for **profitable growth**

Prepared to respond to changes in demand, positive or negative



Margins and **free cash flow** expected to be better than historical performance

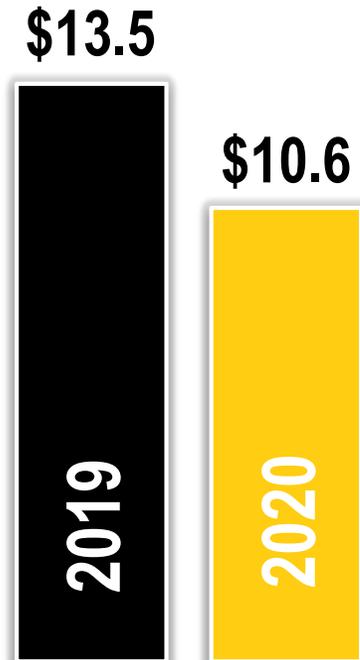


2020 Financial Results

First Quarter 2020 vs. First Quarter 2019

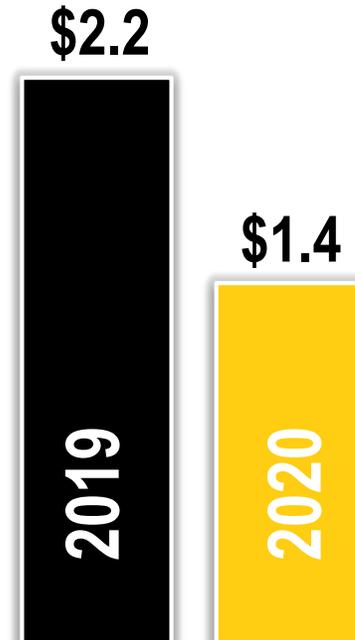
SALES & REVENUES

(in billions of dollars)



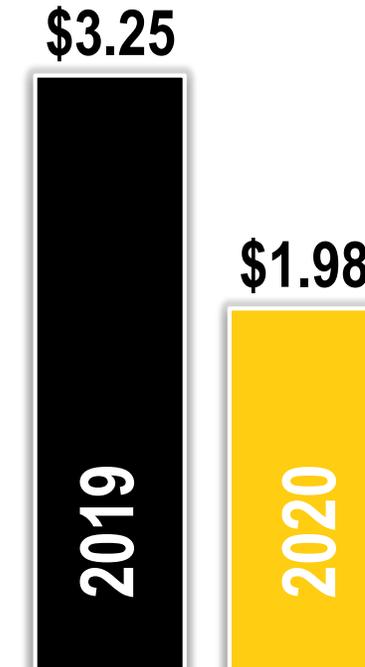
OPERATING PROFIT

(in billions of dollars)



PROFIT PER SHARE¹

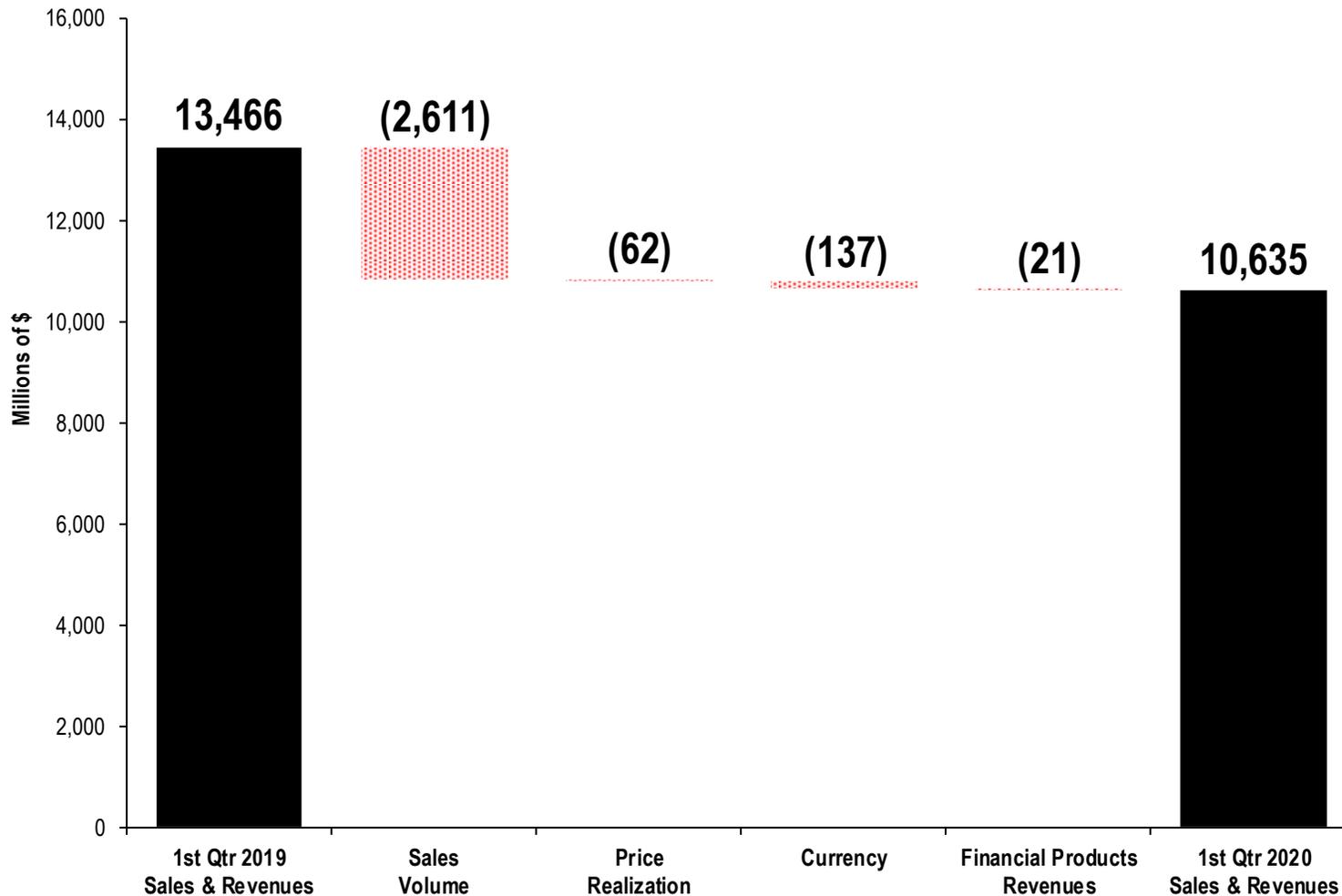
(in dollars)



¹ First-quarter 2020 profit per share included a remeasurement gain of \$0.38 per share resulting from settlement of a non-U.S. pension obligation. First-quarter 2019 profit per share included a discrete tax benefit related to U.S. tax reform of \$0.31 per share.

Consolidated Sales & Revenues

First Quarter 2020 vs. First Quarter 2019



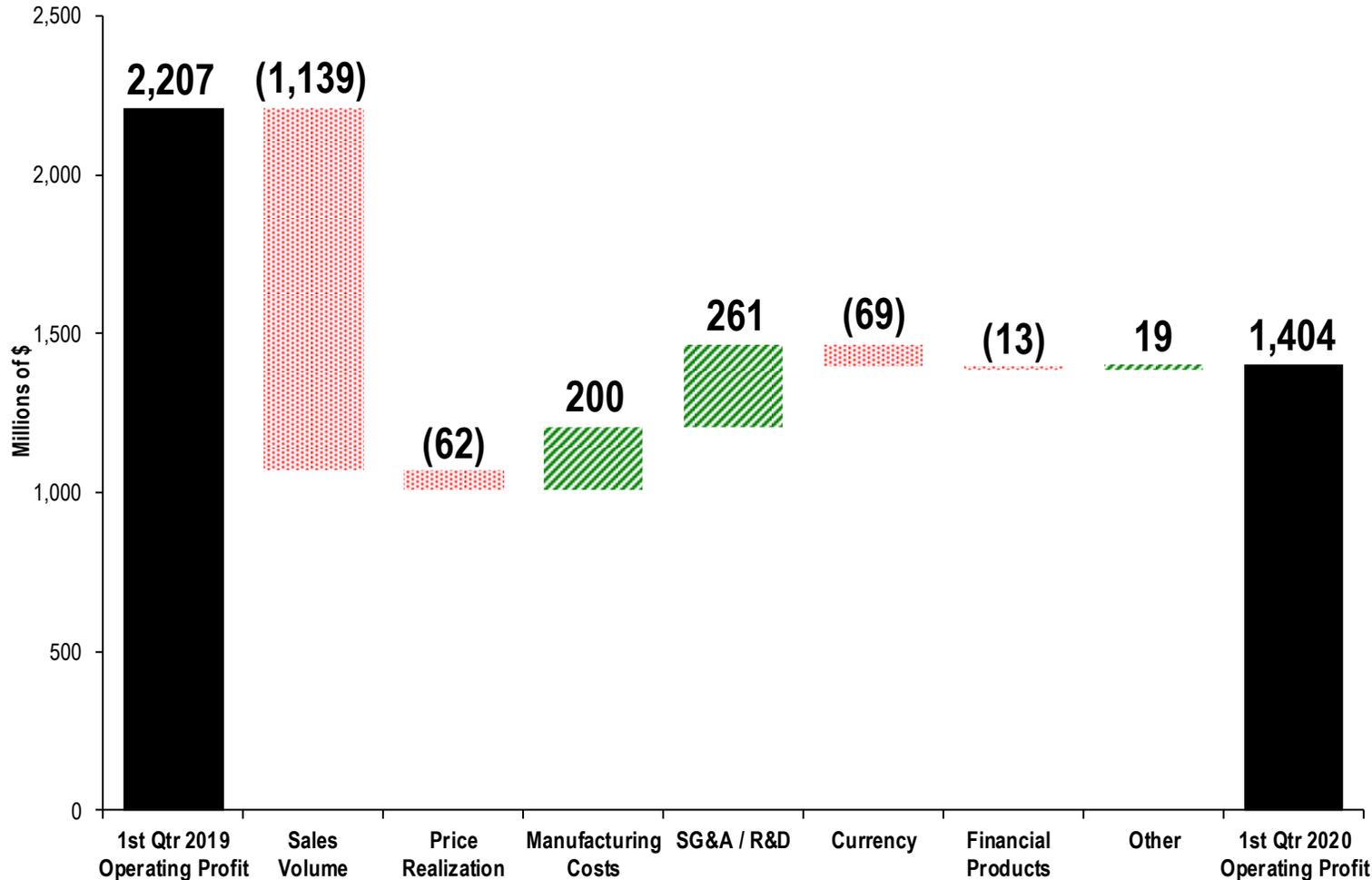
1st Quarter Highlights

Sales & Revenues Decreased (\$2.8B) or (21%)

- Sales volume decreased across all regions and the three primary segments
- Lower end-user demand
- Impact from changes in dealer inventories

Consolidated Operating Profit

First Quarter 2020 vs. First Quarter 2019



1st Quarter Highlights

Operating Profit Decreased (\$803M) or (36%)

- Decreased sales volume
- Lower SG&A/R&D, driven by short-term incentive compensation expense
- Favorable manufacturing costs, driven by short-term incentive compensation expense and material costs

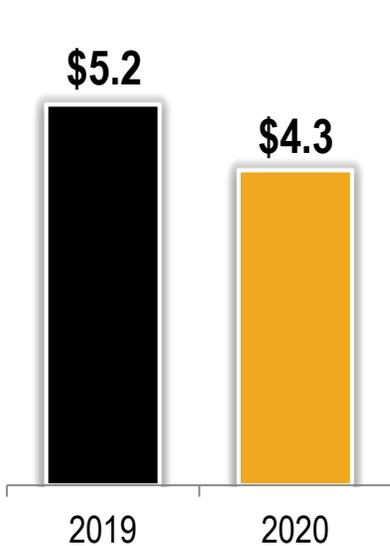
Operating Profit Margin of 13.2%

Energy & Transportation

First Quarter 2020 vs. First Quarter 2019

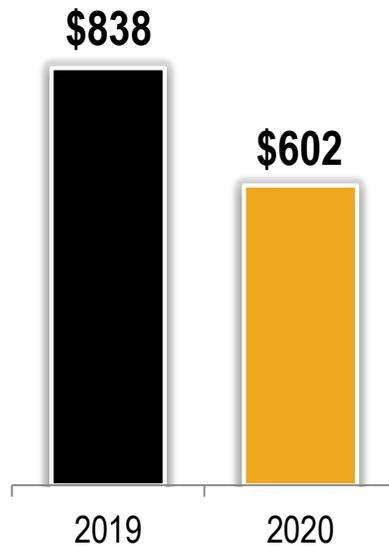
Total Sales*

(in billions of dollars)



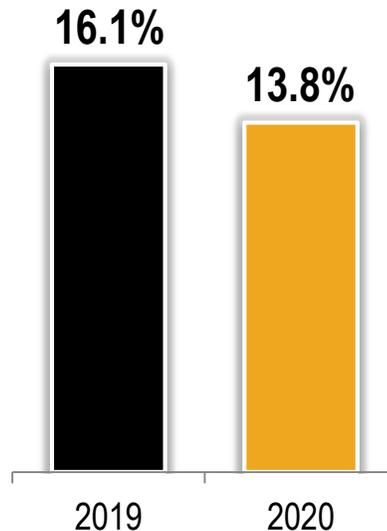
Segment Profit

(in millions of dollars)



Segment Profit

as a percent of total sales*



* Includes inter-segment sales.

1st Quarter Highlights

Total Sales Decreased (\$861M) or (17%)

- **Oil and Gas** – Lower demand in North America for reciprocating engines used in gas compression and well servicing
- **Power Generation** – Sales decreased primarily in Asia/Pacific and North America for both reciprocating engines and turbine-related projects
- **Industrial** – Lower sales in all regions
- **Transportation** – Sales declines in both rail and marine applications

Segment Profit Decreased (\$236M) or (28%)

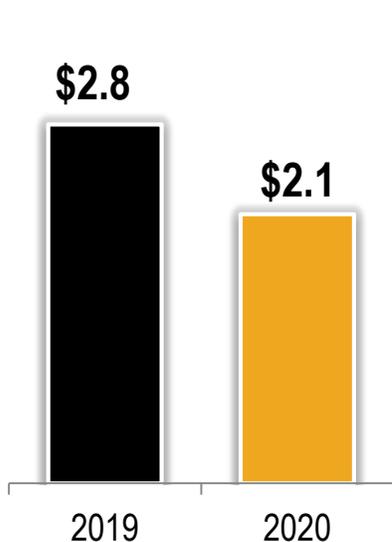
- Lower sales volume
- Favorable SG&A/R&D and manufacturing costs, driven by short-term incentive compensation expense

Resource Industries

First Quarter 2020 vs. First Quarter 2019

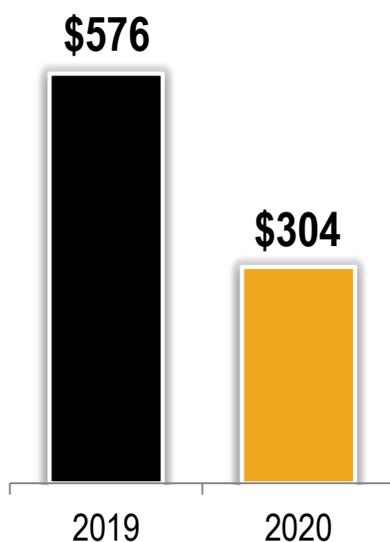
Total Sales*

(in billions of dollars)



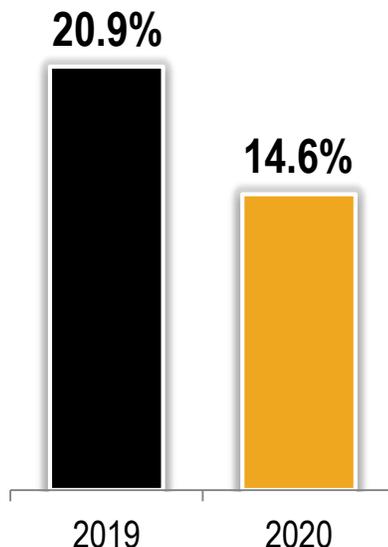
Segment Profit

(in millions of dollars)



Segment Profit

as a percent of total sales*



* Includes inter-segment sales.

1st Quarter Highlights

Total Sales Decreased (\$668M) or (24%)

- Decrease due to changes in dealer inventories and lower end-user demand
- Mining customers remaining disciplined in their capital expenditures, commodity prices volatile
- Lower demand in non-residential construction and quarry and aggregates

Segment Profit Decreased (\$272M) or (47%)

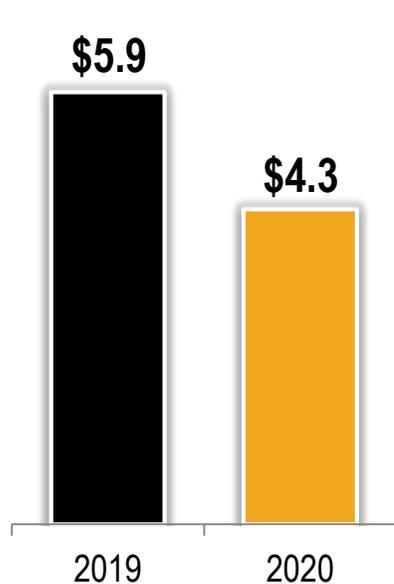
- Lower sales volume
- Manufacturing costs about flat

Construction Industries

First Quarter 2020 vs. First Quarter 2019

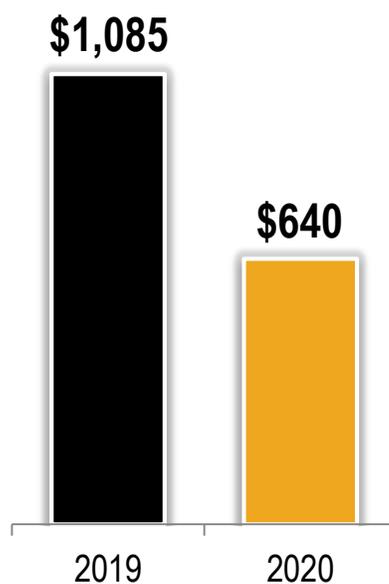
Total Sales*

(in billions of dollars)



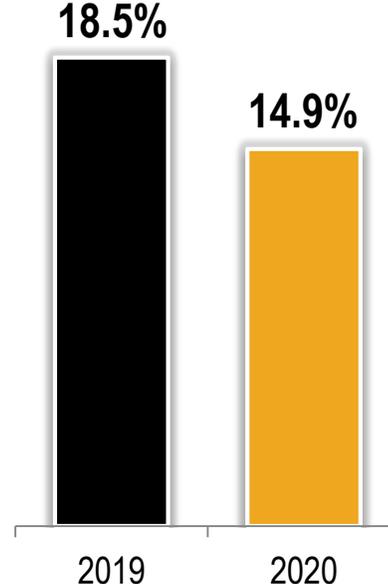
Segment Profit

(in millions of dollars)



Segment Profit

as a percent of total sales*



* Includes inter-segment sales.

1st Quarter Highlights

Total Sales Decreased (\$1,567M) or (27%)

- **North America** – Decrease due to changes in dealer inventories and lower end-user demand
- **Latin America** – Lower due to changes in dealer inventories and unfavorable currency impacts
- **EAME** – Decrease due to lower end-user demand across most of the region
- **Asia/Pacific** – Decrease due to lower end-user demand across most of the region, primarily in China

Segment Profit Decreased (\$445M) or (41%)

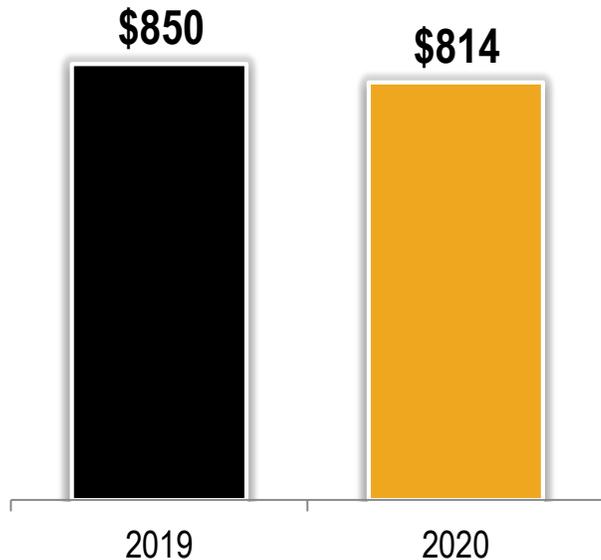
- Lower sales volume
- Favorable manufacturing costs

Financial Products

First Quarter 2020 vs. First Quarter 2019

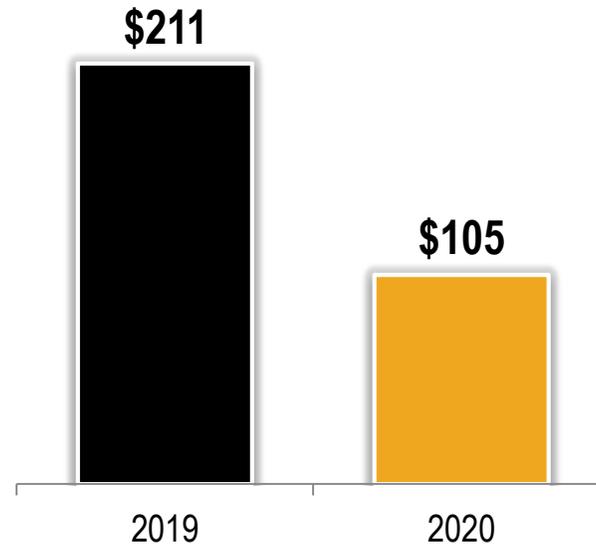
Total Revenues*

(in millions of dollars)



Segment Profit

(in millions of dollars)



1st Quarter Highlights

Total Revenues Decreased (\$36M) or (4%)

- Lower average earning assets

Segment Profit Decreased (\$106M) or (50%)

- Unfavorable impact of equity securities in Insurance Services
- Lower average earning assets
- Lower SG&A primarily driven by short-term incentive compensation expense

* Includes inter-segment revenues.

COVID-19 Cat Financial Response



Customers

- Providing relief through Customer Care Programs
- Supporting qualified customers with new loans and leases

Portfolio

- Portfolio performance was strong entering 2020
- Modest increase in allowances due to elevated risks from COVID-19



How we are managing



Demand

Aligning production with customer demand and expectations for lower dealer inventory



Stewardship

Analysis to ensure we are prepared for differing scenarios
Strengthened our cash position



Cost Control

Reduced discretionary spend, suspended short-term incentive compensation



Customers, Dealers and Suppliers

Ensuring we are meeting their needs

OUR SOLUTIONS HELP OUR CUSTOMERS BUILD A BETTER WORLD.

Key Thoughts for 2020

- Decline in dealer inventories expected to be at the higher end of our prior range of \$1.0B - \$1.5B
- Estimated annual tax rate of 31%, excluding discrete items
- 2Q 2020 will be more significantly impacted by COVID-19 than 1Q 2020
- Difficult comparison due to 2Q 2019 increase in dealer inventories of \$500M



Capital Allocation, Cash and Liquidity Position



**Returned to
Shareholders in 1Q 2020**

\$1.6B

Through Dividends
and Share Repurchases



**Enterprise Cash
Balance**

\$7.1B

Strong Financial Position



**Available Liquidity
Sources**

\$20.5B*

\$10.5B revolver
\$8.0B* of supplemental liquidity facilities
\$2.0B* in debt proceeds

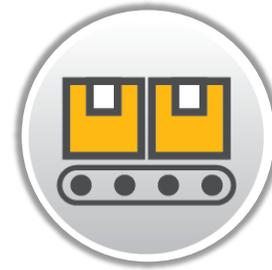
First Quarter 2020 Key Takeaways



Strong financial position;
\$7.1B enterprise cash
and access to
\$20.5B of liquidity*



Returned **\$1.6B** to
shareholders through
dividends and share
repurchases



**Managing
operations**
to respond to changes in
demand, positive or
negative



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

Q&A