



Second-Quarter 2019 Financial Review

July 24, 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 second-quarter 2019 financial results which is available on our website at www.caterpillar.com/earnings.

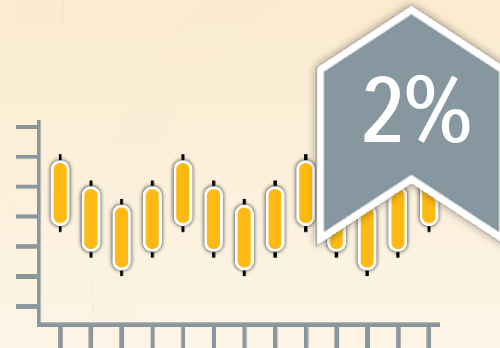
2019 Second-Quarter Highlights

Consolidated Sales & Revenues



Growth from
Construction Industries
& Resource Industries

Operating Profit



Price Realization offset
higher Manufacturing Costs
Unfavorable Mix
Restructuring Costs

Profit Per Share



\$2.83
up slightly from prior year

Repurchased



in company stock

End Market Assumptions by Segment

Construction Industries



North America

- Investment in infrastructure
 - State and local funding
- Residential construction weak

Asia/Pacific

- Continued competitive pricing in China
- Growth outside of China

EAME

- Europe steady
- Africa/Middle East remains weak

Latin America

- Recovery continues, but at low levels

Resource Industries



- Commodity prices generally supportive of reinvestment
- Miners are expected to remain disciplined with capital expenditures
- Strong demand for heavy construction and quarry and aggregate machinery

Energy & Transportation



Oil & Gas

- Reciprocating engine sales expected to improve in 4th quarter
 - Permian Basin takeaway capacity
- Gas compression remains strong
- Solar Turbines strong 4th quarter

Power Generation

- Continued growth

Industrial

- About flat

Transportation

- Strong 4th quarter for Rail locomotives and services

Executing Our Strategy



OUR SOLUTIONS HELP OUR CUSTOMERS BUILD A BETTER WORLD.

2019 Financial Results

Second Quarter 2019 vs. Second Quarter 2018

Sales and Revenues

(in billions of dollars)

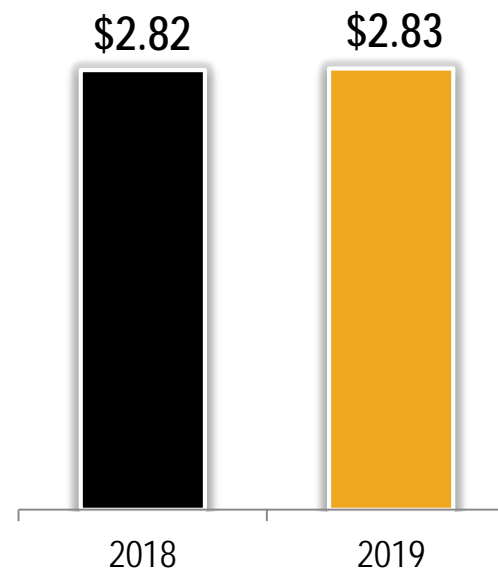
\$14.4



Profit Per Share

(in dollars)

\$2.83



2nd Quarter Highlights

Sales and Revenues Increased 3%

- Increase in Construction Industries and Resource Industries
- Energy & Transportation decreased

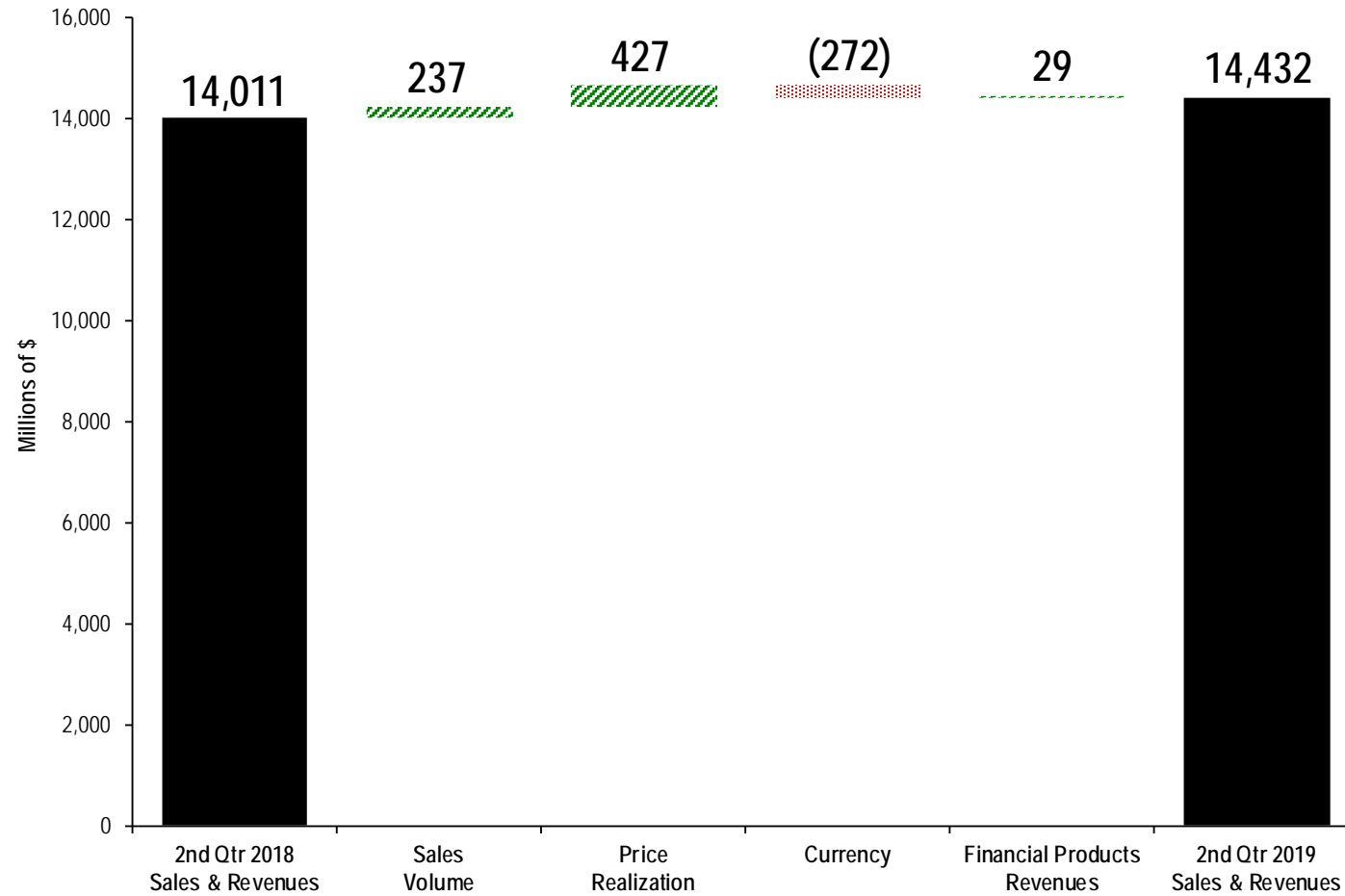
Profit Per Share Up Slightly

Financial Position

- \$1.4B in share repurchases
- \$0.5B in dividends paid
- \$7.4B enterprise cash on hand

Consolidated Sales & Revenues

Second Quarter 2019 vs. Second Quarter 2018



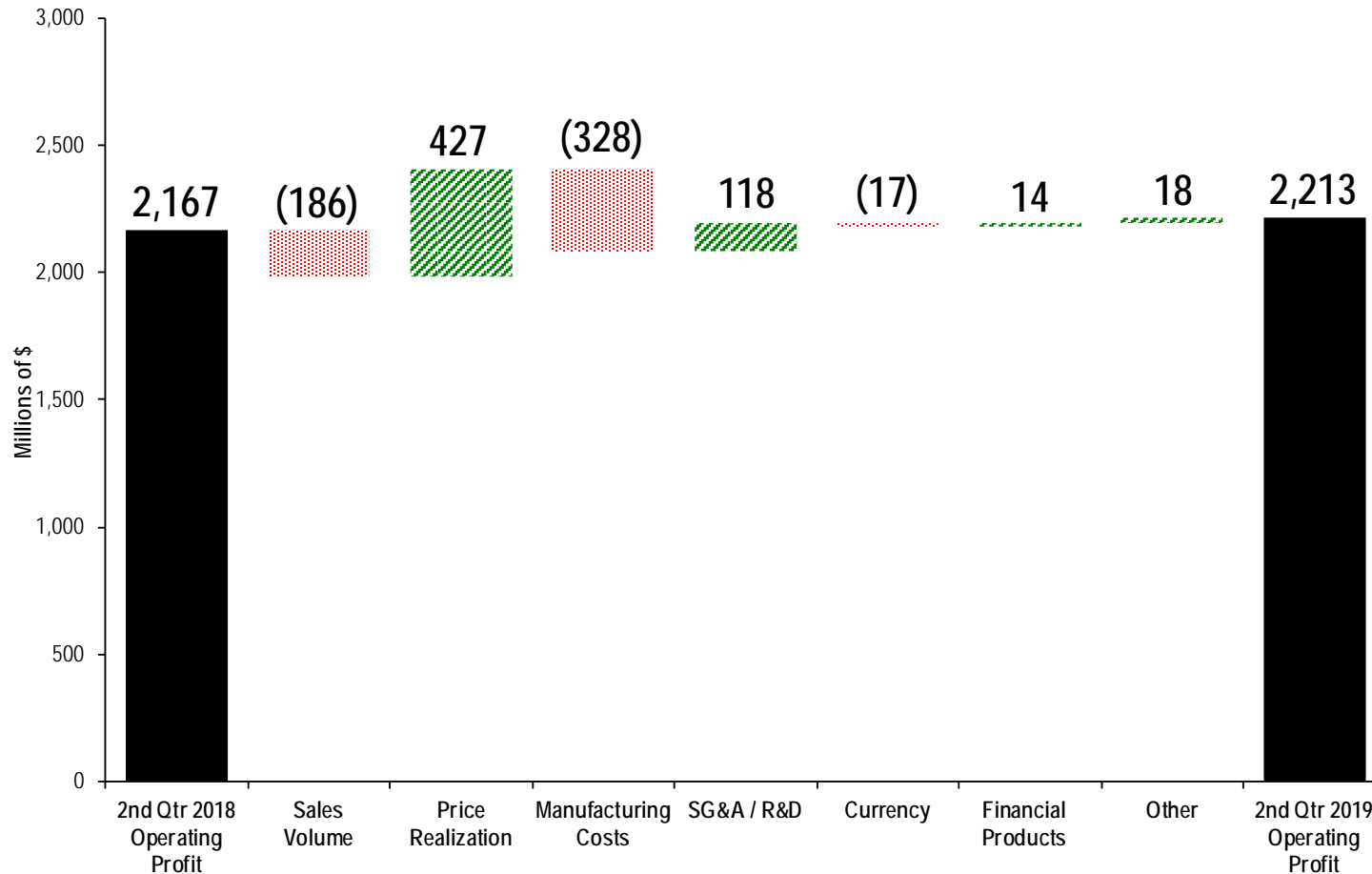
2nd Quarter Highlights

Sales and Revenues up 3%

- Favorable price realization in the three primary segments
- Higher sales volume for equipment, including favorable impact from dealer inventories
- Unfavorable currency

Consolidated Operating Profit

Second Quarter 2019 vs. Second Quarter 2018



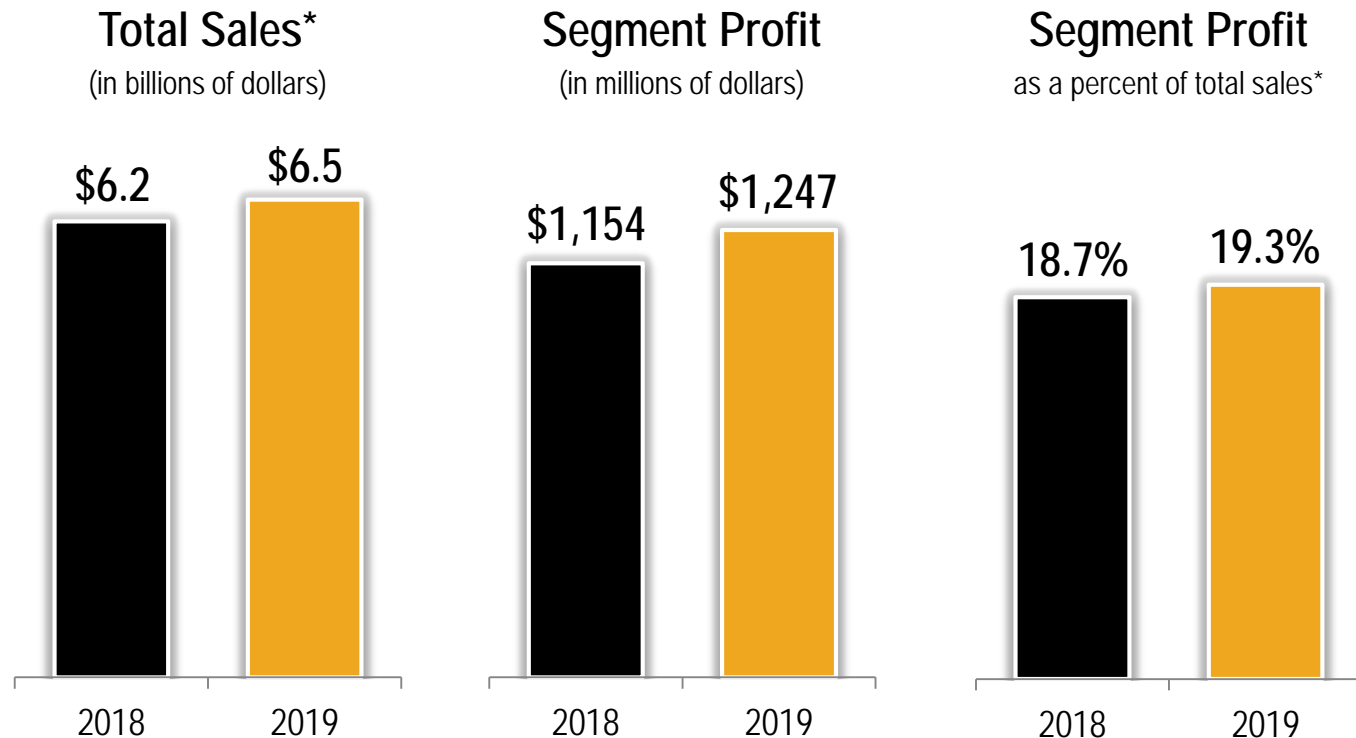
2nd Quarter Highlights

Operating Profit Increased 2%

- Favorable price realization offsetting higher manufacturing costs
- Higher manufacturing costs driven by:
 - Material costs, including tariffs
 - Variable labor and burden
 - Warranty expense
- Lower sales volume, due to unfavorable mix
- Favorable SG&A/R&D, driven by lower short-term incentive compensation expense

Construction Industries

Second Quarter 2019 vs. Second Quarter 2018



* Includes inter-segment sales.

2nd Quarter Highlights

Total Sales Increased \$295M, +5%

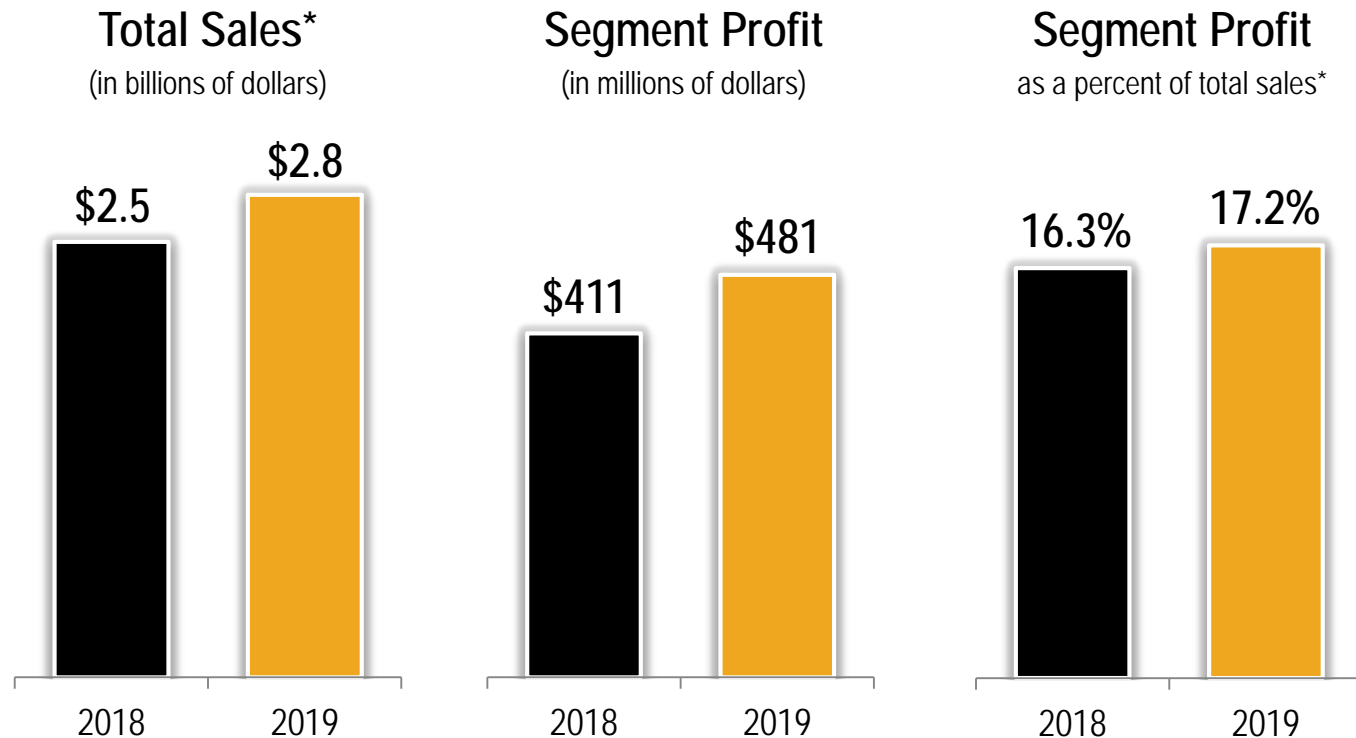
- **North America** – Higher demand, including favorable impact of changes in dealer inventories, and price realization
- **Latin America** – Flat as construction activities remained at low levels
- **EAME** – Decreased due to unfavorable currency
- **Asia/Pacific** – Continued competitive pricing in China and unfavorable currency

Segment Profit Increased \$93M, +8%

- Favorable price realization mostly offset by higher manufacturing costs
- Unfavorable mix, partially offset by favorable volume

Resource Industries

Second Quarter 2019 vs. Second Quarter 2018



* Includes inter-segment sales.

2nd Quarter Highlights

Total Sales Increased \$274M, +11%

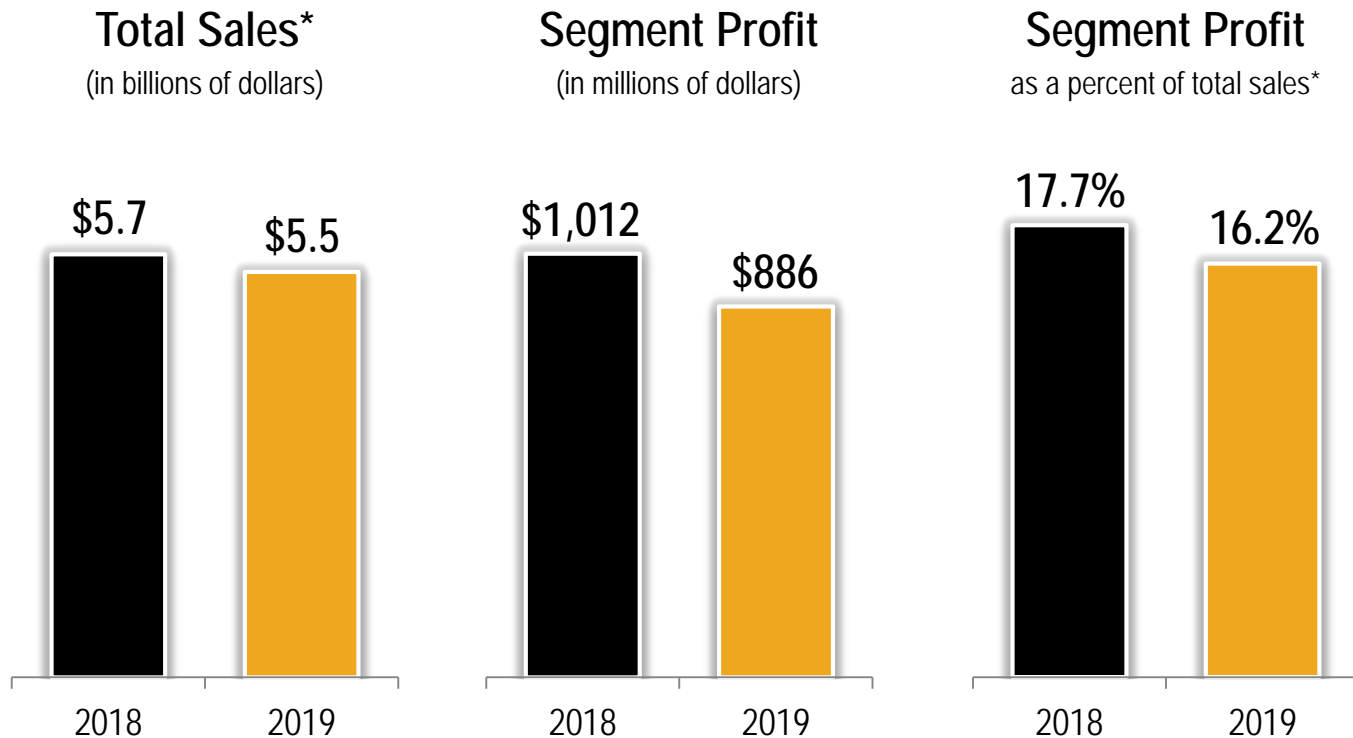
- Driven by increased capital investment to support ongoing mine site operations
- Higher demand for non-residential construction activities and quarry and aggregate operations

Segment Profit Increased \$70M, +17%

- Higher sales volume
- Favorable price realization
- Higher manufacturing costs

Energy & Transportation

Second Quarter 2019 vs. Second Quarter 2018



* Includes inter-segment sales.

2nd Quarter Highlights

Total Sales Decreased (\$238M), -4%

- **Oil and Gas** – Lower demand for reciprocating engines in the Permian Basin
- **Power Generation** – Higher deliveries in North America
- **Industrial** – Slightly down
- **Transportation** – Slightly lower due to timing of locomotive deliveries, partially offset by favorable rail services

Segment Profit Decreased (\$126M), -12%

- Lower sales volume, including unfavorable mix
- Favorable price realization offset by higher manufacturing costs

Full-Year 2019 Outlook

	2018 Actual	Previous 2019 Outlook ¹	Current 2019 Outlook ²
Profit Per Share	\$10.26	\$12.06 – \$13.06	\$12.06 – \$13.06 Lower End of Range

¹ As of April 24, 2019. Includes a first-quarter discrete tax benefit related to U.S. tax reform of \$0.31 per share.

² As of July 24, 2019. Includes a first-quarter discrete tax benefit related to U.S. tax reform of \$0.31 per share. The company expects to be at the lower end of this range.

2019 Assumptions:

- Modest year-over-year sales increase
- Price realization offsetting higher manufacturing costs
- About \$600M lower year-over-year short-term incentive compensation expense
- Restructuring costs up to \$200M
- Tax rate 26%, excluding discrete tax items
- Capex of about \$1.3B

Key Takeaways



Higher sales & revenues, operating profit up slightly



Returned ~\$1.9B to shareholders in share buybacks and dividends



Expect ~ 9% share count reduction by year end*



2019 PPS outlook range at \$12.06 to \$13.06; expect to be at the lower end of this range



Expect record profit per share in 2019



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

*Reduction in shares outstanding represents the change in diluted shares outstanding between December 31, 2017 and December 31, 2019, based on current expected share repurchases for the remainder of the year.

Q&A