Inside Caterpillar: Last Quarter's Progress

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Caterpillar posted its best quarter in two years with revenue growth of 9%, led by Energy and Transportation but helped along by a recovering Construction Industries segment. Construction activity has been in a relative lull globally, but North American residential and non residential construction picked up this past quarter finally. Its Resource Industries business segment performed better than expected with a 6% increase in sales thanks to a large order for mining trucks that came through. The star once again, however, was Energy and Transportation with a 25% increase in sales. Cat's management was quick to point out that while data center customers are a large part of this increase due to purchases of backup power generators, its oil and gas and industrial demand for turbines and generators was very strong as well.

Orders are very strong in all three business segments, helping Cat's backlog grow 40% from a year ago. Caterpillar is increasing manufacturing capacity for large engines to be able to better meet surging demand. After a year of lower prices for its products, the pricing comparison should be flat from a year ago next quarter and hopefully will start to increase in 2026.

Over the next 5 years, Cat plans on spending double the money it spent over the past 5 years in its Power and Energy segment. Not only is it increasing capacity for large engines, but it also announced an increase in capacity for solar turbines. It will also increase spending on its digital solutions and technology leadership, as part of Cat's focus on being a technology leader in the industry. Along with this increase in spending, Cat has increased its sales and cash generation targets: from a 4% annual top line growth from 2019 to 2024 to a 5-7% growth from 2025 to 2030, and a free cash flow generation from $6 to $15 billion, up from $5 to $10 billion previously.

Caterpillar’s business is strong, even during weaker cyclical market times. Since 2025 began, it’s dealt with weaker construction and resource markets and lower pricing. However, its stock price has climbed nearly 60%. Wall Street knows the strength of this company and its leadership and knows that it will continue to make more money at both the tops and the bottoms of its business cycles.