

Inside Caterpillar: Last Quarter's Progress.

May 7, 2021

Caterpillar posted its first quarterly revenue growth in the past 7 quarters at 12%, showing strength in all business segments and showing that it is on its way out of the cyclical downturn of late 2019 and 2020. Its construction segment was the strongest, led by Asia Pacific demand, then Europe and Latin America, followed by North America. The most activity is in residential construction followed by infrastructure. Its Resource Industry segment had steady growth from mining customers, who with the commodity price increases that we have seen in the last few months are starting to spend more on equipment. CAT's Energy and Transportation segment saw slightly higher demand from oil and gas customers, who are only cautiously starting to spend again.

Financial Results Summary

First Quarter 2021 vs. First Quarter 2020

SALES & REVENUES
(in billions of dollars)



OPERATING PROFIT
(in billions of dollars)



ADJUSTED PROFIT PER SHARE¹
(in dollars)



¹First-quarter 2021 adjusted profit per share excluded restructuring expenses of \$0.10 per share. First-quarter 2020 adjusted profit per share excluded a remeasurement gain of \$0.38 per share resulting from settlement of a non-U.S. pension obligation and restructuring expenses of \$0.05 per share.

OUR SOLUTIONS HELP OUR CUSTOMERS BUILD A BETTER WORLD.

There was nothing too earth shattering about the past quarter for Caterpillar. Its sales are increasing, its profitability is increasing even more due to its long-standing dedication to cost efficiency, and it is focusing on expanding its services. That's the beauty of the stalwart Caterpillar: plodding along through cycles and through hardships thrown at it (like those in 2020) and always coming out a better company and making us investors think "business as usual" along the way. CAT set out a goal to improve its profitability from the 2010 to 2016 period by 3-6% and hit that goal in each of the last 4 years, *including* the pandemic year. It is on track to meet its cash generation goal for 2021 of \$6 billion, a \$2 billion increase from the

2010 to 2016 period. It grew its cash on its balance sheet this past quarter by 21% and was upgraded by the credit agencies. Those might not be “earth-shattering” results . . . but they are very impressive, finished off by our company turning 12% sales growth into 73% profit-per-share growth. (Right-hand bars, above.)

The company was cautious about what the semiconductor shortage and rising costs of some supplies might do to results for the rest of this year. Management expects demand and sales growth to continue, but those two unknowns have the potential to cause some problems. They haven’t affected Caterpillar’s operations yet. With the company’s impressive history of working around problems and dips in the market, we are confident 2021 will be a good year.

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