



# Third Quarter 2021 Financial Review

October 28, 2021

OUR SOLUTIONS HELP OUR CUSTOMERS BUILD A BETTER WORLD.

**CATERPILLAR**<sup>®</sup>

# 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 third-quarter 2021 financial results which is available on our website at [www.caterpillar.com/earnings](http://www.caterpillar.com/earnings).

# Strong Execution from our Global Team



**THANK YOU**  
TO OUR  
GLOBAL TEAM



CONTINUED  
**EXECUTION OF**  
**OUR STRATEGY**



**STRONG**  
END-USER DEMAND

**OUR SOLUTIONS HELP OUR CUSTOMERS** BUILD A BETTER WORLD.

# Financial Results Summary

Third Quarter 2021 vs. Third Quarter 2020



Sales  
& Revenues  
**\$12.4B**

**25%**



Operating  
Profit Margin<sup>1</sup>  
**13.4%**

**3.4pts**



Profit  
Per Share  
**\$2.60**

**113%**



Adjusted Profit  
Per Share<sup>2</sup>  
**\$2.66**

**75%**

<sup>1</sup> Adjusted operating profit margin in the third quarter of 2021 was 13.7%. Adjusted operating profit margin is a non-GAAP measure and a reconciliation to the most directly comparable GAAP measure is included in the appendix.

<sup>2</sup> Third-quarter 2021 adjusted profit per share excluded restructuring expenses of \$0.06 per share. Third-quarter 2020 adjusted profit per share excluded restructuring expenses of \$0.18 per share and remeasurement losses of \$0.12 per share resulting from the settlements of pension obligations.

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# ME&T Free Cash Flow and Capital Deployment

*We expect to return substantially all of our ME&T Free Cash Flow to shareholders over time*



**ME&T Free  
Cash Flow<sup>1</sup>**

**\$0.8B**

In 3Q 2021



**Returned to  
Shareholders in 3Q**

**\$2.0B**

Through dividends and  
share repurchases



**Dividend  
Aristocrat**



Higher dividends paid annually  
for 27 consecutive years

<sup>1</sup> ME&T Free Cash Flow represents ME&T operating cash flow less capital expenditures, excluding discretionary pension contributions. A reconciliation of ME&T net cash provided by operating activities to ME&T free cash flow is included in the appendix.

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# Investor Day Targets<sup>1</sup>



**Adjusted Operating  
Profit Margin<sup>2</sup>**



300 to 600  
basis point improvement



**ME&T Free  
Cash Flow<sup>3</sup>**



Incremental \$1.0 billion to  
\$2.0 billion annually

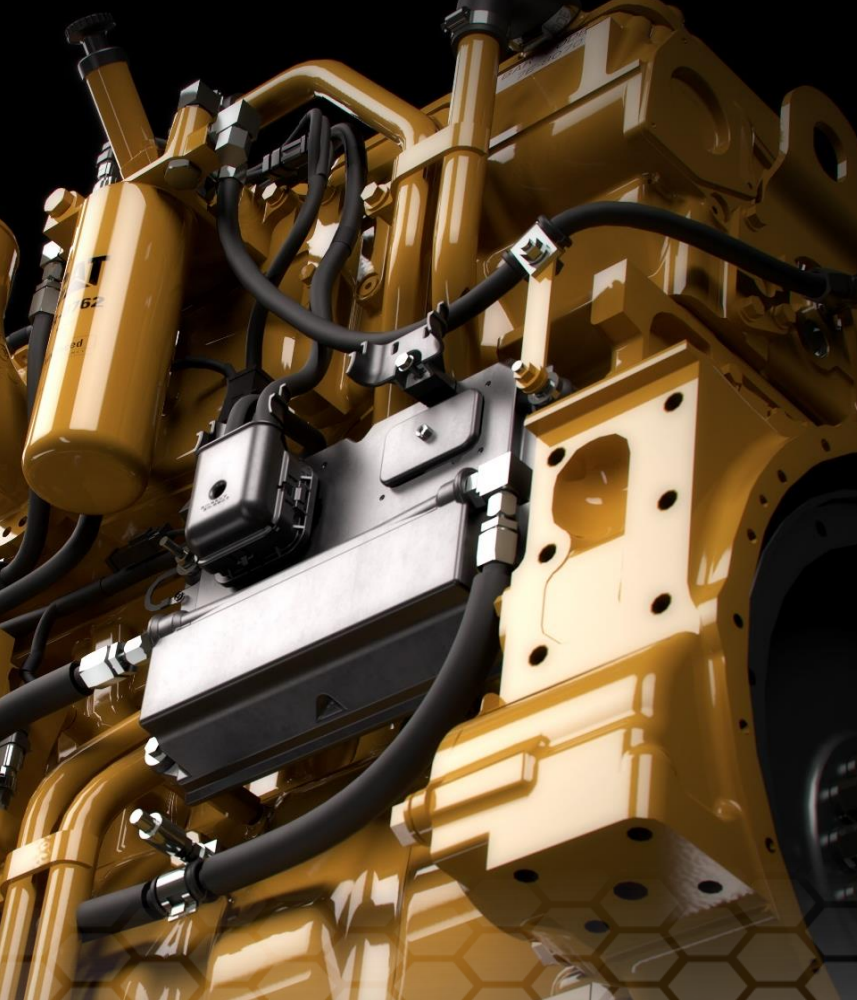
<sup>1</sup> Investor Day Targets based on Caterpillar Investor Day held in 2019. Caterpillar communicated improvements in Adjusted Operating Profit Margins of 3% - 6% and providing an incremental \$1.0 billion to \$2.0 billion of ME&T Free Cash Flow annually, versus historical performance from the 2010 to 2016 timeframe.

<sup>2</sup> Adjusted operating profit margin is a non-GAAP measure and a reconciliation to the most directly comparable GAAP measure is included in the appendix.

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# End Market Commentary



**CONSTRUCTION INDUSTRIES**

**RESOURCE INDUSTRIES**

**ENERGY & TRANSPORTATION**

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# Sustainability Progress



**Chief Sustainability & Strategy Officer  
Enhancing ESG-Related Disclosures  
Incentive Plan for Executives**

**RioTinto**

**BHP**

**Zero Emissions  
Announcements**



**Battery Storage  
Reducing Emissions**

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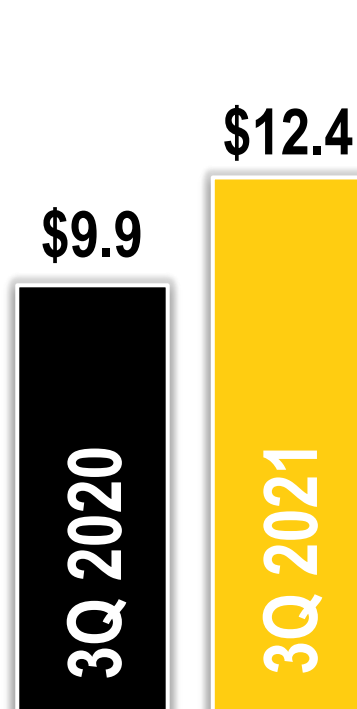


# Financial Results Summary

Third Quarter 2021 vs. Third Quarter 2020

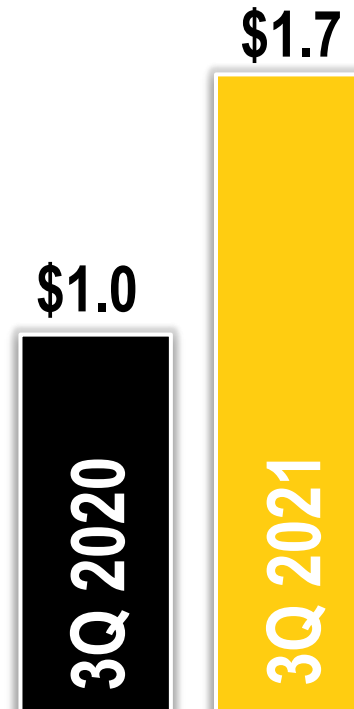
## SALES & REVENUES

(in billions of dollars)



## OPERATING PROFIT

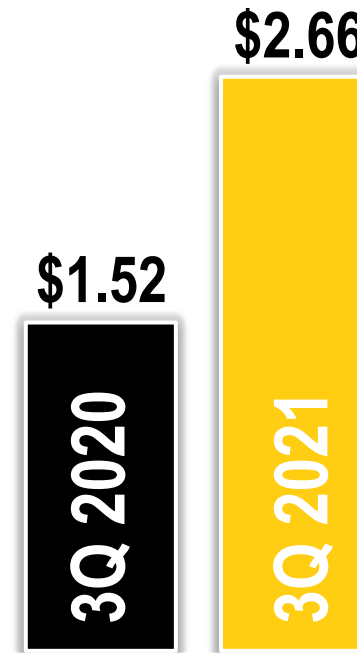
(in billions of dollars)



## ADJUSTED PROFIT

PER SHARE<sup>1</sup>

(in dollars)

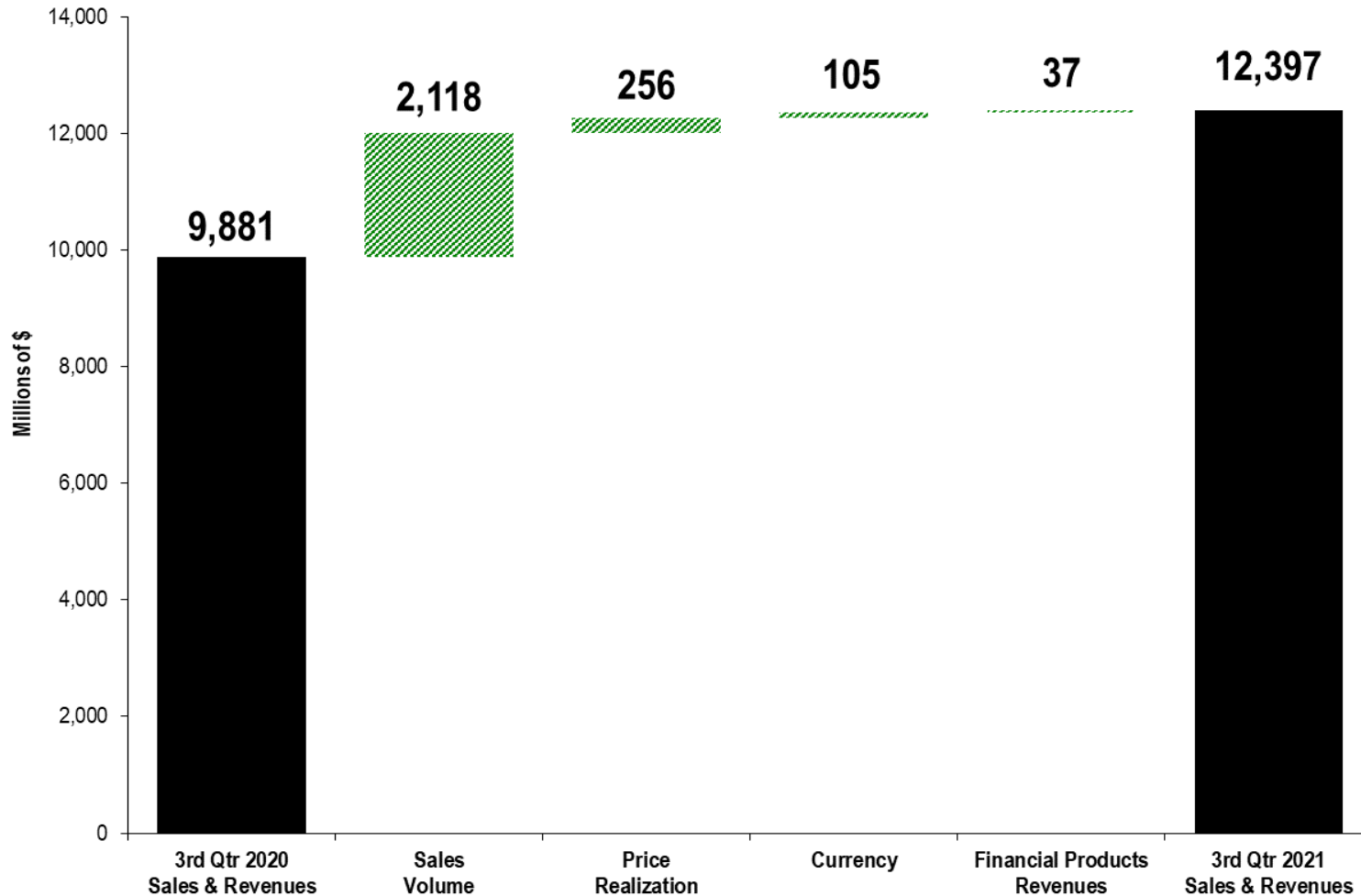


<sup>1</sup> Third-quarter 2021 adjusted profit per share excluded restructuring expenses of \$0.06 per share. Third-quarter 2020 adjusted profit per share excluded restructuring expenses of \$0.18 per share and remeasurement losses of \$0.12 per share resulting from the settlements of pension obligations.

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# Consolidated Sales & Revenues

Third Quarter 2021 vs. Third Quarter 2020



## 3<sup>rd</sup> Quarter Highlights

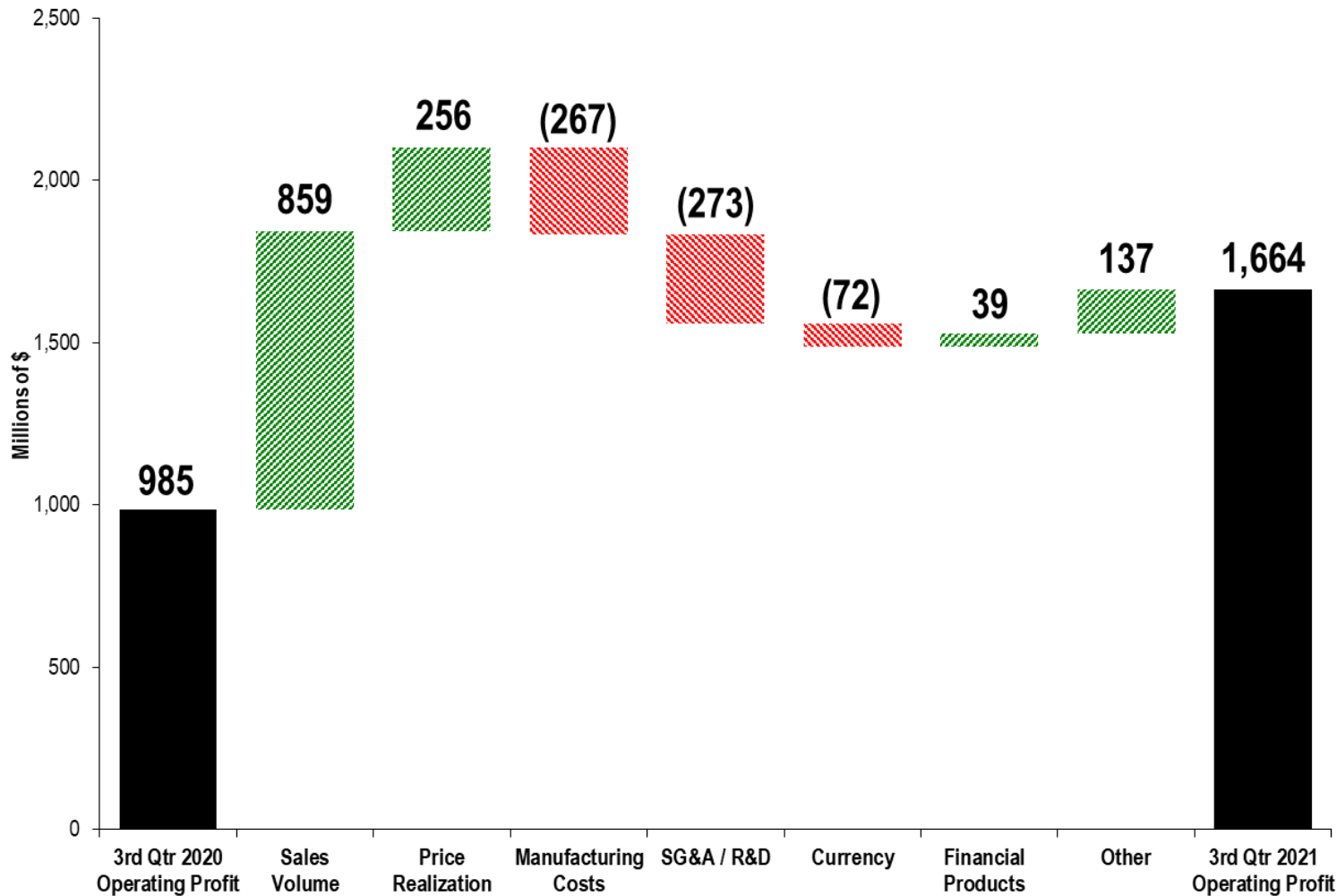
**Sales & Revenues Increased \$2.5B or 25%**

- Sales higher across the primary segments
- Increased end-user demand
- Favorable impact from changes in dealer inventories
- Favorable price realization

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# Consolidated Operating Profit

Third Quarter 2021 vs. Third Quarter 2020



## 3<sup>rd</sup> Quarter Highlights

**Operating Profit Increased \$0.7B or 69%**

- Increased sales volume
- Favorable price realization
- Unfavorable SG&A/R&D expenses
- Higher manufacturing costs

**Operating Profit Margin of 13.4%**

**Adjusted Operating Profit Margin<sup>1</sup> of 13.7%**

<sup>1</sup> Adjusted operating profit margin is a non-GAAP measure and a reconciliation to the most directly comparable GAAP measure is included in the appendix.

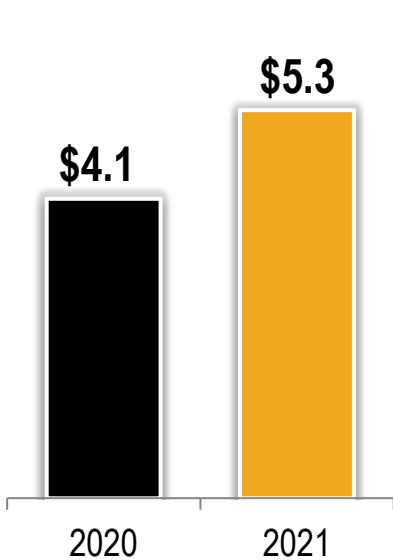
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# Construction Industries

Third Quarter 2021 vs. Third Quarter 2020

## Total Sales\*

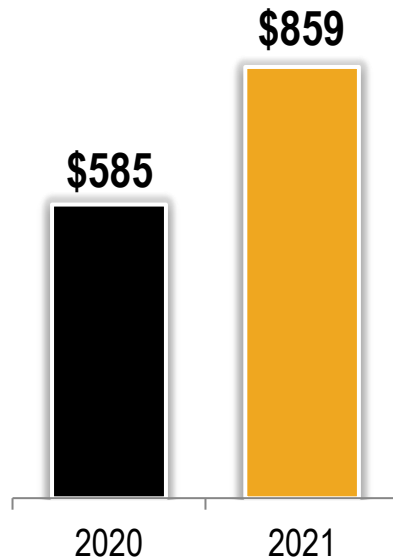
(in billions of dollars)



\* Includes inter-segment sales.

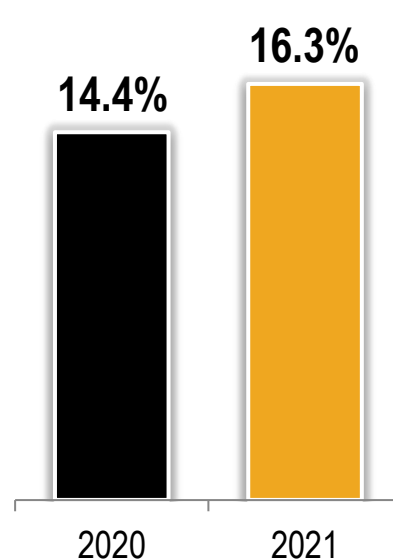
## Segment Profit

(in millions of dollars)



## Segment Profit

as a percent of total sales\*



## 3<sup>rd</sup> Quarter Highlights

### Total Sales Increased \$1,199M or 30%

- **North America** – Higher sales volume and favorable price realization
- **Latin America** – Increase driven by changes in dealer inventories and higher end-user demand
- **EAME** – Increase driven by changes in dealer inventories and higher end-user demand
- **Asia/Pacific** – Lower demand in China, partially offset by higher sales across the rest of the region

### Segment Profit Increased \$274M or 47%

- Higher sales volume
- Favorable price realization
- Partially offset by higher manufacturing costs

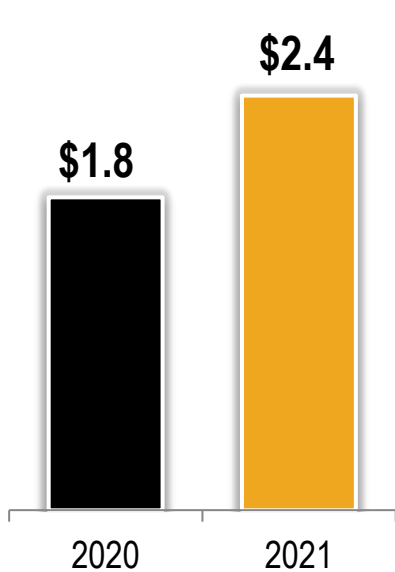
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# Resource Industries

Third Quarter 2021 vs. Third Quarter 2020

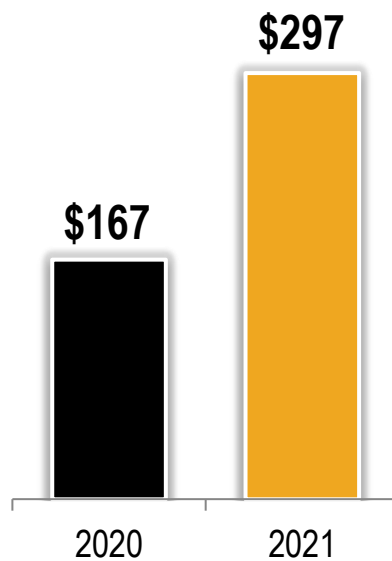
## Total Sales\*

(in billions of dollars)



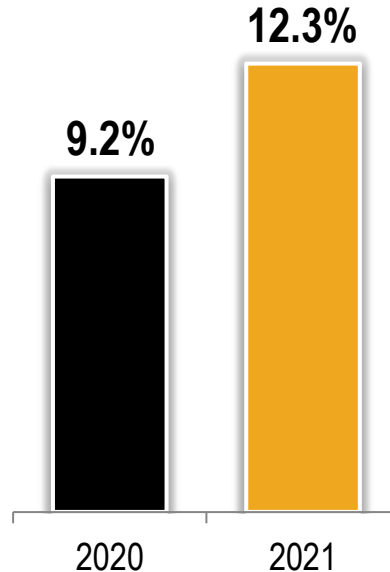
## Segment Profit

(in millions of dollars)



## Segment Profit

as a percent of total sales\*



\* Includes inter-segment sales.

## 3<sup>rd</sup> Quarter Highlights

### Total Sales Increased \$590M or 32%

- Higher end-user demand for equipment and aftermarket parts partially offset by the impact of changes in dealer inventory
- Higher end-user demand in both Mining and Heavy Construction and Quarry and Aggregates

### Segment Profit Increased \$130M or 78%

- Higher sales volume
- Favorable price realization
- Partially offset by higher manufacturing costs

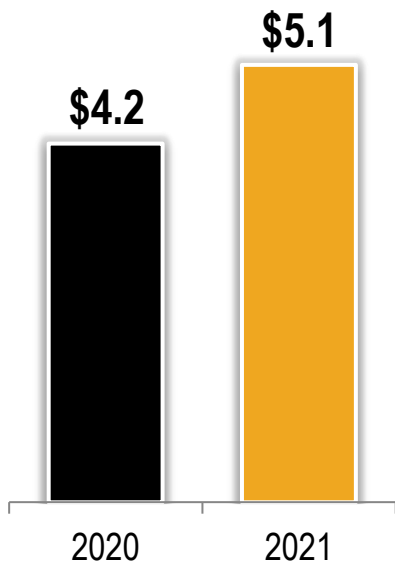
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# Energy & Transportation

Third Quarter 2021 vs. Third Quarter 2020

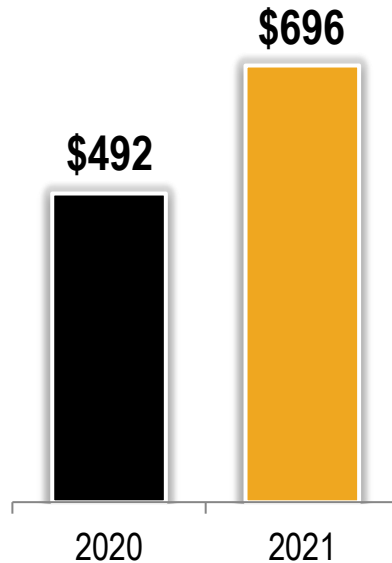
## Total Sales\*

(in billions of dollars)



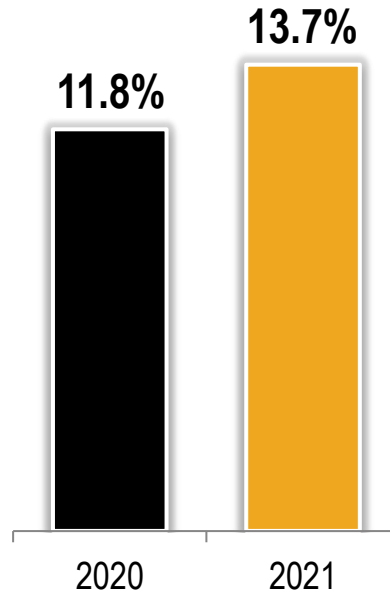
## Segment Profit

(in millions of dollars)



## Segment Profit

as a percent of total sales\*



\* Includes inter-segment sales.

## 3<sup>rd</sup> Quarter Highlights

### Total Sales Increased \$916M or 22%

- **Oil and Gas** – Increase in reciprocating engines and turbines and turbine-related services
- **Power Generation** – Sales decreased slightly due to timing of turbines and turbine-related services
- **Industrial** – Higher demand across all regions
- **Transportation** – Increase in rail services and marine

### Segment Profit Increased \$204M or 41%

- Higher sales volume
- Partially offset by higher manufacturing costs and SG&A/R&D expenses

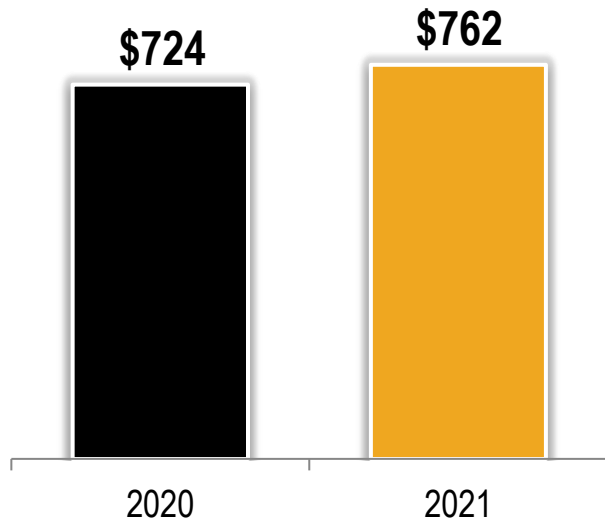
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# Financial Products

## Third Quarter 2021 vs. Third Quarter 2020

### Total Revenues\*

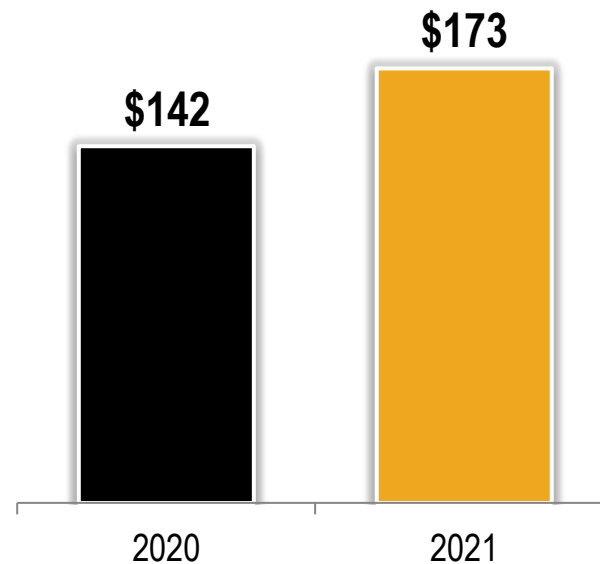
(in millions of dollars)



\* Includes inter-segment revenues.

### Segment Profit

(in millions of dollars)



## 3<sup>rd</sup> Quarter Highlights

### Total Revenues Increased \$38M or 5%

- Portfolio remained strong

### Segment Profit Increased \$31M or 22%

- Favorable impact from returned or repossessed equipment
- Lower provision for credit losses
- Higher net yield on average earning assets
- Partially offset by higher SG&A

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# Balance Sheet and Capital Deployment



**ME&T Free  
Cash Flow<sup>1</sup>**

**\$0.8B in 3Q**

\$4.2 billion in ME&T Free Cash Flow generated September YTD



**Enterprise Cash  
Balance**

**\$9.4B**

Strong balance sheet



**Returned to  
Shareholders YTD**

**\$3.4B**

Through dividends and share repurchases

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# Key Thoughts As We Look Ahead

- Expect stronger sales in fourth quarter following normal seasonality
- Versus third quarter, expect seasonal pattern of lower adjusted operating profit margin<sup>1</sup> in the fourth quarter
- Within machines, still anticipate price to offset higher manufacturing costs for full-year 2021
- For full year, expect to achieve Investor Day target for adjusted operating profit margin<sup>1</sup> and ME&T free cash flow<sup>2</sup>



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# Key Takeaways



Continuing to execute our strategy for **long-term profitable growth**



Continued strength in **end-user demand**



On track to meet our **Investor Day targets** for both **Adjusted Operating Profit Margin<sup>1</sup>** and **ME&T Free Cash Flow<sup>2</sup>**

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# Q&A

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# Calendar 2022 Caterpillar Earnings Calls and Investor Day

Earnings Quarter	Release Date	Call Time
4 <sup>th</sup> Quarter 2021	Friday, January 28, 2022	8:30 a.m. Eastern
1 <sup>st</sup> Quarter 2022	Thursday, April 28, 2022	8:30 a.m. Eastern
2 <sup>nd</sup> Quarter 2022	Tuesday, August 2, 2022	8:30 a.m. Eastern
3 <sup>rd</sup> Quarter 2022	Thursday, October 27, 2022	8:30 a.m. Eastern

## 2022 Investor Day

Tuesday, May 17, 2022

Chicago Area

# Dealer Inventory and Order Backlog



## Dealer Inventories\*

\*Dealers are independent businesses and control their own inventory  
Note: Amounts may not add due to rounding

**Decreased  
(\$0.3B)**  
3Q 2021  
vs. 2Q 2021

**Decreased  
(\$0.6B)**  
3Q 2020  
vs. 2Q 2020

**Favorable  
\$0.3B**  
3Q 2021  
Impact on Sales



## Order Backlog

**Increased  
\$2.2B**  
3Q 2021  
vs. 2Q 2021

**Increased  
\$1.5B**  
2Q 2021  
vs. 1Q 2021

**Increased  
\$7.2B**  
3Q 2021  
vs. 3Q 2020

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# Non-GAAP Financial Measures

(Dollars in millions except per share data)

	Operating Profit	Operating Profit Margin	Profit Before Taxes	Provision (Benefit) for Income Taxes	Effective Tax Rate	Profit	Profit per Share
<b>Three Months Ended September 30, 2021 - U.S. GAAP</b>	<b>\$ 1,664</b>	<b>13.4 %</b>	<b>\$ 1,775</b>	<b>\$ 368</b>	<b>20.7 %</b>	<b>\$ 1,426</b>	<b>\$ 2.60</b>
Restructuring costs	35	0.3 %	35	6	15.0 %	29	\$ 0.06
Three Months Ended September 30, 2021 - Adjusted	<u>\$ 1,699</u>	13.7 %	<u>\$ 1,810</u>	<u>\$ 374</u>	20.7 %	<u>\$ 1,455</u>	<u>\$ 2.66</u>
<b>Three Months Ended September 30, 2020 - U.S. GAAP</b>	<b>\$ 985</b>	<b>10.0 %</b>	<b>\$ 863</b>	<b>\$ 187</b>	<b>21.7 %</b>	<b>\$ 668</b>	<b>\$ 1.22</b>
Restructuring costs	112	1.1 %	112	13	12.0 %	99	\$ 0.18
Remeasurement losses of pension obligations	—	—%	77	12	15.6 %	65	\$ 0.12
Three Months Ended September 30, 2020 - Adjusted	<u>\$ 1,097</u>	11.1 %	<u>\$ 1,052</u>	<u>\$ 212</u>	20.2 %	<u>\$ 832</u>	<u>\$ 1.52</u>

Note: Amounts may not add due to rounding.

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# Reconciliation to U.S. GAAP

## Reconciliation of ME&T Cash Flow from Operations to ME&T Free Cash Flow

(USD in billions)	3Q 2020	3Q 2021
ME&T cash flow from operations	\$1.1	\$1.1
ME&T capital expenditures	(0.2)	(0.3)
ME&T free cash flow	\$0.9	\$0.8

Note: See reconciliation of ME&T cash flow from operations to consolidated net cash provided by operating activities in the Supplemental Data for Statement of Cash Flow contained in our quarter 10-Q filing.

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