



Fourth Quarter and Full Year 2020 Financial Review

January 29, 2021

OUR SOLUTIONS HELP OUR CUSTOMERS BUILD A BETTER WORLD.



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 fourth-quarter 2020 financial results which is available on our website at www.caterpillar.com/earnings.

Resilience and Performance of our Global Team



BEST **SAFETY**
PERFORMANCE ON RECORD



RECORD LEVEL OF SUPPORT FOR
RELIEF EFFORTS THROUGH
CATERPILLAR FOUNDATION

Financial Results Summary

Fourth Quarter 2020 vs. Fourth Quarter 2019



Sales
& Revenues
\$11.2B

(15%)



Operating
Profit Margin
12.3%

(1.8pts)



Profit
Per Share
\$1.42

(28%)



Adjusted Profit
Per Share¹
\$2.12

(22%)

¹Fourth-quarter 2020 adjusted profit per share excluded mark-to-market losses for remeasurement of pension and other postemployment benefit (OPEB) plans and restructuring costs.

Full Year 2020 Performance



11.8%

**ADJUSTED OPERATING
PROFIT MARGIN MET
INVESTOR DAY TARGET¹**



\$3.1B

ME&T FREE CASH FLOW²



\$3.4B

**RETURNED TO
SHAREHOLDERS³**

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¹ Adjusted operating profit margin excludes restructuring costs

² ME&T Free Cash Flow represents ME&T operating cash flow less capital expenditures, excluding discretionary pension contributions.

³ Through dividends and share repurchases

End Market Commentary



CONSTRUCTION INDUSTRIES



RESOURCE INDUSTRIES



ENERGY & TRANSPORTATION

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Advancing Our Strategy

New GX Excavators launched in China



Mining Technology on display at CES® (Consumer Electronics Show)



U.S. Department of Energy Hydrogen Research Project Funding Awards



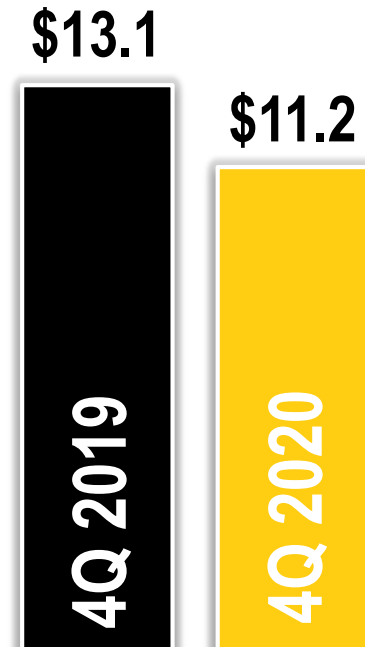
OUR SOLUTIONS HELP OUR CUSTOMERS BUILD A BETTER WORLD.

Financial Results Summary

Fourth Quarter 2020 vs. Fourth Quarter 2019

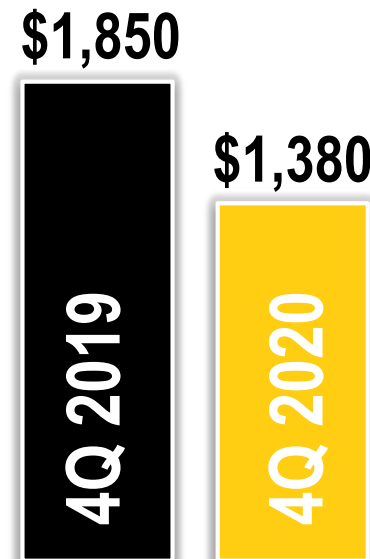
SALES & REVENUES

(in billions of dollars)



OPERATING PROFIT

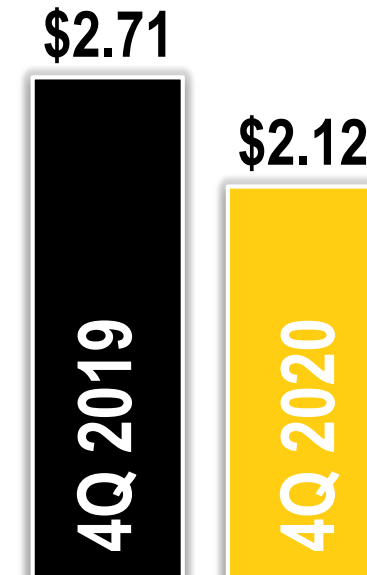
(in millions of dollars)



ADJUSTED PROFIT

PER SHARE¹

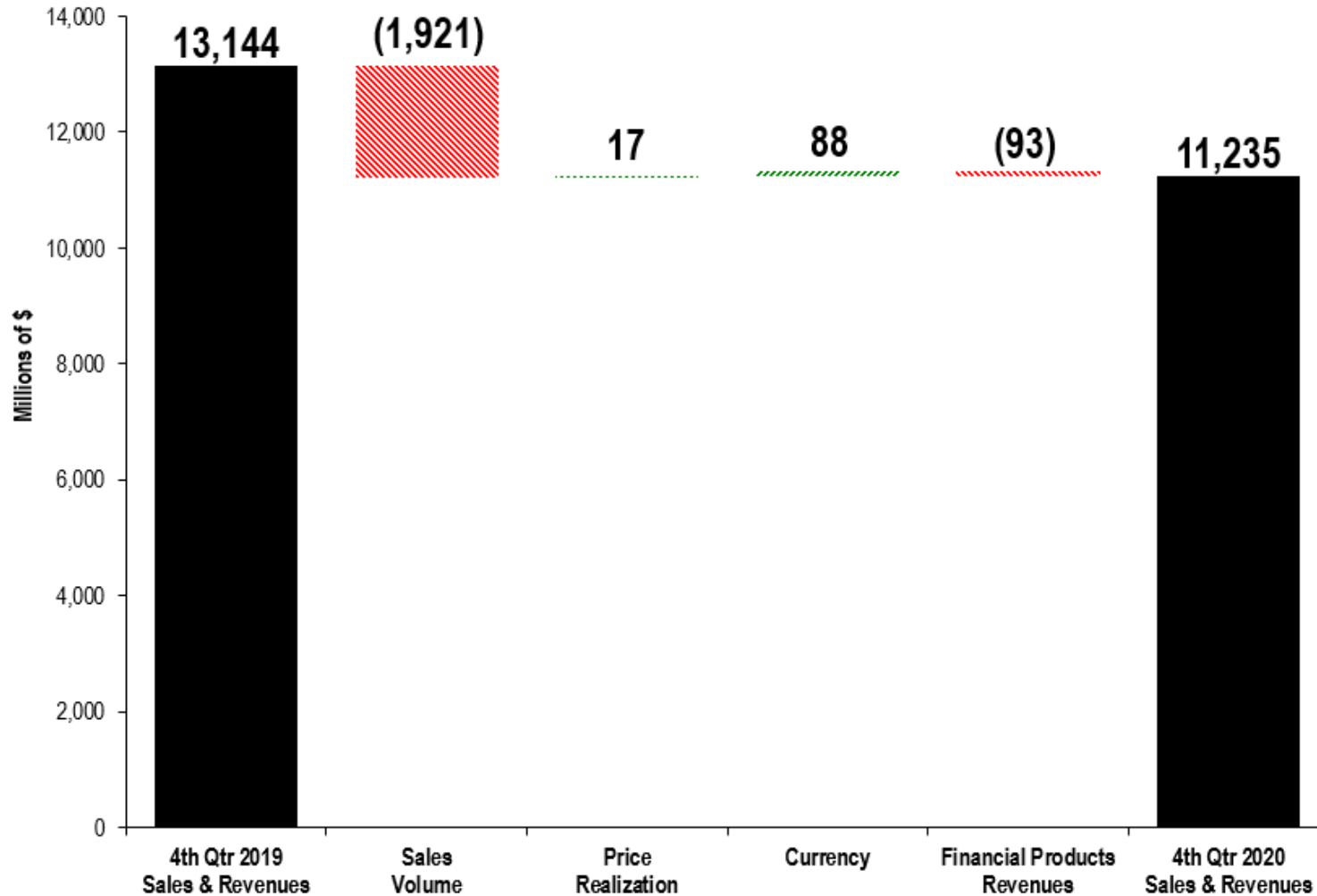
(in dollars)



¹ Fourth-quarter 2019 and Fourth-quarter 2020 adjusted profit per share excluded mark-to-market losses for remeasurement of pension and OPEB plans and restructuring costs.

Consolidated Sales & Revenues

Fourth Quarter 2020 vs. Fourth Quarter 2019



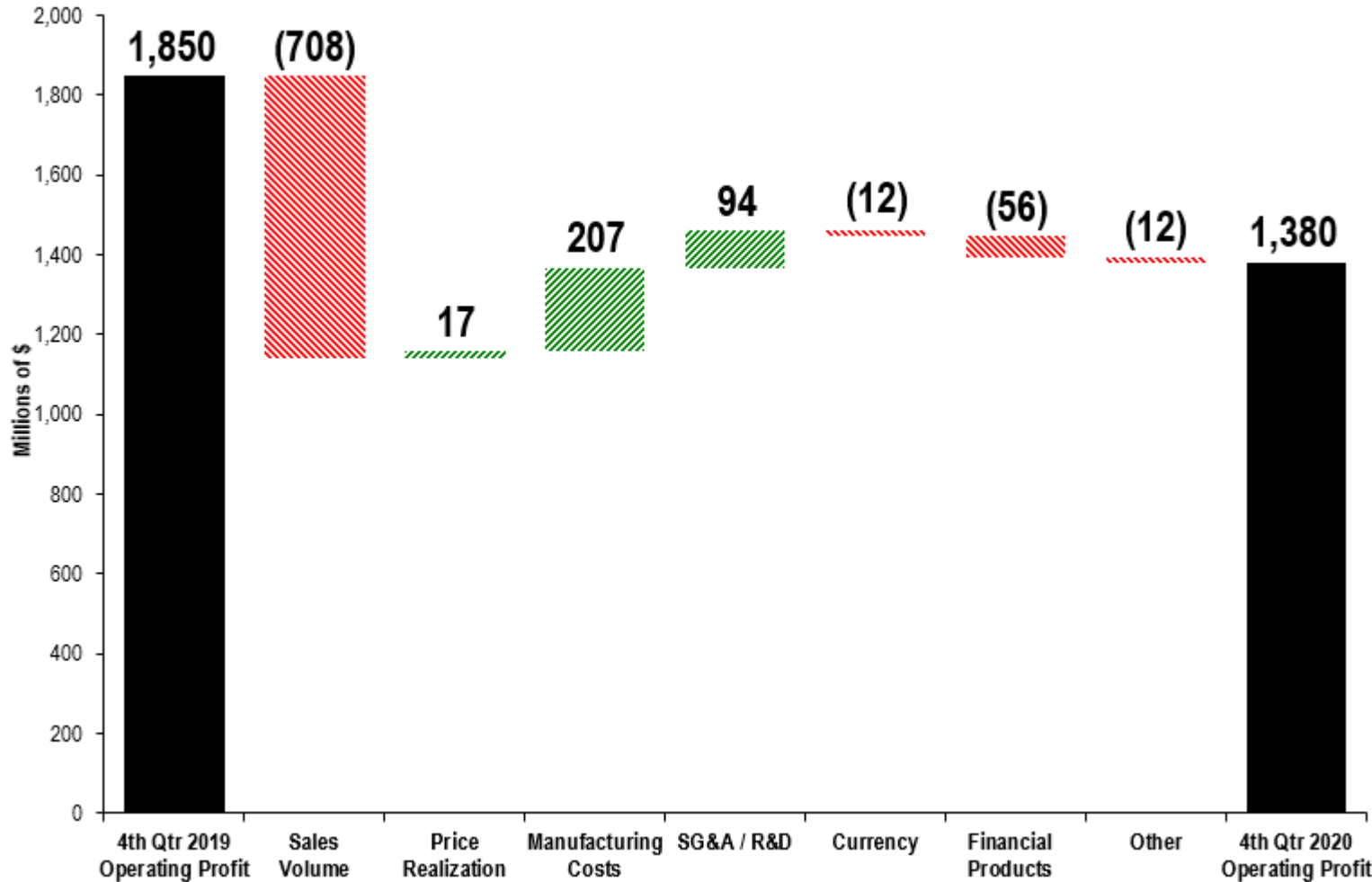
4th Quarter Highlights

Sales & Revenues Decreased (\$1.9B) or (15%)

- Sales volume decreased across the three primary segments
- Lower end-user demand
- Changes in dealer inventories

Consolidated Operating Profit

Fourth Quarter 2020 vs. Fourth Quarter 2019



4th Quarter Highlights

Operating Profit Decreased (\$470M) or (25%)

- Decreased sales volume
- Favorable manufacturing costs
- Favorable SG&A/R&D expenses
- Lower profit from Financial Products

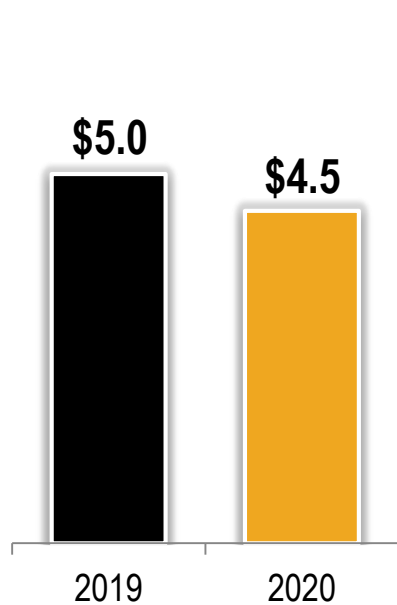
Operating Profit Margin of 12.3%

Construction Industries

Fourth Quarter 2020 vs. Fourth 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.

4th Quarter Highlights

Total Sales Decreased (\$512M) or (10%)

- **North America** – Decrease due to changes in dealer inventories and lower end-user demand
- **Latin America** – Decrease due to unfavorable currency impact and lower sales volume
- **EAME** – About flat
- **Asia/Pacific** – Decrease due to lower sales volume and unfavorable price realization, partially offset by favorable currency

Segment Profit Decreased (\$29M) or (4%)

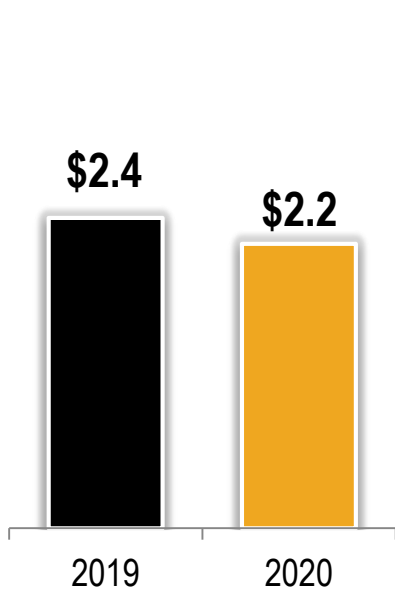
- Lower sales volume
- Higher warranty expense
- Favorable impact of cost absorption
- Favorable SG&A/R&D expenses

Resource Industries

Fourth Quarter 2020 vs. Fourth Quarter 2019

Total Sales*

(in billions of dollars)



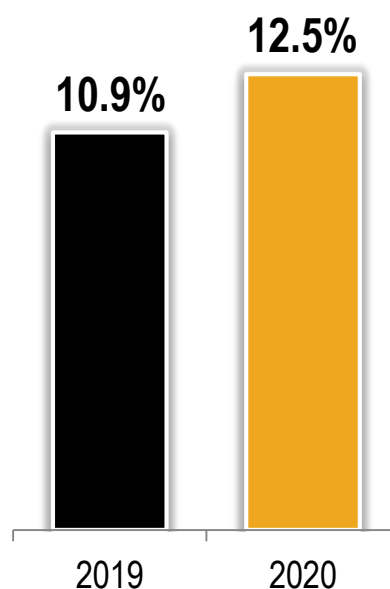
Segment Profit

(in millions of dollars)



Segment Profit

as a percent of total sales*



* Includes inter-segment sales.

4th Quarter Highlights

Total Sales Decreased (\$215M) or (9%)

- Lower end-user demand

Segment Profit Increased \$12M or 5%

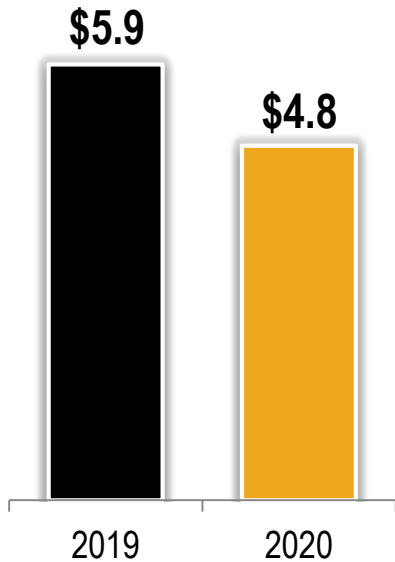
- Favorable manufacturing costs
- Favorable SG&A/R&D expenses
- Lower sales volume

Energy & Transportation

Fourth Quarter 2020 vs. Fourth Quarter 2019

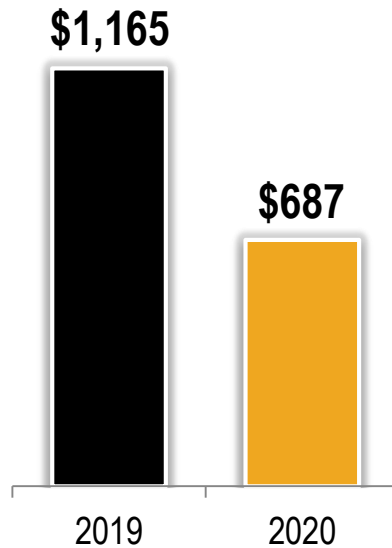
Total Sales*

(in billions of dollars)



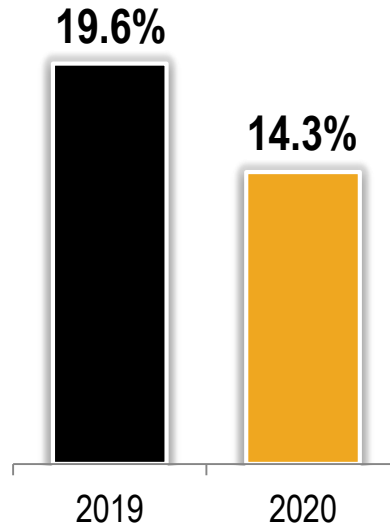
Segment Profit

(in millions of dollars)



Segment Profit

as a percent of total sales*



* Includes inter-segment sales.

4th Quarter Highlights

Total Sales Decreased (\$1,138M) or (19%)

- **Oil and Gas** – Lower demand in North America for reciprocating engines as well as turbines and turbine-related services
- **Power Generation** – Lower sales volume for engine aftermarket parts, small reciprocating engine applications
- **Industrial** – Lower sales in all regions
- **Transportation** – Sales declined in both rail and marine applications

Segment Profit Decreased (\$478M) or (41%)

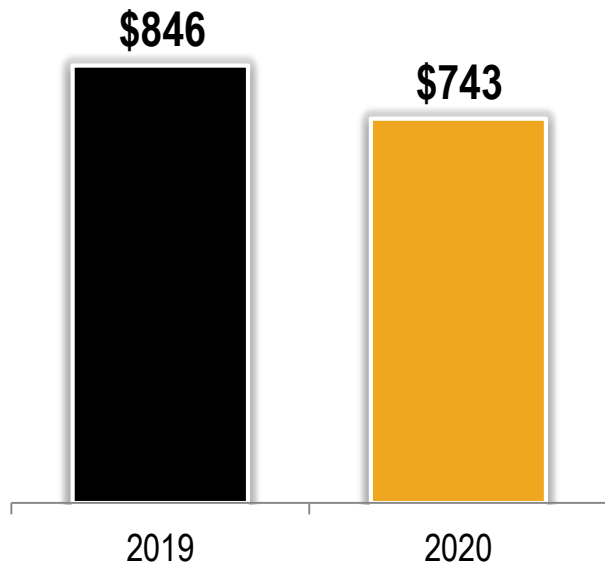
- Lower sales volume
- Favorable SG&A/R&D and period manufacturing costs

Financial Products

Fourth Quarter 2020 vs. Fourth Quarter 2019

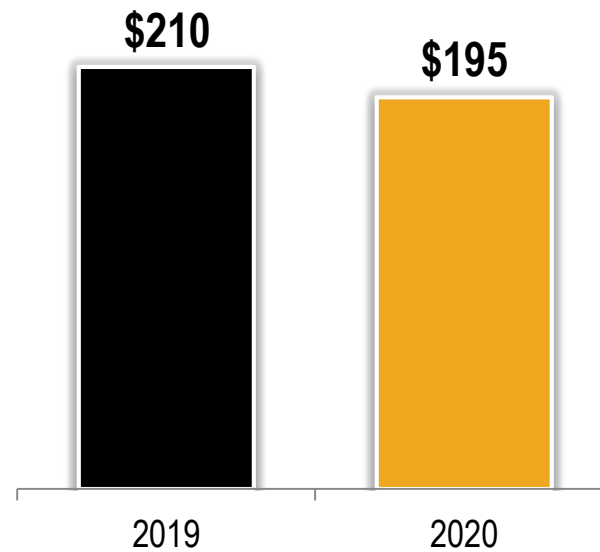
Total Revenues*

(in millions of dollars)



Segment Profit

(in millions of dollars)



* Includes inter-segment revenues.

4th Quarter Highlights

Total Revenues Decreased (\$103M) or (12%)

- Lower average financing rates
- Lower average earning assets

Segment Profit Decreased (\$15M) or (7%)

- Higher provision for credit losses
- Unfavorable returned or repossessed equipment
- Lower average earning assets
- Favorable SG&A expenses

ME&T Free Cash Flow¹ and Capital Deployment



**4Q ME&T Free
Cash Flow¹**

~\$1.7B

4Q 2020



**FY20 ME&T Free
Cash Flow¹**

~\$3.1B

Generated in 2020; 110% returned to
shareholders



**Enterprise Cash
Balance**

\$9.4B

About flat from 3Q 2020



**Dividend
Aristocrat**



For 27 consecutive years,
including 2020, Caterpillar has
paid higher annual dividends to
shareholders

¹ ME&T Free Cash Flow represents ME&T operating cash flow less capital expenditures, excluding discretionary pension contributions.

1Q 2021 Key Thoughts

We expect :

- Stronger YoY sales to users, led by Construction Industries in 1Q
- Seasonal increase in dealer inventories¹ ahead of selling season
- 1Q headwind of ~\$225M due to reinstatement of incentive compensation
- Sequential improvement in operating profit margins 4Q 2020 to 1Q 2021
- Tax rate of 26-28% in 1Q assuming US statutory rate remains unchanged



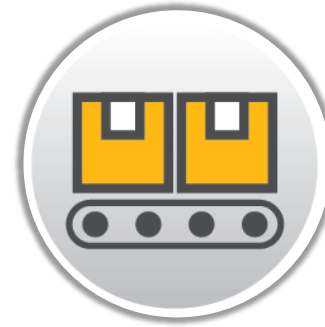
Key Takeaways



Continued focus on long-term **profitable growth**, investing in **services** and **expanded offerings**



Improving trend in **end-user demand**; reductions in **dealer inventory**¹ in 4Q 2020



Sequential improvement in adjusted operating profit margin 4Q 2020 versus 3Q 2020



Best safety performance on record while providing **essential** products and services

¹Dealers are independent businesses and control their own inventory

Q&A

2021 Caterpillar Earnings Call Schedule

Earnings Quarter	Release Date	Call Time
1 st Quarter 2021	Thursday, April 29, 2021	8:30 a.m. Eastern
2 nd Quarter 2021	Friday, July 30, 2021	8:30 a.m. Eastern
3 rd Quarter 2021	Thursday, October 28, 2021	8:30 a.m. Eastern

Dealer Inventory, Order Backlog and ME&T Services Revenues



Dealer Inventories¹

¹Dealers are independent businesses and control their own inventory

Decreased
\$1.1B
4Q 2020
Change

Decreased
\$0.7B
4Q 2019
Change

Unfavorable
\$0.4B
4Q 2020
Impact on Sales



Order Backlog

Increased
\$0.8B
4Q 2020
vs. 3Q 2020

Increased
\$0.5B
3Q 2020
vs. 2Q 2020

Increased
\$0.5B
4Q 2020
vs. 4Q 2019



ME&T Services Revenues²

² ME&T Services Revenues include, but are not limited to, aftermarket parts and other service-related revenues (excludes Cat Financial and discontinued products)

\$14B
2016 Baseline

\$18B
2018

\$18B
2019

\$16B
2020

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Adjusted PPS Walk

(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
Three Months Ended December 31, 2020 - US GAAP	\$ 1,380	12.3 %	\$ 941	\$ 167	17.7 %	\$ 780	\$ 1.42
Pension/OPEB mark-to-market (gains) losses	—	—%	438	92	21.0 %	346	\$ 0.63
Restructuring costs	58	0.5 %	58	18	31.0 %	40	\$ 0.07
Three Months Ended December 31, 2020 - Adjusted	<u>\$ 1,438</u>	12.8 %	<u>\$ 1,437</u>	<u>\$ 277</u>	19.3 %	<u>\$ 1,166</u>	<u>\$ 2.12</u>
Three Months Ended December 31, 2019 - US GAAP	\$ 1,850	14.1 %	\$ 1,365	\$ 276	20.2 %	\$ 1,098	\$ 1.97
Pension/OPEB mark-to-market (gains) losses	—	—%	468	105	22.4 %	363	\$ 0.65
Restructuring costs	54	0.4 %	54	10	19.0 %	44	\$ 0.08
Three Months Ended December 31, 2019 - Adjusted	<u>\$ 1,904</u>	14.5 %	<u>\$ 1,887</u>	<u>\$ 391</u>	20.7 %	<u>\$ 1,505</u>	<u>\$ 2.71</u>
Twelve Months Ended December 31, 2020 - US GAAP	\$ 4,553	10.9 %	\$ 3,995	\$ 1,006	25.2 %	\$ 2,998	\$ 5.46
Pension/OPEB mark-to-market (gains) losses	—	—%	383	82	21.4 %	301	\$ 0.55
Restructuring costs	354	0.8 %	354	53	15.0 %	301	\$ 0.55
Twelve Months Ended December 31, 2020 - Adjusted	<u>\$ 4,907</u>	11.8 %	<u>\$ 4,732</u>	<u>\$ 1,141</u>	24.1 %	<u>\$ 3,600</u>	<u>\$ 6.56</u>
Twelve Months Ended December 31, 2019 - US GAAP	\$ 8,290	15.4 %	\$ 7,812	\$ 1,746	22.4 %	\$ 6,093	\$ 10.74
Pension/OPEB mark-to-market (gains) losses	—	—%	468	105	22.4 %	363	\$ 0.64
Restructuring costs	236	0.4 %	236	45	19.0 %	191	\$ 0.34
U.S. tax reform impact	—	—%	—	178	—%	(178)	\$ (0.31)
Twelve Months Ended December 31, 2019 - Adjusted	<u>\$ 8,526</u>	15.8 %	<u>\$ 8,516</u>	<u>\$ 2,074</u>	24.4 %	<u>\$ 6,469</u>	<u>\$ 11.40</u>

*Certain amounts may not add due to rounding

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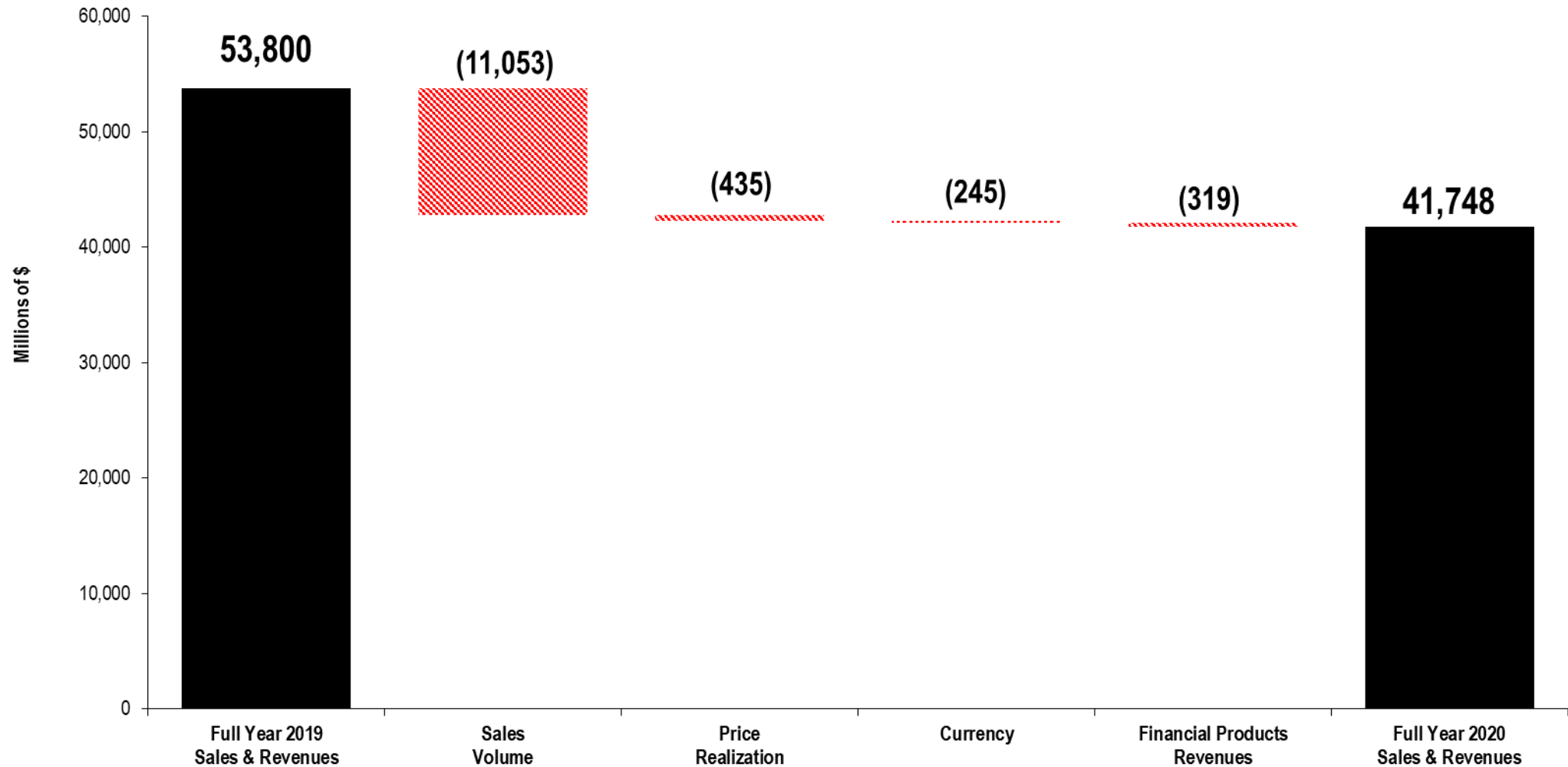
Reconciliation to U.S. GAAP

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

(USD in billions)	2019	2020
ME&T cash flow from operations	\$4.9	\$4.1
ME&T discretionary pension and OPEB plan contributions	1.5	-
ME&T capital expenditures	(1.1)	(1.0)
ME&T free cash flow	\$5.3	\$3.1

Consolidated Full Year Sales and Revenues

Full Year 2020 vs. Full Year 2019



Consolidated Full Year Operating Profit

Full Year 2020 vs. Full Year 2019

