

Operating franchise strengthened; earnings surprise and cash conversion less exceptional

1 | KEY RESULTS VS. CONSENSUS

Metric	Reported	Consensus	vs. Cons.
Revenue	\$20.682 billion	\$20.65 billion	+0.2%
Operating Income (adjusted)	\$4.255 billion	\$4.09 billion	+4.0%
Diluted EPS (adjusted)	\$7.20	\$7.10	+1.4%
SEGMENT REVENUE			
Construction Industries	\$7.983 billion	Not provided	N/A
Resource Industries	\$4.615 billion	Not provided	N/A
Power & Energy	\$8.784 billion	Not provided	N/A
Financial Products	\$1.177 billion	Not provided	N/A

2 | GUIDANCE AND OUTLOOK

Reaffirmed 2026 mid-to-high-teens revenue growth, adjusted margin near the target-range bottom excluding IEEPA recoveries, and MP&E free cash flow in the top half of \$6 billion to \$15 billion. Capex declined to approximately \$3.3 billion from \$3.5 billion; restructuring moved to approximately \$300 million, versus \$300 million to \$350 million. Q4 calls for moderate revenue growth and higher year-over-year adjusted margin. Locomotive sales now face a slight decline versus prior growth. Initial 10-megawatt engine shipments remain planned for Q4.

3 | EARNINGS ANALYSIS

VOLUME LED A MODEST BEAT. Growth was volume-led, with \$2.207 billion of higher volume and \$663 million of pricing. Power & Energy and Construction Industries delivered margins of 24.4% and 22.9%; Resource Industries slipped to 13.5%, the clearest operational weak point. Construction retail growth included rental fleet loading. Management described revenue and underlying margins as in line with expectations. The \$128 million tariff recovery, approximately \$0.21 per share, exceeded Bloomberg's 10c EPS beat. Nearly all recoveries sat in corporate items; analysts' recovery assumptions remain unknown. Reuters reported that the shares opened approximately 10% lower, reflecting disappointment with the unchanged outlook and the quality and magnitude of the earnings surprise.

CUSTOMER FUNDING AMPLIFIES CASH GENERATION. The effective tax rate fell to 22.9% from 26.7%, and repurchases added approximately \$0.15 to year-over-year EPS improvement. Q3 MP&E free cash flow was approximately \$3.83 billion, up approximately \$601 million, but the customer-advance contribution increased approximately \$1.05 billion. Excluding advances in both periods, free cash flow declined approximately 15.8%. Advances support the production ramp and validate customer commitment; slower new receipts can pressure cash generation without an equivalent earnings decline.

MARGIN RECOVERY REQUIRES EXECUTION. Excluding IEEPA recoveries, adjusted margin was approximately 19.98% in Q2 and 19.95% in Q3; the apparent sequential decline largely reflected smaller refunds. Q4 gross tariff costs remain approximately \$600 million, with no further recoveries assumed. Power & Energy margin is expected similar to 24.4%, while construction faces a larger-than-typical sequential decline. Resource Industries expects stronger revenue and margins from delayed commissioning. Rental fleet loading contributes less to Q4 construction growth, alongside an approximately \$1.6 billion dealer inventory drawdown.

LIQUIDITY AND BACKLOG REQUIRE CONVERSION. Enterprise cash of \$7.9 billion and approximately \$1.6 billion of liquid marketable securities provide substantial liquidity, not net cash. Year-to-date capital returns of approximately \$9.9 billion slightly exceeded MP&E free cash flow, while investments and acquisitions consumed \$893 million outside that measure. Record backlog of \$78.1 billion includes approximately \$45.3 billion expected within 12 months, versus approximately \$42.5 billion at Q2. Capacity remains the top growth constraint; cancellation protections, price escalation and counterparty quality remain insufficiently disclosed. The quarter strengthens the medium-term earnings foundation without establishing new near-term acceleration; sustainable cash generation, shipped capacity and mining conversion remain decisive.

4 | KEY READ-THROUGHS

QUALIFIED ENGINE-CONTROL SUPPLIERS OFFER A DIRECT, LESS OBVIOUS PARTICIPATION ROUTE
Woodward (WWD) | Positive | Strongly positive relevant Industrial product lines; moderately positive consolidated

Caterpillar represented at least 10% of Woodward's Industrial sales in fiscal 2025, establishing a direct qualified fuel- and engine-control component link. Higher engine output supports OEM purchases and future service demand; qualification limits easy substitution. Caterpillar's 75% power-generation retail growth corroborates demand rather than establishing a new supplier award. Manufacturing bottlenecks can defer component shipments; November 18 results test conversion.

GENERATOR AND TURBINE DEMAND REMAINS CAPACITY-LIMITED, NOT DEMAND-LIMITED
Cummins (CMI), GE Vernova (GEV) | Positive | Strongly positive Power Systems and Power

Caterpillar's 75% power-generation retail growth validates continued standby and prime-power demand, not automatic transfer of orders between technologies. Cummins' large generator sets already operated at capacity. GE Vernova's October 28 guidance increase and 122 gigawatts of equipment backlog plus reservations were already reported. Caterpillar corroborates earnings durability; slower bookings alone do not establish weaker demand.

EQUIPMENT ACCESS IS STRATEGICALLY VALUABLE, BUT MANUFACTURER BACKLOG IS NOT DEVELOPER CASH FLOW
ProPetro (PUMP) | Negative | Materially negative near-term free-cash-flow conversion

Secured Caterpillar equipment access is strongly positive strategically, but deposits, installation and balance-of-plant spending precede operating cash flow. ProPetro reported \$46 million of operating cash flow against \$123 million of capital expenditure paid. Its potential approximately 2.6 gigawatts through 2031 is a procurement opportunity, not contracted revenue. Financing and \$934 million of liquidity temper the immediate burden; this is not a liquidity-crisis signal.

COPPER, OIL SANDS, AND REBUILDS FAVOR THE DISTRIBUTOR WITH THE MATCHING GEOGRAPHIC FOOTPRINT
Finning International (FTT) | Positive | Moderately to strongly positive; mixed near-term implications

Finning's Western Canada and Chile dealerships directly match oil-sands and copper demand. An aging, heavily utilized fleet supports rebuilds and recurring product support even when machine deliveries slip. Q2 product-support revenue was C\$1.629 billion, approximately 52% of revenue. Commissioning delays can still defer equipment recognition and absorb working capital. Caterpillar's Q4 catch-up expectation does not guarantee a Finning Q3 beat.