

CELANI EQUITY PORTFOLIO · POSITION REVIEWS

Roper · Walmart · Caterpillar

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DATE
09/28/2026

FUND
Celani (S&P 500)

Today's Agenda

01 **SECTOR OUTLOOK**
Information Technology
Vertical software context

03 **SECTOR OUTLOOK**
Consumer Staples
Omnichannel retail context

05 **SECTOR OUTLOOK**
Industrials
Heavy equipment & power context

02 **STOCK PITCH**
Roper Technologies (ROP)
Recommendation: SELL

04 **STOCK PITCH**
Walmart (WMT)
Recommendation: TRIM

06 **STOCK PITCH**
Caterpillar (CAT)
Recommendation: TRIM

Information Technology

Favor technology exposure tied directly to AI infrastructure and companies with durable moats, pricing power, and strong organic growth. Be selective with mature software businesses that rely heavily on M&A for growth in a higher-rate environment.

Major Players in the Sector

COMPANY	TICKER	MARKET CAP	YTD	Current P/E	SMIF HELD
Oracle	ORCL	\$415.6B	-29.0%	20.75x	No
Salesforce	CRM	\$192.6B	-7.7%	25.43x	No
Constellation Software	CSU	\$43.0B	-11.3%	36.97x	No
Tyler Technologies	TYL	\$13.3B	-25.3%	44.92x	No
Roper Technologies	ROP	\$35.5B	-18.9%	22.47x	Yes - Celani

COMPETITIVE CONTEXT

Fragmented market

Many specialized competitors

Oracle

Greater scale and infrastructure

Salesforce

Broader platform and customer base

Constellation

Larger acquisition-driven software portfolio

Tyler

Deeper government software specialization

Key Trends

01

AI-driven workflow automation

- AI can make Roper's software better.
- But it can also make it easier for new competitors to enter.

02

Consolidation at higher prices

- Roper grows by buying companies.
- If good companies become more expensive, Roper has to pay more to keep growing.

03

Retention vs. budget pressure

- Roper's software is important, so customers tend to keep it.
- But if budgets get tight, customers may delay upgrades or spend less.

Sector SWOT Analysis

S

Strengths

- Mission-critical software embedded in customer workflows
- Recurring subscription, transaction and data revenue
- High switching costs (data migration, retraining)
- High margins once software reaches scale

W

Weaknesses

- Limited addressable customers in each vertical
- Organic growth leans on price, add-ons or M&A
- Long sales and implementation cycles
- Fragmented portfolios are hard to value and compare

O

Opportunities

- AI automation of compliance, documentation and service
- Low software adoption in smaller industries
- Cross-selling data, payments and adjacent software
- Fragmented markets create acquisition opportunities

T

Threats

- AI lowers differentiation and barriers to entry
- PE and strategic buyers bid up deal prices
- Customers delay upgrades in downturns
- Cybersecurity failures / data-privacy rules
- Horizontal platforms adding vertical features

INVESTMENT PITCH / POSITION REVIEW

Roper Technologies (ROP)

Executive Summary

RECOMMENDATION

SELL

Sell the full position today (50 shares, ~\$21.2K) and redeploy into Alphabet (GOOGL).

CURRENT PRICE

\$364

TARGET PRICE

\$291

- 20%

DOWNSIDE

TIME HORIZON

- Sell position immediately
- Redeploy capital into GOOGL

THESIS

- Modest organic growth
- Acquisition-dependent growth model
- Limited valuation upside

KEY CATALYST(S)

- Immediate portfolio rebalancing
- Continued peer underperformance
- Better investment opportunities

How the Company Makes Money

FOUNDED / HQ

- Founded in 1890
- Sarasota, Florida

SEGMENTS

- Highly diversified business model
- Many unrelated niche markets
- Technology products dilute software focus

MARGINS

- 69.2% gross margin
- 28.3% operating margin
- Margins pressured by acquisitions

CUSTOMERS

- Exposed to many industries
- Government demand can fluctuate
- End-markets face different risks

KEY CONCERNS

- Growth depends heavily on acquisitions
- High switching costs limit flexibility
- Fragmentation creates smaller market opportunities

RECENT

- Organic growth only 5.4%
- Acquisitions drove 6.7% growth
- Debt totaled \$9.4B
- Interest expense increased significantly

REVENUE BY SEGMENT



Application Software	57%
Network Software	20%
Technology Enabled Products	23%

REVENUE BY GEOGRAPHY



United States	87%
International	13%

What Roper Owns

SEGMENT	HOW IT MAKES MONEY	EXAMPLE BUSINESSES
Application Software	- Subscriptions - Transaction fees	Vertafore (insurance agencies) Deltek (government contractors) Aderant (law firms)
Network Software	- Data subscriptions - Network fees	DAT freight marketplace ConstructConnect construction-project data iPipeline life-insurance software
Technology Enabled Products	- Product sales - Consumables - Service	Verathon medical airway products Neptune water-meter technology rf IDEAS identification systems

KEY TAKEAWAY

2025 revenue growth

7%

from acquisitions

5%

organic

Roper's model depends on owning many niche businesses with recurring cash flow, then using acquisitions to add new revenue and free cash flow.

FY2025: Application Software ≈ \$4.4B · Network Software ≈ \$1.6B · TEP ≈ \$1.8B

Management Assessment

CEO

Neil Hunn

CEO since 2018 · at Roper since 2011

Former COO. Ten years at MedAssets as CFO and president of its revenue-cycle tech businesses. Has led most of Roper's capital deployment since joining.

CFO

Jason Conley

CFO since 2023 · at Roper since 2006

Former Chief Accounting Officer, Controller and subsidiary CFO. Earlier finance roles at Honeywell and Deloitte.

SVP, ACQUISITIONS

Janet Glazer

In role since 2023

Leads acquisitions. Former Fidelity portfolio manager and global Industrials sector leader; earlier roles at E*TRADE.

TRACK RECORD

Long CEO/CFO tenure supports continuity. Test: do acquired businesses keep organic growth and margin expansion after purchase? Track guidance accuracy, FCF conversion, leverage and integration.

CAPITAL ALLOCATION

Buybacks 12%

Dividends 9%

M&A 79%

~\$3.3B of acquisitions in 2025 (CentralReach, Subsplash) · 33-year record of annual dividend increases · \$3.0B active repurchase authorization

INSIDERS

Own <1% No meaningful recent open-market buying; limited option-related selling

RECENT CHANGES

CFO transition (Conley, 2023) and new SVP of Acquisitions (Glazer, 2023).

Macro & Portfolio Fit

SMIF MACRO VIEW

Uneven Expansion

Growth should stay concentrated in AI infrastructure, cloud platforms and large tech not spread broadly. Roper is only an indirect AI exposure: its businesses may add AI features, but offer no direct exposure to AI compute, cloud demand or large-scale AI monetization and they are sensitive to rate hikes.

FUND PLACEMENT

Celani S&P 500

Seger Russell 2000

Oros

Held in Celani (S&P 500)

ROLE IN CELANI

Growth Driver

Defensive Ballast

Income Generator

No distinct role Celani can express tech/AI more directly (Alphabet).

SIZING

0.00%

Proposed

0.57%

Current

~0.05%

Benchmark

Exit fully: position adds vertical-software and acquisition risk without a distinct return source.

CROSS-FUND CHECK

- Higher rates increase costs
- Acquisitions become more expensive
- Growth expectations may weaken

WHY IT FITS / DOESN'T

- Diversified niche businesses
- Acquisition dependence adds risk
- Limited direct AI exposure
- GOOGL offers stronger AI exposure

SWOT Analysis

S

Strengths

- Mission-critical vertical software
- Recurring software and transaction revenue
- Strong free-cash-flow generation
- Diversified end markets

W

Weaknesses

- Acquisition-dependent growth model
- Modest organic-growth profile
- Acquisition returns are not transparent
- Complex portfolio is difficult to value

O

Opportunities

- AI features within existing workflows
- Selective bolt-on acquisitions
- Cross-selling across vertical platforms
- Greater recurring-software mix

T

Threats

- Higher deal prices and financing costs
- Poor integration or weak post-deal growth
- AI-enabled competitors in vertical niches
- Multiple compression if organic growth slows
- Leverage limits capital-allocation flexibility

SECTION 07

Ratio Analysis & Valuation

Liquidity and leverage vs. DHR and AME

Ratio Analysis

RATIO	ROP	DHR	AME	PEER MEAN
LIQUIDITY				
Current Ratio	0.52	1.87	1.06	1.47
Quick Ratio	0.35	1.25	0.55	0.90
Cash Ratio	0.08	0.68	0.16	0.42
LEVERAGE / SOLVENCY				
Total Debt-to-Equity	47.96	37.49	24.19	30.84
Total Debt / EBITDA	2.97x	2.58x	0.98x	1.78x
EBITDA / Interest Expense	9.64x	22.57x	28.71x	25.64x
PROFITABILITY / RETURNS				
Operating Margin	28.4%	21.3%	26.2%	23.8%
ROIC	5.95%	5.65%	11.92%	8.8%
FCF Margin	30.8%	21.4%	22.6%	22.0%

READ-THROUGH

ROP runs the thinnest liquidity and highest leverage of the group: current ratio 0.52 vs. 1.47 peer mean; Debt/EBITDA 2.97x vs. 1.78x; interest coverage 9.6x vs. 25.6x.

KEY TAKEAWAYS

- **Balance-sheet pressure:** ROP has the **weakest liquidity and highest leverage** in the peer group, reducing flexibility in a higher-rate environment.
- **Capital returns lag:** ROIC of **5.95%** trails the **8.8% peer mean**, questioning whether acquisition-heavy growth is creating enough value.
- **Quality already reflected:** Strong margins and cash generation are clear, but the combination of **higher leverage and weaker capital efficiency** weakens the case for maintaining the position.

Valuation DCF

KEY ASSUMPTIONS

Revenue growth **8.0% → 3.9%**
2026E → 2030E; no M&A split

Reinvestment rate **4.2%**
Terminal yr (CapEx + NWC) / NOPAT

FCF margin **21.4–21.9%**
FCF / revenue across forecast

WACC **7.41%**
CAPM β : 0.75, rf 5.47%, MRP 5.0%

LTGR **2.5%**

CURRENT SHARE PRICE

\$364
9/24/2026

IMPLIED SHARE PRICE

\$291

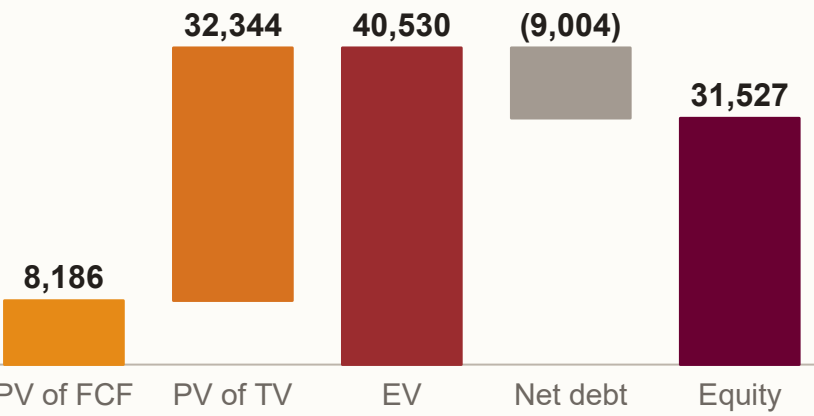
OVERVALUATION

20.0%

FCF BUILD (\$MM)

	2026E	2027E	2028E	2029E	2030E
EBIT	2,414	2,545	2,641	2,744	2,851
(–) Taxes	(497)	(524)	(544)	(565)	(587)
NOPAT	1,917	2,020	2,097	2,179	2,264
(–) CapEx	(13)	(9)	(7)	(7)	(8)
(–) Δ NWC	(79)	(58)	(43)	(46)	(48)
Free cash flow	1,825	1,953	2,048	2,126	2,209

EV → EQUITY BRIDGE (\$MM)



Implied Price Sensitivity

LTGR	WACC				
	5.4%	6.4%	7.4%	8.4%	9.4%
3.5%	\$848	\$528	\$371	\$279	\$217
2.5%	\$551	\$388	\$291 BASE	\$228	\$182
1.5%	\$405	\$305	\$238	\$191	\$156
0.5%	\$319	\$250	\$201	\$164	\$136
−0.5%	\$262	\$211	\$173	\$143	\$120

IMPLIED PRICE



Base case	\$291
Range	\$120 – \$848
Current price	\$364.02
Cells $\geq$ current price	6 of 25

T A K E A W A Y

- WACC is the Primary Lever
- Driven by M&A revenue growth
- 0.32x D/Cap illustrates impact of debt on WACC
- Upcoming debt will be refinanced at higher rates

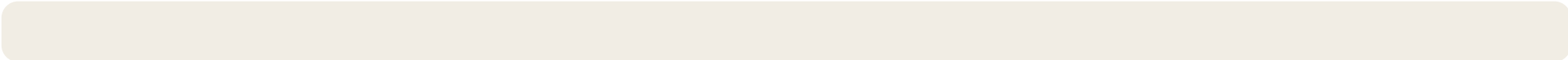
Weighting Changes

POSITION WEIGHT IN CELANI

Current weight 0.57%



Proposed weight 0.00%



Benchmark weight (S&P 500) ~0.05%



Celani holds Roper at ~11x its S&P 500 weight; the proposal exits the position entirely. Fund value: \$3.73M.

SELLING

(\$21.2K)

SHARES TRADED

Sell 50 shares (~\$21.2K)

PROCEEDS DESTINATION

Buy ~\$21.2K of Alphabet (GOOGL)

TIES BACK TO MACRO & FIT

Role: none distinct Celani expresses AI/tech more directly via Alphabet

Consumer Staples

Favor selective exposure to defensive, high-quality staples with pricing power and durable moats, while reducing overweight positions vulnerable to consumer pressure, higher input costs, and margin compression.

Major Players in the Sector

COMPANY	TICKER	MARKET CAP	YTD	FWD P/E	SMIF HELD
Walmart	WMT	\$859.3B	-3.08%	36.00	Yes — Celani
Costco	COST	\$409.0B	7.01%	40.53	No
Kroger	KR	\$34.7B	-5.99%	11.00	No
Amazon	AMZN	\$2.7T	8.17%	26.64	Yes — Celani
Target	TGT	\$71.5B	61.07%	16.95	No

COMPETITIVE CONTEXT

Walmart

Broad assortment; wins through scale, logistics, and omnichannel convenience.

Costco

Low SKU count; bulk purchasing and high inventory turns drive value.

Kroger

Grocery-focused; loyalty, private label, and frequent customer trips.

Amazon

Broadest assortment; ecommerce scale, speed, and convenience.

Target

Curated assortment; stronger emphasis on merchandising, private brands, and discretionary categories.

Key Trends

01

Low-income customer concentration

Value positioning with low prices attracts lower-income customer base leaving it exposed if economic pressure deepens.

02

Tariff-exposed cost structure

Thin retail margins can't absorb tariff shocks without passing posts to customers.

03

Labor cost inflation squeezes thin margins

Minimum wage increases and unionization pressure are raising labor costs causing less pricing flexibility.

Sector SWOT Analysis

S Strengths

- Defensive, non-cyclical grocery demand
- Scale gives leverage in supplier negotiations
- Diversified price tiers cushion demand across income levels
- Recurring cash flow supports investment through cycles

W Weaknesses

- Thin, low merchandise margins
- Costly ecommerce fulfillment
- Exposure to wages, freight, and shrink costs
- Limited pricing power against branded and input cost inflation

O Opportunities

- Retail media, marketplace, and memberships
- Automation across stores and distribution
- Faster-growing ecommerce channel
- Loyalty programs deepen customer retention

T Threats

- Tariff and wage-rule cost increases
- Oil and diesel price spikes
- Price wars on key-value items
- Discretionary demand weakens under pressure

INVESTMENT PITCH / POSITION REVIEW

Walmart (WMT)

Executive Summary

RECOMMENDATION

TRIM

Trim 748 shares (~\$83.2K), cutting the weight from 6.3% to 4.0%, and redeploy into Alphabet (GOOGL).

CURRENT PRICE

\$107.98

TARGET PRICE

\$75.99

-29.6%

DOWNSIDE

TIME HORIZON

- Trim position now
- Hold the core stake long term (5–10 years)

THESIS

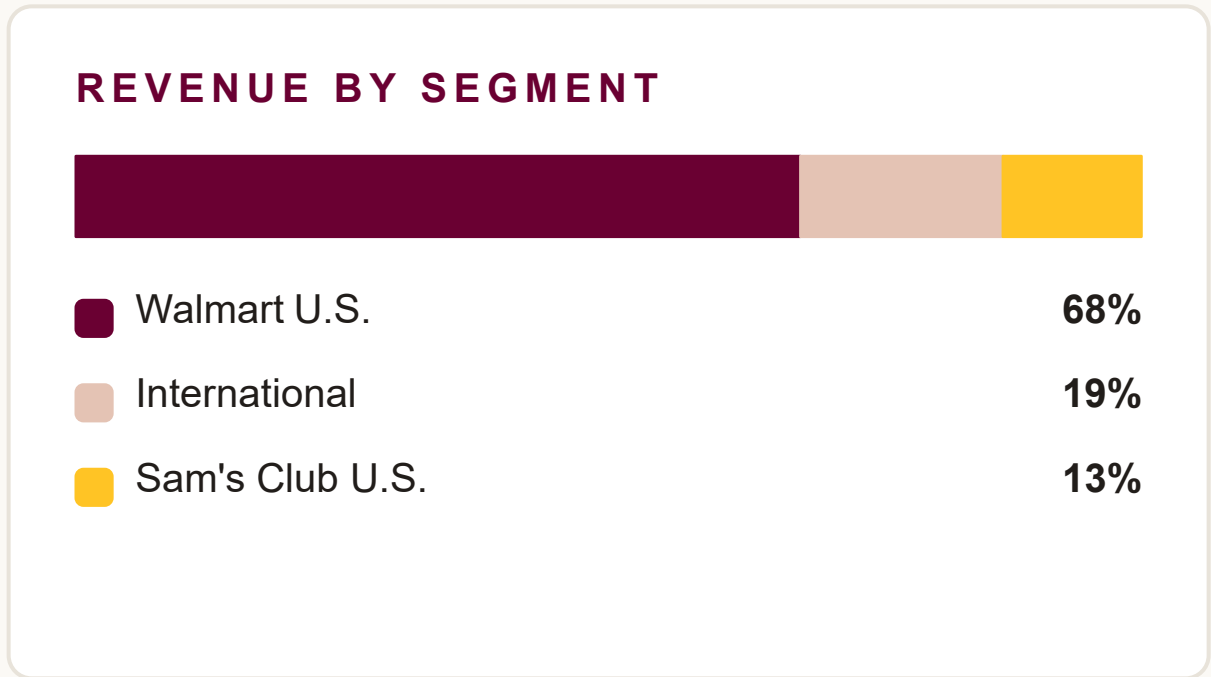
- Strong defensive retailer; keep a core position
- Consumer pressure and thin retail margins
- Large grocery mix limits profit growth

KEY CATALYST(S)

- E-commerce growth
- Higher-margin business growth

How the Company Makes Money

FOUNDED / HQ	- Founded 1962 - HQ: Bentonville, AR - FY26 Net Sales: \$706B
SEGMENTS	- Walmart U.S. - Walmart International - Sam's Club U.S. - Supported by e-commerce, marketplace, advertising & memberships
MARGINS	- Q2 FY27 Gross Margin: 25.4% +96 bps YoY - Operating Margin: ~5.0% - Improvement aided by mix & tariff refunds
CUSTOMERS	- Broad income mix ~⅓ <\$50K ~⅓ \$50K–\$100K ~⅓ >\$100K
ADVANTAGE	Massive scale → supplier bargaining power → Everyday Low Prices
RECENT	E-commerce: 24% of Q2 sales Marketplace: +52% Advertising: +38% Membership fees: +17% FY27 Guidance: Sales +4–5% · Adj. Operating Income +7–8.5%



What Affects Walmart More Than Peers

01 Low-income customer exposure

Consumers are sensitive to food, gas, rent, and credit costs. Walmart may gain grocery traffic during consumer stress, while discretionary spending falls.

02 Large grocery mix

Grocery creates stable customer traffic but has lower margins than general merchandise and higher-margin businesses such as advertising and marketplace.

03 Massive physical distribution

Walmart's large store, warehouse, truck, and delivery network creates significant exposure to fuel and freight costs.

04 Price-leadership obligation

Walmart must protect its low-price reputation, which may require absorbing higher costs instead of passing them fully to customers.

05 Labor and healthcare scale

~2.1M employees globally make wages, healthcare costs, and staffing efficiency major profit drivers.

06 Execution in higher-margin businesses

Future margin expansion increasingly depends on e-commerce, advertising, marketplace, and membership growth.

MOST MATERIAL COMPANY-SPECIFIC RISK

Walmart can gain sales during consumer stress, but higher fuel, labor, healthcare, and price-investment costs may prevent stronger sales from becoming stronger profits.

Management Assessment

CEO

John Furner

- CEO since **Feb. 2026**
- Walmart since **1993**
- Former **Walmart U.S. CEO**
- Experience in **merchandising, stores, sourcing & e-commerce**

CFO

John David Rainey

- CFO since **June 2022**
- Former **PayPal CFO**
- Previous finance leadership at **United & Continental Airlines**
- Strong **capital markets & consumer-tech** experience

GLOBAL CTO & CDO

Suresh Kumar

- In role since **2019**
- **25+ years** of technology experience
- Former **Google, Amazon, Microsoft & IBM**
- Leads **AI, automation & digital strategy**

TRACK RECORD

- FY26 Revenue: **+4.7%**
- Adj. Operating Income: **+5.4%**
- **Profit grew faster than sales**
- Key test: continue **margin expansion** through e-commerce, advertising, marketplace & automation

CAPITAL ALLOCATION

- **\$15.6B** returned through dividends & buybacks in FY26
- **\$30B** new share-repurchase authorization
- Investing in **stores, automation, fulfillment & technology**
- Capital also supports **international growth**

INSIDERS

- Insider ownership: **>0.09%**
- Recent selling under **pre-arranged 10b5-1 plans**

RECENT CHANGES

- CEO transition in **Feb. 2026**
- Furner previously led **Walmart U.S.**
- Key test: sustain **U.S. market-share gains**
- Improve **International returns**

Macro & Portfolio Fit

SMIF MACRO VIEW Uneven Expansion

A weakening consumer, elevated inflation, and higher borrowing costs favor selective defensive exposure over an overweight staples position.

FUND PLACEMENT

Celani S&P 500

Seger Russell 2000

Oros

Held in Celani (S&P 500)

ROLE IN CELANI

Growth Driver

Defensive Ballast

Income Generator

Celani role: defensive ballast / quality growth.

SIZING

4.0%

Proposed

6.3%

Current

0.72%

Benchmark

- **Trim 6.3% → 4.0%:** still ~5.6x the 0.72% benchmark weight
- Keeps a meaningful defensive position in Celani

WHY IT FITS / DOESN'T

- **Fits:** defensive demand, scale, pricing power, and value positioning.
- **Doesn't:** the 6.3% position creates concentration and exceeds the role we want Staples to play.

SWOT Analysis

S

Strengths

- Platform revenues diversifies away from thin retail margins
- Massive scale & supplier bargaining power
- Strong grocery traffic & defensive demand
- Extensive store and logistics network

W

Weaknesses

- Thin traditional retail margins
- Large operating and labor cost base
- High ongoing investment requirements
- Valuation priced well above multiples

O

Opportunities

- Growth in Walmart Connect advertising
- Marketplace & membership expansion
- Sam's Club growth outpacing core U.S. retail
- Automation and e-commerce efficiency

T

Threats

- Wage, healthcare, fuel & freight inflation
- Aggressive competitive pricing
- Consumer discretionary weakness
- Valuation / multiple compression

SECTION 07

Ratio Analysis & Valuation

Operating margin, inventory turns, ROIC, capex-to-sales and FCF across a full cycle

Ratio Analysis

METRIC	WMT	COST	KR	PEER MEAN
Operating margin	4.3%	3.7%	3.1%	3.4%
Days Inventory Outstanding	39.8	27.9	22.6	25.3
ROIC	14%	22.2%	19.1%	21.2%
Free cash flow	\$12.7B	\$7.8B	\$1.8B	—
Current ratio	0.82	1.00	0.96	0.98
Debt / EBITDA	1.35x	0.65x	3.2x	1.9x

READ-THROUGH

WMT leads peers on margin but trails on capital efficiency: operating margin 4.3% vs. 3.4% peer mean; ROIC 14% vs. 21.2%; inventory days 39.8 vs. 25.3.

KEY TAKEAWAYS

- **Margins are strong:** WMT has the highest operating margin in the group at **4.3%**.
- **Inventory is less efficient: 39.8 days inventory outstanding** is well above peers, tying up more working capital.
- **Returns lag peers: 14% ROIC** trails COST and KR, suggesting weaker capital efficiency despite strong scale.

Valuation DCF

KEY ASSUMPTIONS

Revenue growth
FY2027E → FY2031E, tapering

5.55% → 3.0%

Reinvestment rate
Terminal yr (CapEx + NWC) / NOPAT

18.5%

FCF margin
FCF / revenue across forecast

2.1% → 2.6%

WACC
CAPM β 0.57 (5-yr regression), rf 5.47%, MRP 5.0%

8.11%

LTGR

2.5%

CURRENT SHARE PRICE

\$107.98

IMPLIED SHARE PRICE

\$45.99

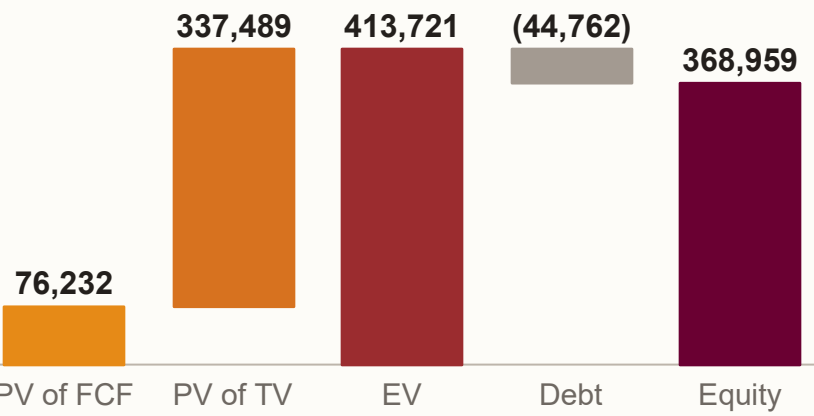
OVERVALUATION

57.4%

FCF BUILD (\$MM)

	FY27E	FY28E	FY29E	FY30E	FY31E
EBIT	31,480	32,872	34,187	35,383	36,445
(-) Taxes	(7,690)	(8,030)	(8,351)	(8,644)	(8,903)
NOPAT	23,790	24,841	25,835	26,739	27,542
(-) CapEx	(7,553)	(6,349)	(5,999)	(5,459)	(4,843)
(-) Δ NWC	(386)	(325)	(307)	(279)	(248)
Free cash flow	15,851	18,168	19,529	21,001	22,450

EV → EQUITY BRIDGE (\$MM)



Implied Price Sensitivity

LTGR	WACC				
	6.11%	7.11%	8.11%	9.11%	10.11%
3.5%	\$104.67	\$73.33	\$55.61	\$44.23	\$36.31
2.5%	\$76.24	\$57.82	\$45.99 BASE	\$37.77	\$31.72
1.5%	\$60.13	\$47.83	\$39.28	\$33.00	\$28.19
0.5%	\$49.76	\$40.87	\$34.34	\$29.34	\$25.39
−0.5%	\$42.53	\$35.74	\$30.54	\$26.44	\$23.12

IMPLIED PRICE



Base case	\$45.99
Range	\$23.12 – \$104.67
Current price	\$107.98
Cells ≥ current price	0 of 25

T A K E A W A Y

Unlike CAT, WMT’s grid does reach near-market under plausible bullish assumptions. The bull corner (\$104.67 at 6.11% WACC / 3.5% growth) sits within 3% of the \$107.98 market price. The gap here is a genuine disagreement about which assumptions are right, not a structural modeling limitation. Our base case assumes margin pressure from consumer spending stress and grocery mix that the market isn’t fully pricing; the bull corner shows what it would take for the market’s price to be justified.

Primary Valuation — EV/EBITDA

KEY ASSUMPTIONS

2025 EBITDA
Base-year EBITDA (\$MM) **\$44,070**

Peer avg EV/EBITDA
Four retail peers **14.85x**

Net debt
Gross debt convention (\$MM) **\$44,762**

Shares outstanding
Millions **8,022**

P/E cross-check
Peer avg 27.44x × 2025 EPS \$2.76;
-29.9% vs. market **\$75.74**

CURRENT SHARE PRICE

\$107.98

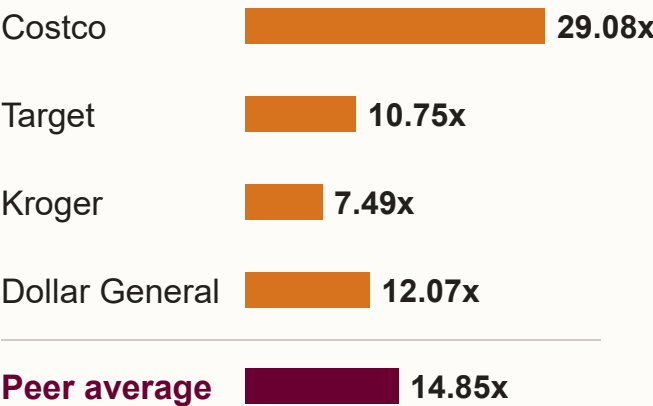
IMPLIED SHARE PRICE

\$75.99

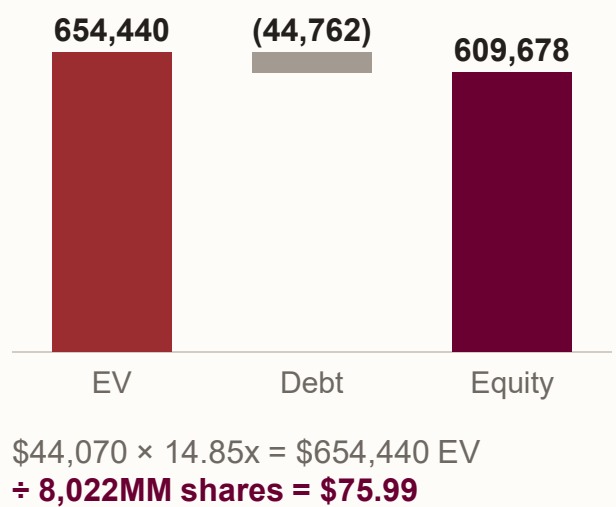
OVERVALUATION

29.6%

PEER EV/EBITDA (x)



EQUITY BRIDGE (\$MM)



WHY EV/EBITDA

Same logic as CAT: trading multiples reflect what the market is actually paying for comparable retailers today, rather than requiring us to forecast WMT's cash flows five years out. Both comps methods independently cluster around 30% downside, proportionate to a trim rather than an exit.

Weighting Changes

POSITION WEIGHT IN CELANI

Current weight **6.3%**



Proposed weight **4.0%**



Benchmark weight (S&P 500) **0.72%**



Celani holds Walmart at ~9x its S&P 500 weight; the trim to 4.0% keeps a meaningful defensive position.

TRIMMING

\$83,178

SHARES TRADED

Sell 748 shares (~\$83.2K)

PROCEEDS DESTINATION

Buy ~\$83.2K of Alphabet (GOOGL)

TIES BACK TO MACRO & FIT

Trim reduces concentration while retaining meaningful defensive exposure.

Industrials

Favor industrials tied to data-center power demand and infrastructure spending. Be selective with heavy-equipment names where the cycle is maturing and valuations already price in peak margins, and trim positions that run well above target weight.

Major Players in the Sector

COMPANY	TICKER	MARKET CAP (USD)	YTD	Current P/E	SMIF HELD
Caterpillar	CAT	\$377.66B	43.41%	34.94	Yes
Deere	DE	\$186.17B	41.97%	37.78	No
Komatsu	KMTUY	\$45.21B	52.76%	18.09	No
Volvo CE	VOLVB	\$66.73B	9.20%	18.45	No
SANY	600031	\$23.24B	-19.10%	17.35	No

COMPETITIVE CONTEXT

Caterpillar

Broadest lineup across industry; wins through its global dealer network and aftermarket parts and service.

Deere

Strongest in farm equipment; smaller in construction, with more exposure to the farm cycle.

Komatsu

Closest global rival in mining and construction; known for mining trucks and automation, strong in Japan and Asia.

Volvo CE

Construction-focused strong in Europe and pushing into electric machines.

SANY

Low-cost Chinese maker; wins on price and home-market scale while expanding abroad.

Key Trends

01

Data-center power generation

Generator orders and backlogs are rising with AI infrastructure the strongest potential source of less-cyclical growth.

02

Infrastructure spending

Public infrastructure supports construction-equipment demand even as private building slows.

03

Commodity-driven mining cycle

Mining equipment (~\$105B market, ~5.8% growth) follows commodity prices and miner capex.

Sector SWOT Analysis

S

Strengths

- Large installed base drives parts & service
- Reliability and dealer support create loyalty
- Manufacturing scale and pricing power

W

Weaknesses

- Highly cyclical construction and mining demand
- Dealer inventory swings amplify cycles
- Labor and supply-chain constraints

O

Opportunities

- Data-center backup power (~15% growth)
- Infrastructure spending
- Rental channel growth

T

Threats

- Higher rates and weaker construction
- Lower commodity prices
- Tariffs and trade disputes
- Dealer destocking

INVESTMENT PITCH / POSITION REVIEW

Caterpillar (CAT)

Executive Summary

RECOMMENDATION

TRIM

Trim 97 of 331 shares (~\$77.6K), cutting the weight from 7.4% to 5.0%; hold proceeds as cash for redeployment.

CURRENT PRICE

\$821.58

TARGET PRICE

\$639.46

-22.2%

DOWNSIDE

TIME HORIZON

- Trim position immediately
- Hold the remaining 234 shares

THESIS

- Take profits after strong growth and stock performance
- Keep exposure to a high-quality business
- Long-term growth potential remains

KEY CATALYST

- Stock up 43% YTD; lock in gains
- Bring Industrials back toward the fund's 9% target

How the Company Makes Money

FOUNDED / HQ

1925 · Irving TX · Revenue: \$67.6B

WHAT IT DOES

- Designs and builds heavy equipment, engines and power systems
- On a global dealer network
- via parts, service and financing over decades

MARGINS

- Operating margin **17.3%** → **20.9%** YoY (Q2 2026)
- Survived tariff headwinds

CUSTOMERS

Construction, infrastructure, mining, oil & gas, power generation and rail customers, via dealers

ADVANTAGE

- Global dealer network · massive installed base · aftermarket services
- 16–17% construction-equipment share

RECENT

- Management raised FY 2026 guidance to mid-to-high-teens revenue growth
- Q2 sales topping \$20B in a single quarter for first time

REVENUE BY SEGMENT



REVENUE BY GEOGRAPHY



Management Assessment

CHIEF EXECUTIVE OFFICER

Joe Creed

CEO since May 2025 · Chairman since April 2026

At Caterpillar since 1997. Rose through CFO of Energy & Transportation, interim corporate CFO (2018), Group President of Energy & Transportation, and COO.

CHIEF FINANCIAL OFFICER

Kyle Epley

CFO since May 2026 · ~30 years at CAT

Previously led Global Finance Services; served as division CFO and corporate controller. Replaced Andrew Bonfield, retiring after eight years as CFO.

GROUP PRESIDENT, POWER & ENERGY

Jason Kaiser

In role since 2024

Leads Solar Turbines, Large Power Systems, Electric Power, Oil & Gas/Marine, and electrification. Background in engineering, product management, and operations.

TRACK RECORD

Compare guidance, production planning and margins across full cycles.

CAPITAL ALLOCATION

\$4.9B Buybacks
\$1.48B Dividends
18.7% Reinvestment rate

INSIDERS

Insiders own >1%.
CEO Joe Creed sold ~32.4K shares after exercising options in Aug. 2026.

RECENT CHANGES

Major leadership transition in 2026: Joe Creed added Chairman duties in April, Kyle Epley became CFO in May, and Rod Shurman took over Construction Industries in February.

Macro & Portfolio Fit

SMIF MACRO VIEW

Uneven Expansion

How CAT expresses it: exposure to data-center power demand, infrastructure spending, and commodity-linked end markets; a trim reduces oversized cyclical exposure and brings Industrials closer to target weight.

FUND PLACEMENT

Celani S&P 500

Seger Russell 2000

Oros

Held in Celani (S&P 500)

ROLE IN CELANI

Growth Driver

Defensive Ballast

Income Generator

Celani role: cyclical industrial exposure.

SIZING

5.0%

Proposed

7.4%

Current

0.54%

Benchmark

- **Trim 7.4% → 5.0%:** keeps meaningful exposure to infrastructure and power demand
- Celani remains materially overweight CAT
- Reducing CAT moves Industrials toward the fund's 9% target

WHY IT FITS / DOESN'T

- **Fits:** CAT still aligns with our infrastructure, power-demand, and industrial themes.
- **Doesn't:** the 7.4% position is too large for a cyclical name and pushes Industrials above target.
- **Trim proceeds:** redeploy toward underweight, higher-conviction areas of the portfolio.

SWOT Analysis

S Strengths

- Global market share
- Dealer network
- Aftermarket services

W Weaknesses

- Cyclical revenue exposure
- Labor challenges
- R&D bottlenecks

O Opportunities

- Mining equipment demand
- Rental channel growth
- Infrastructure spending

T Threats

- Tariffs / trade war
- United Auto Workers (UAW) pressure
- Interest rates

SECTION 07

Ratio Analysis & Valuation

Liquidity, leverage and profitability vs. Komatsu and Deere plus through-cycle trends

Ratio Analysis

RATIO	CAT	KMTUY	DE
LIQUIDITY			
Current Ratio	1.44	2.11	0.72
Quick Ratio	0.86	1.06	0.44
Cash Ratio	0.27	0.25	0.28
LEVERAGE			
Debt-to-Equity	2.03	0.38	2.46
Times Interest Earned	9.39x	19.91x	-3.0x
PROFITABILITY			
Operating Margin	16.5%	13.7%	13.7%
Net Profit Margin	13.1%	9.1%	11.0%

Primary Valuation — EV/EBITDA

KEY ASSUMPTIONS

2025 EBITDA
Base-year EBITDA (\$MM)

\$16,250

Peer avg EV/EBITDA
Five heavy-equipment peers

21.25x

Net debt
Gross debt convention (\$MM)

\$43,330

Shares outstanding
Millions

472.3

P/E cross-check
Peer avg 28.40x × 2025 EPS
\$23.21; −19.8% vs. market

\$659.21

CURRENT SHARE PRICE

\$821.58
9/24/2026

IMPLIED SHARE PRICE

\$639.46

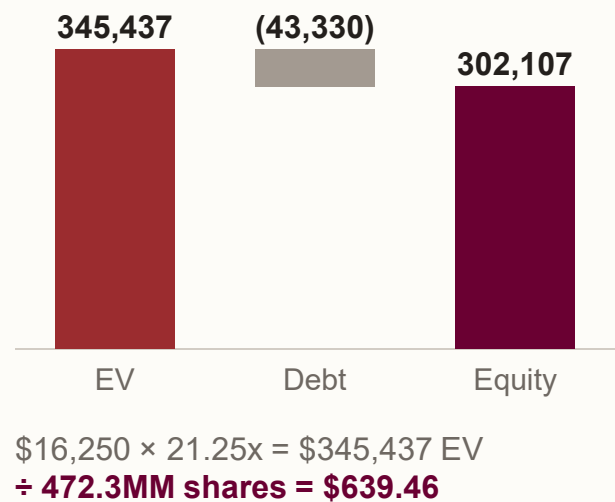
OVERVALUATION

22.2%

PEER EV/EBITDA (x)

Deere	28.99x
CNH Industrial	41.33x
AGCO	10.82x
Komatsu ADR	10.18x
AB Volvo ADR	14.94x
Peer average	21.25x

EQUITY BRIDGE (\$MM)



WHY EV/EBITDA

Trading multiples reflect what the market is actually paying for comparable heavy-equipment operators today, rather than requiring us to forecast CAT's cash flows five years out. Both comps methods independently land in the same ~20–22% downside range, a magnitude consistent with trimming an overweight position, not exiting it.

Implied Price Sensitivity

	EPS (\$) →				
↓ P/E MULTIPLE	\$19.36	\$21.36	\$23.36	\$25.36	\$27.36
39.2x	\$760	\$838	\$917	\$995	\$1,074
34.2x	\$663	\$731	\$800 BASE	\$868	\$937
29.2x	\$566	\$625	\$683	\$742	\$800
24.2x	\$469	\$518	\$566	\$615	\$663
19.2x	\$372	\$411	\$449	\$488	\$526

Each cell: implied share price

IMPLIED PRICE



Base case	\$799 (grid: \$800)
Range	\$372 – \$1,074
Current price	\$821.58

WHAT THE GRID SAYS

Grid from the team's P/E model (base: TTM GAAP EPS \$23.36 × 34.2x = \$799). **Primary method (EV/EBITDA, prior slide): \$639.46 implied vs. \$821.58 current, 22.2% overvalued.**

Weighting Changes

POSITION WEIGHT IN CELANI

Current weight 7.8%



Proposed weight 5.0%



Benchmark weight (S&P 500) 0.54%



TRIMMING

\$77,600

SHARES TRADED · FUND VALUE

Sell 97 shares · retain 234 shares

PROCEEDS DESTINATION

Hold as cash pending redeployment toward underweight, higher-conviction opportunities.

TIES BACK TO MACRO & FIT

CAT still fits our infrastructure and power-demand outlook, but trimming reduces single-name concentration and brings Industrials closer to the fund’s target weight.

Fund Risk Metrics: Before vs. After

METRIC	BEFORE	AFTER	CHANGE
Sharpe	1.18	1.17	-0.01
Sortino	2.16	2.15	-0.01
Treynor	18.99	19.06	+0.07
Alpha	8.50%	8.35%	-0.15 pp
Beta	1.10	1.05	-0.05
Upside capture	133.70%	126.79%	-6.91 pp
Downside capture	89.09%	85.09%	-4.00 pp
Maximum drawdown	-21.08%	-20.42%	+0.66 pp

Bold maroon change = lower risk or better risk-adjusted return. Before/after reflects the three proposed trades.

LOWER DOWNSIDE RISK

Beta falls 1.10 → 1.05, downside capture 89.1% → 85.1%, and max drawdown improves to -20.4%.

RISK-ADJUSTED RETURNS HOLD

Sharpe and Sortino move only -0.01; Treynor improves slightly (+0.07).

LESS UPSIDE PARTICIPATION

Upside capture falls from 133.7% to 126.8% as higher-beta holdings are trimmed.

BACKTEST CAVEAT

Hypothetical: the after portfolio holds 5.57% cash vs. 1.12% before; redeploying proceeds reduces cash drag.

Final Recommendation

COMMITTEE ACTION

Sell Roper; trim Walmart and Caterpillar

TOTAL PROCEEDS

\$182.0K

SELL

Roper Technologies (ROP)

\$21.2K

proceeds

Shares **All 50 shares**

Celani weight **0.57% → 0.00%**

Target price **\$291 (-20.0%)**

Proceeds to **Alphabet (GOOGL)**

TRIM

Walmart (WMT)

\$83.2K

proceeds

Shares **748 shares**

Celani weight **6.3% → 4.0%**

Target price **\$75.99 (-29.6%)**

Proceeds to **Alphabet (GOOGL)**

TRIM

Caterpillar (CAT)

\$77.6K

proceeds

Shares **97 of 331 shares**

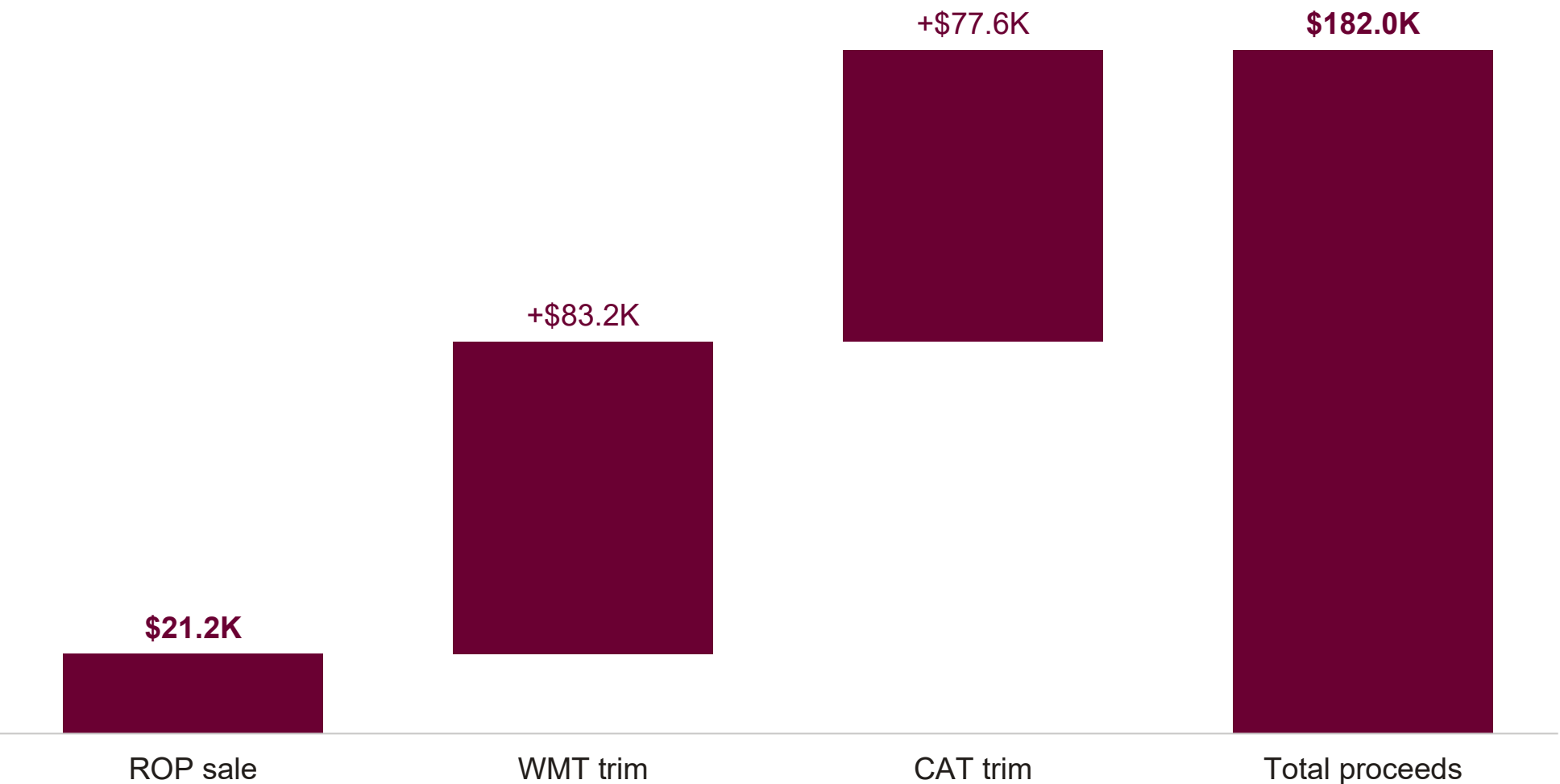
Celani weight **7.4% → 5.0%**

Target price **\$639.46 (-22.2%)**

Proceeds to **Alphabet (GOOGL)**

Use of Proceeds

PROCEEDS BY TRADE, \$K



PROCEEDS TO ALPHABET (GOOGL)

\$182.0K

100% of proceeds

Roper sale \$21.2K

Walmart trim \$83.2K

Caterpillar trim \$77.6K

Questions

Sell Roper · Trim Walmart · Trim Caterpillar · \$182.0K in proceeds

