



CATERPILLAR®

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Proposal



- Option 1: Approximately 300 shares at current price (163.20 as of 10/26) to meet \$50,000 minimum investment requirement into portfolio.
- Option 2: Revisit Valuation after Q3 2020 earnings (10/27)
- Option 3: Revisit valuation after Q3 2020 earnings report comes out (10/27) and post-presidential election.

Company Overview



Overview

- Founded in 1925, and headquartered in Deerfield, Illinois and is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines, and diesel-electric locomotives.
- Included in Fortune's top 50 World's Most Admired Companies for 19 consecutive years, as well as 20 years in the DOW Index.

Investment Consideration

- CAT product portfolio continues to grow each year with products ranging from Utility vehicles, marine engines, and mining excavators.
- Their acquisition of Weir Group PLC to acquire its Oil & Gas business will allow expansion into the energy and well service industry. CAT continues to make long term profitable growth the strength of their strong balance sheet.

Potential Risks

- Financial stress can be prolonged by the effects of COVID-19 and impact of the industrial and agricultural industry. COVID-19 has stopped industrial projects from various companies waiting on the project value to return to normal.
- John Deere is their biggest competitor and continues to make consumer friendly products where CAT focuses primarily on business-to-business products to maintain their spot in the market.

BRANDS

<p>Solar Turbines A Caterpillar Company</p>	<p>CAT[®] Lift Trucks</p>	<p>KEMPER VALVE & FITTINGS CORP. A Caterpillar Company</p>
<p>MWM Energy. Efficiency. Environment.</p>	<p>CAT[®] Financial</p>	<p>TURNER POWERTRAIN SYSTEMS</p>





Industry Overview

Overview

- Industrial operators manufacture construction machinery and equipment for use in residential, nonresidential, highway, street, and other infrastructure construction.
- Demand for industry products depends on levels of private construction spending and government funding for infrastructure projects.

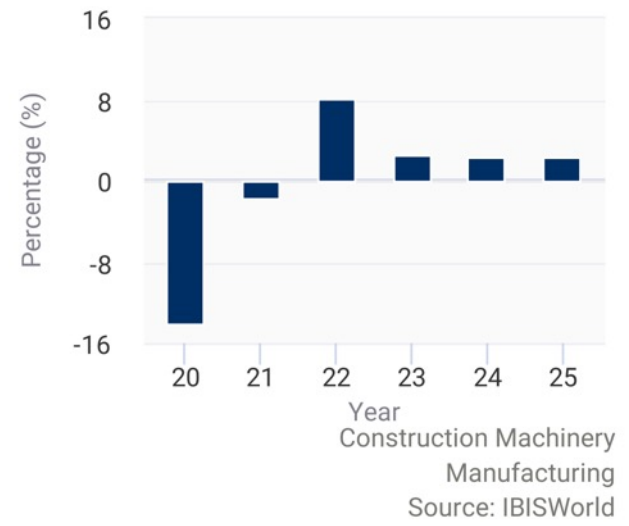
Competitive Landscape

- Companies such as Deere, Case, Kubota, and Hitachi are all premium competitors of the heavy machinery industry.
- The barriers to enter into this market are medium
- Market share concentration is moderate with the 4 largest companies accounting for ~47% of industry revenue in 2020.

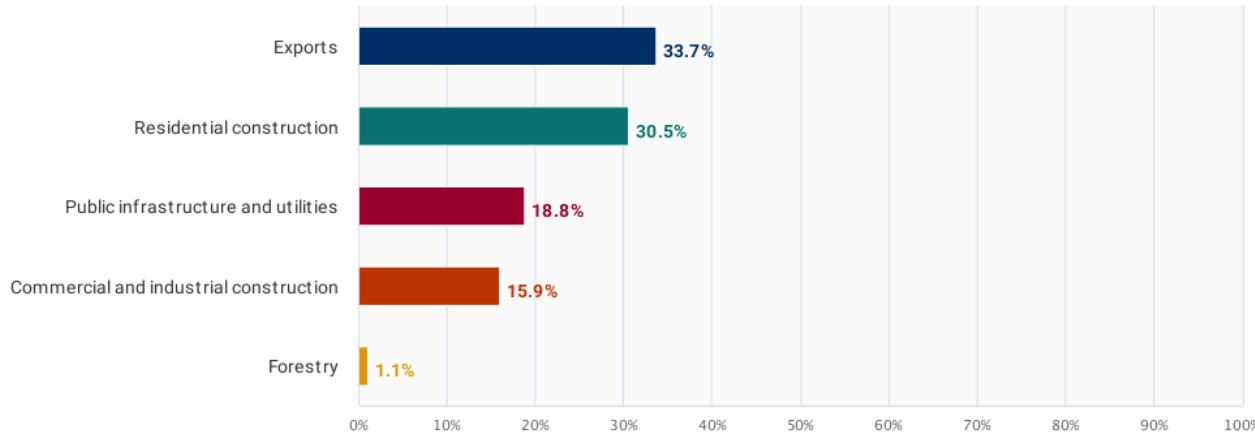
Industry Outlook

- Over the next five years, business conditions are expected to rebound for participants in this industry.
- Larger companies are expected to acquire smaller companies to increase their market share and profitability in this industry.

Industry Outlook 2020-2025



Major Market Segmentation



2020 INDUSTRY REVENUE

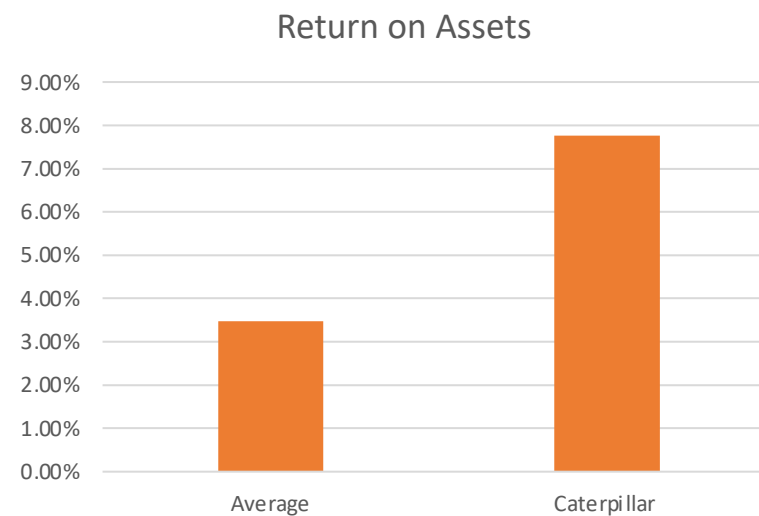
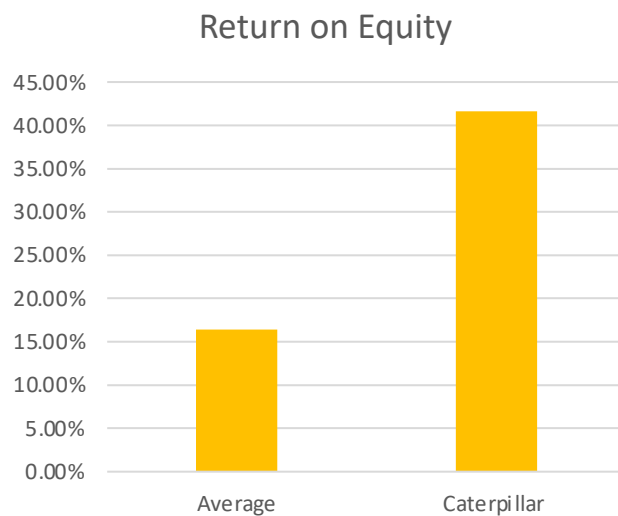
\$30.3bn



Comparable Company Analysis

Company	Ticker Symbol	Current	Quick	Cash Conversion	DIO	DSO	DPO	Debt/Equity	Interest Coverage	Debt/EV	ROE	ROA	EBIT Margin
John Deere	DE	2.30	2.06	224.08	76.87	271.44	124.23	5.39	3.79	0.64	28.53%	4.46%	14.15%
Case	CNHI	0.79	0.62	310.97	118.40	271.19	78.61	6.73	2.62	0.21	23.75%	3.07%	8.01%
Kubota	KUBTY	1.72	1.33	189.35	102.61	114.09	27.36	1.04	N/A	0.14	10.35%	5.07%	10.50%
Hitachi	HTHIY	1.40	1.02	103.95	80.40	70.12	46.57	1.33	7.66	0.95	2.98%	1.28%	2.09%
Average		1.55	1.26	207.09	94.57	181.71	69.19	3.62	4.69	0.48	16.40%	3.47%	8.69%
Median		1.56	1.18	206.71	91.50	192.64	62.59	3.36	3.79	0.43	0.17	0.04	0.09
Caterpillar	CAT	1.47	1.05	174.37	112.26	121.47	59.36	4.36	19.69	0.45	41.65%	7.77%	15.41%

- Leads industry
 - ROA
 - ROE
 - EBIT Margin
- Trails Industry
 - Liquidity





Valuation

Company	Ticker Symbol	Price	Market Cap (\$M)	EV (\$M)	Revenue (\$M)	EBITDA (\$M)	EPS	EV/Revenue	EV/EBITDA	P/E Ratio	Gross Margin %	EBIT Margin %
John Deere	DE	173.26	54,837	95,850	39,258	7,573	10.29	2.44	12.66	16.84	72.27%	14.15%
Case	CNHI	11	116,111	119,133	26,149	2,754	1.05	4.56	43.26	10.48	83.49%	8.01%
Kubota	KUBTY	79	96,401	107,382	17,685	2,430	1.20	6.07	44.19	65.80	70.84%	10.50%
Hitachi	HTHIY	84.43	10,629	54,882	80,767	5,682	1.21	0.68	9.66	69.61	72.96%	2.09%
Average							4.92	3.28	24.57	35.27	73.53%	10.03%
Median							1.21	3.50	27.96	41.32	72.61%	9.25%
Caterpillar	CAT	147.68	82,937	142,049	53,800	10,867	10.85	2.64	13.07	13.61	68.09%	15.41%

Market Cap: 82,917,000,000

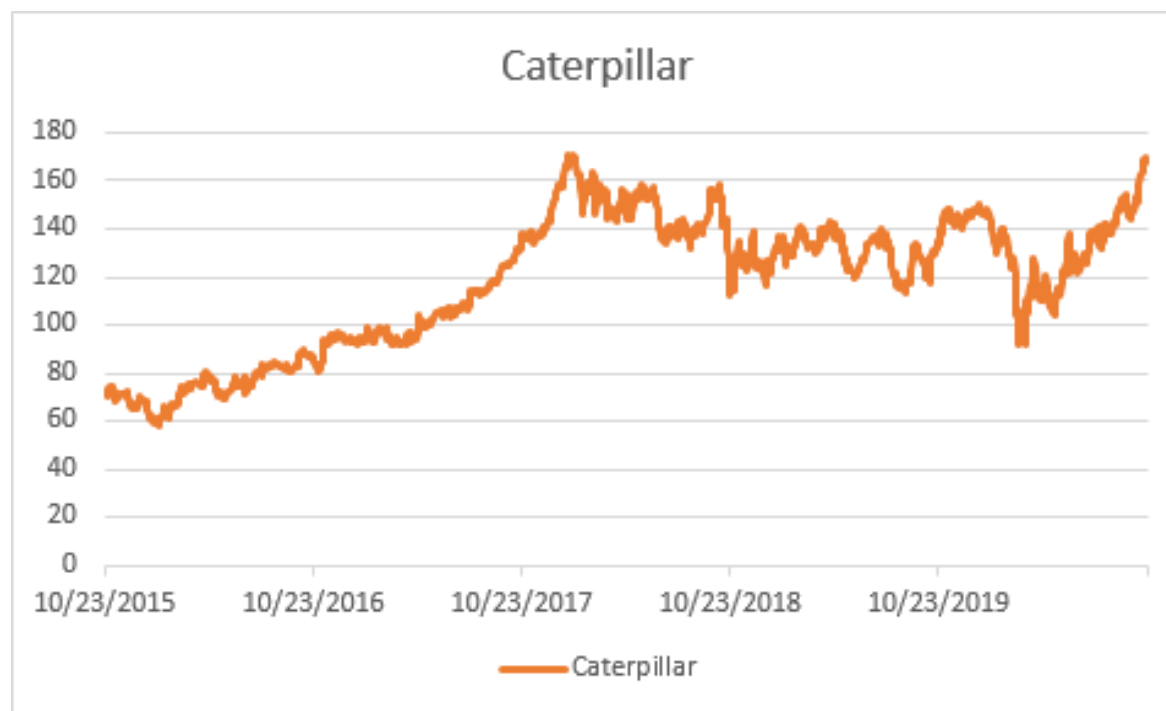
EPS: 10.85

EBIT Margin: 15.41%

EV/EBITDA: 13.07x

P/E: 13.61

Beta: 1.02



External Catalysts

- Acquisition of Weir Oil and Gas
- California wildfires
- ESG focused
- Options market
- Export dependant
- Rising price of iron



Conclusion

