Caterpillar Inc. (CAT)

Updated October 30th, 2025, by Nikolaos Sismanis

Key Metrics

Current Price:	$590	**5 Year Annual Expected Total Return:**	8.7%	**Market Cap:**	$274.3 B
Fair Value Price:	$407	**5 Year Growth Estimate:**	16.0%	**Ex-Dividend Date:**	10/20/25
% Fair Value:	145%	**5 Year Valuation Multiple Estimate:**	-7.1%	**Dividend Payment Date:**	11/20/25
Dividend Yield:	1.0%	**5 Year Price Target**	$855	**Years Of Dividend Growth:**	32
Dividend Risk Score:	A	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

Founded in 1925 and headquartered in Illinois, Caterpillar is the most prominent manufacturer of construction and mining equipment in the world, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. The company, valued at $274.3 billion, operates in three primary segments: Construction Industries, Resource Industries and Energy & Transportation, along with ancillary financing and related services through its Financial Products segment.

On October 29th, 2025, Caterpillar reported its Q3 results for the period ending September 30th, 2025. Revenues were $17.6 billion, a 10% increase compared to last year.

The Construction Industries segment posted a 7% year-over-year sales increase, mainly driven by higher sales volume of $568 million and favorable currency impacts of $69 million, partially offset by unfavorable price realization of $262 million. The segment's profit declined 7% to $1.38 billion, reflecting higher manufacturing costs largely tied to tariffs and weaker pricing.

The Resource Industries segment saw a modest 2% increase in sales, primarily due to higher sales volume of $138 million, offset by unfavorable price realization of $61 million. Segment profit decreased 19% to $499 million, as higher tariffs and manufacturing costs weighed on margins.

The Energy & Transportation division delivered strong growth, with sales rising 17% to $8.4 billion, driven by robust demand in oil & gas and power generation. Profit in this segment increased 17% to $1.68 billion, benefiting from higher volumes and favorable pricing, partly offset by tariff-related manufacturing costs.

Caterpillar's adjusted operating profit margin was 17.5%, down from 20.0% last year. The compression in margins, alongside higher tariffs and costs, led to an adjusted earnings-per-share of $4.95, compared to $5.17 last year. For FY2025, we continue to expect adjusted EPS of $18.50.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$4.62	$3.44	$6.88	$11.20	$11.06	$6.56	$10.81	$13.84	$21.21	$21.90	***$18.50***	***$38.86***
DPS	$3.01	$3.08	$3.11	$3.36	$3.78	$4.12	$4.36	$4.71	$5.10	$5.53	***$6.04***	***$8.87***
Shares[1]	601	584	599	599	568	549	549	530	514	489	***469***	***420***

Caterpillar's customers, primarily mining and construction companies, operate in cyclical industries. During good times they are inclined to expand their operations and upgrade their equipment to make operations more efficient. During weak times they are less likely to expand their operations, and they will defer the purchase of new equipment, which means lower sales for Caterpillar. Caterpillar's business, therefore, is relatively cyclical, which is clearly visible in the above table. During the Great Recession, profits experienced a tremendous decline, and during the 2015-2016 period, when commodity prices were relatively low, Caterpillar's sales and profits declined significantly as well.

In 2020 global trade uncertainties took a back seat to the COVID-19 pandemic, and bottom-line results fell by more than 40%. Not only did Caterpillar experience reduced demand, but dealers were more cautious with their inventories as

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[1] In millions.

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well. While results may continue to be volatile, it seems the company is back on track. The $1.2 trillion infrastructure bill should to sustain strong demand for Caterpillar's machinery. We expect adjusted EPS growth of 16% in the medium-term. This reflects coming off suppressed EPS in 2025 with regard to the cyclical nature of the business and tariffs to China. We also expect dividends to grow by a CAGR of 8% in the medium-term.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.1	22.8	16.4	12.9	12	22.8	19.7	15.9	10.9	14.8	***31.9***	***22.0***
Avg. Yld.	3.8%	3.9%	2.8%	2.3%	3.0%	3.0%	2.0%	2.1%	1.5%	1.7%	***1.0%***	***1.0%***

Since 2015, shares of Caterpillar have traded hands with an average P/E ratio of about 17 times earnings; although this did include periods when earnings collapsed while the share price held up much better. Given that we expected strong EPS growth over the medium term, we view 22.0 times earnings as a "fair" P/E. However, we still believe the stock may be somewhat overvalued today at nearly 32.0 this year's expected EPS, even if a strong rebound takes place soon.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	65%	90%	45%	30%	34%	63%	40%	34%	24%	25%	***33%***	***23%***

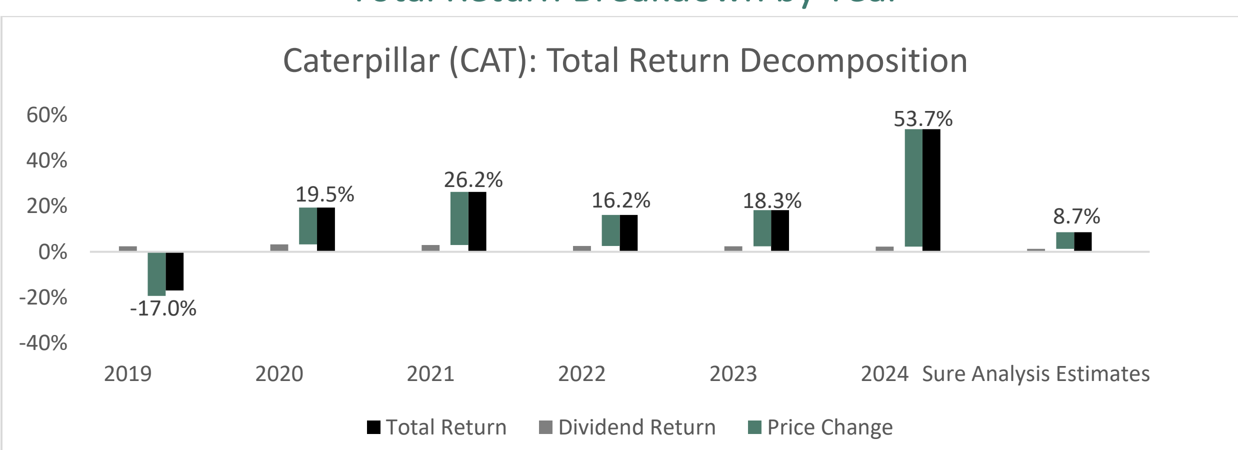
Caterpillar's dividend payout ratio has moved up and down throughout the last couple of years, which is not surprising as the company's profits were quite cyclical. In 2018, the significant increase in Caterpillar's earnings-per-share allowed the payout ratio to decline substantially. Since the payout ratio rose above 100% during the Great Recession, we view the dividend as somewhat risky, even though Caterpillar did not cut its dividend during this time.

Qualitatively, Caterpillar is one of the largest players in the markets it addresses, with a brand that is well-known and recognized around the globe. The fact that Caterpillar has a global presence and is selling its products to several industries (construction, mining, etc.) makes it less dependent on any single market. That being said, during global economic downturns, Caterpillar's business can be hit hard. This was illustrated during the Great Recession when EPS declined by -75% between 2008 and 2009. Results in 2020, down over -40%, demonstrate this as well.

Final Thoughts & Recommendation

Caterpillar has posted very strong results in recent years, though its growth is likely to slow down after sustaining robust momentum for some time. Also, with the stock having experienced a prolonged rally, we see a total return potential of just 8.7% per annum moving forward. This stems from the 16% growth in EPS, the 1.0% starting dividend yield, and the possibility of some headwinds from a valuation adjustment. Thus, we maintain CAT to a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	47011	38537	45462	54722	53800	41750	50970	59430	67060	64810
Gross Profit	12878	9897	13556	17003	16416	12080	15000	17510	23260	23320
Gross Margin	27.4%	25.7%	29.8%	31.1%	30.5%	28.9%	29.4%	29.5%	34.7%	36.0%
SG&A Exp.	4951	4383	4999	5478	5162	4624	5365	5651	6371	6667
D&A Exp.	3046	3034	2877	2766	2577	2432	2352	2219	2144	2153
Operating Profit	3785	1757	4460	8293	8290	4553	6878	8829	12970	13070
Op. Margin	8.1%	4.6%	9.8%	15.2%	15.4%	10.9%	13.5%	14.9%	19.3%	20.2%
Net Profit	2512	-67	754	6147	6093	2998	6489	6705	10340	10790
Net Margin	5.3%	-0.2%	1.7%	11.2%	11.3%	7.2%	12.7%	11.3%	15.4%	16.6%
Free Cash Flow	3438	2711	3370	3642	4243	4212	4726	5167	9793	8820
Income Tax	916	192	3339	1698	1746	1006	1742	2067	2781	2629

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	78342	74704	76962	78509	78453	78320	82790	81940	87480	87760
Acc. Receivable	15686	14503	16193	17452	17904	16780	17380	17870	18820	18850
Inventories	9700	8614	10018	11529	11266	11400	14040	16270	16560	16830
Goodwill & Int.	9436	8369	8311	8114	7761	7702	7366	7602	5872	5640
Total Liabilities	63457	61491	63196	64429	63824	62950	66280	66050	67970	68270
Accounts Payable	5023	4614	6487	7051	5957	6128	8154	8689	7906	7675
Long-Term Debt	37936	36715	34441	36097	37657	37060	37710	36880	37940	38510
Total Equity	14809	13137	13697	14039	14588	15330	16480	15870	19490	19490
LTD/E Ratio	2.56	2.79	2.51	2.57	1.96	2.42	2.23	2.32	1.95	1.98

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.1%	-0.1%	1.0%	7.9%	7.8%	3.8%	8.1%	8.1%	12.2%	12.3%
Return on Equity	15.9%	-0.5%	5.6%	44.3%	42.6%	20.0%	40.8%	41.5%	58.4%	55.4%
ROIC	4.6%	-0.1%	1.5%	12.5%	11.9%	5.7%	12.2%	12.5%	18.7%	18.7%
Shares Out.	582	586	598	597	568	549	549	530	514	489
Revenue/Share	78.18	65.95	75.86	91.29	94.80	76.10	92.93	112.04	130.57	132.43
FCF/Share	5.72	4.64	5.62	6.08	7.48	7.68	8.62	9.74	19.07	18.02

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.