



Caterpillar Inc. (CAT)

Updated January 31st, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	\$657	5 Year Annual Expected Total Return:	13.3%	Market Cap:	\$307.6 B
Fair Value Price:	\$566	5 Year Growth Estimate:	16.0%	Ex-Dividend Date:	01/20/26
% Fair Value:	116%	5 Year Valuation Multiple Estimate:	-2.9%	Dividend Payment Date:	02/19/26
Dividend Yield:	0.9%	5 Year Price Target	\$1,189	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 \$307.6 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 January 29th, 2026, Caterpillar announced its Q4 and full-year results for the period ending December 31st, 2025. Revenues reached a single-quarter record of \$19.1 billion, an 18% increase compared to last year.

The Construction Industries segment posted a 15% year-over-year sales increase to \$6.92 billion, driven by higher equipment volumes and dealer inventory changes. However, segment profit declined 12% to \$1.03 billion, reflecting higher manufacturing costs and unfavorable price realization.

The Resource Industries segment saw sales rise 13% to \$3.35 billion, primarily due to higher sales volume. Segment profit decreased 24% to \$360 million, as margins were pressured by rising tariff-related manufacturing costs and production expenses. The Energy & Transportation division led growth with sales rising 23% to \$9.4 billion, fueled by record demand in power generation for AI data centers. Profit in this segment increased 25% to \$1.84 billion, benefiting from strong volume and favorable pricing.

Caterpillar's adjusted operating profit margin was 15.6%, down from 18.3% last year. Despite margin compression and significant tariff headwinds, adjusted earnings-per-share rose to \$5.16, compared to \$5.14 last year. For the year, adjusted EPS was \$19.06. For FY2026, we now expect adjusted EPS of \$22.65.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$3.44	\$6.88	\$11.20	\$11.06	\$6.56	\$10.81	\$13.84	\$21.21	\$21.90	\$19.06	\$22.65	\$47.57
DPS	\$3.08	\$3.11	\$3.36	\$3.78	\$4.12	\$4.36	\$4.71	\$5.10	\$5.53	\$5.94	\$6.04	\$8.87
Shares¹	584.0	599.0	599.0	568.0	549.0	549.0	530.0	513.6	489.4	472.3	472.3	420.0

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 well. While results may continue to be volatile, it seems the company is back on track. The \$1.2 trillion infrastructure bill as well as elevated commodity prices should to sustain strong demand for Caterpillar's machinery. We expect adjusted

¹ In millions.

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EPS growth of 16% in the medium-term. This reflects coming off suppressed EPS in recent years due 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	22.8	16.4	12.9	12.0	22.8	19.7	15.9	10.9	14.8	21.8	29.0	25.0
Avg. Yld.	3.9%	2.8%	2.3%	3.0%	3.0%	2.0%	2.1%	1.5%	1.7%	1.4%	0.9%	0.7%

Since 2016, 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 25 times earnings as a “fair” P/E. Still, that implies a valuation headwind even if earnings growth in the next few years justifies a premium today.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	90%	45%	30%	34%	63%	40%	34%	24%	25%	31%	27%	19%

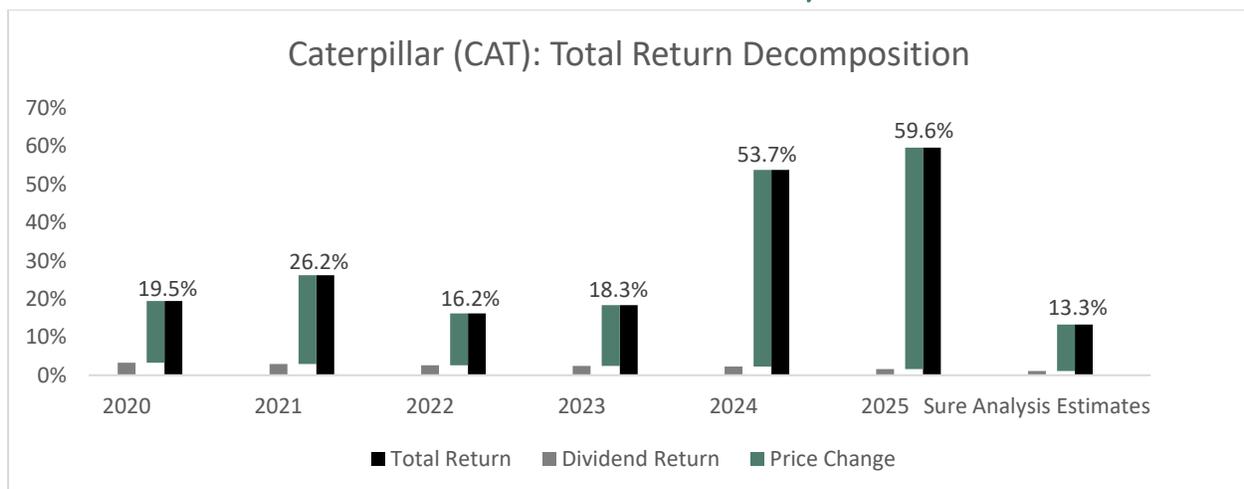
Caterpillar’s dividend payout ratio has improved materially in recent years, driven by strong earnings growth following the COVID-19 pandemic. Even during periods of significant stress, most notably the Great Financial Crisis, when the payout ratio briefly exceeded 100% as EPS fell roughly 75% between 2008 and 2009, the company continued to raise its dividend. While results in 2020 (EPS down over 40%) reaffirm Caterpillar’s cyclical exposure, today we view the dividend as relatively secure.

Qualitatively, Caterpillar is one of the dominant global players in its end markets, powered by a highly recognized brand, extensive dealer network, and broad exposure across construction, mining, and energy. Importantly, today’s elevated commodity prices point to a more secular investment cycle, compared to its more cyclical nature historically, driven by infrastructure spending, energy transition, and supply-constrained resource markets, which should support sustained equipment demand over the coming years.

Final Thoughts & Recommendation

Caterpillar has posted very strong results in recent years, and yet its growth is likely to remain robust in the near future. Despite the stock having experienced a prolonged rally, we see a total return potential of 13.3% per annum over the next five years. This stems from the 16% growth in EPS, the 0.9% starting dividend yield, and the possibility of some headwinds from a valuation adjustment. We maintain CAT at 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.

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