WORLD TRADE SECURITIES

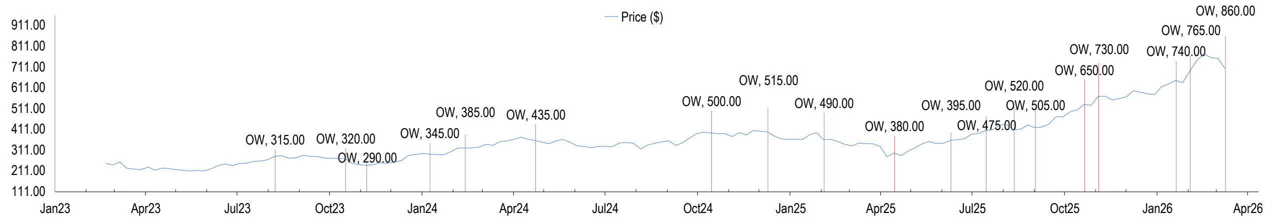
Caterpillar Inc.

13 March 2026

Equity Research

Recommendation	Price Target	PT End Date	Price	Upside/Downside to PT
Overweight	$860.00	31-Dec-26	$693.99	23.92%

Caterpillar Inc. designs, manufactures, and markets construction, mining, and forestry machinery. The Company also manufactures engines and other related parts for its equipment, and offers financing and insurance. Caterpillar distributes its products through a worldwide organization of dealers.



Note: All analysts forecasts are as of last note published on 04-Mar-2026

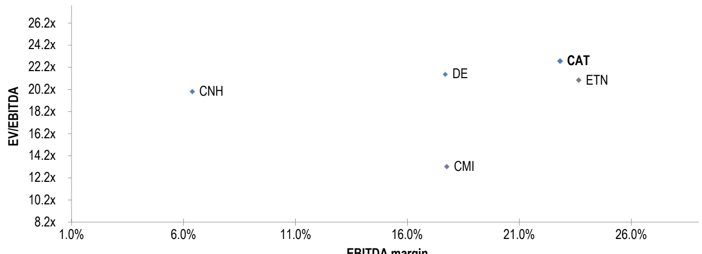
The Upside/Downside to PT is calculated based on the previous day's closing price which is quoted above.

Source: Bloomberg Finance L.P., World Trade estimates.

Key Financials ($mn, year end Dec)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	64,809	67,589	74,211	80,044	n/a
EBITDA	15,584	13,857	16,932	19,450	n/a
EBIT	13,431	11,595	13,641	16,159	n/a
Pretax Income	13,373	11,541	13,343	15,847	n/a
Net Profit	10,716	9,004	10,532	12,473	n/a
Total Assets	52,642	60,061	63,778	67,636	n/a
Shareholder Equity	16,221	17,440	19,713	22,109	n/a
Adjusted Net Debt/(Cash)	2,612	1,657	249	(1,769)	n/a
Capex	(1,952)	(2,758)	(3,500)	(3,000)	n/a
Free Cash Flow to firm	9,901	9,912	9,819	11,603	n/a
EPS ($)	21.92	19.07	22.97	28.28	n/a
DPS ($)	5.53	5.94	6.38	6.86	n/a
Key Ratios	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
EBITDA Margin	24.0%	20.5%	22.8%	24.3%	n/a
EBIT Margin	20.7%	17.2%	18.4%	20.2%	n/a
Net Margin	16.5%	13.3%	14.2%	15.6%	n/a
Payout Ratio	25.1%	31.6%	28.4%	24.8%	n/a
Net Debt/Equity (excl MI)	16.1%	9.5%	1.3%	NM	n/a
FCF Yield	2.9%	3.0%	3.1%	3.8%	n/a
P/E	31.7x	36.4x	30.2x	24.5x	n/a
EV/EBITDA	24.9x	27.9x	22.8x	19.7x	n/a
ROE	66.4%	53.5%	56.7%	59.6%	n/a

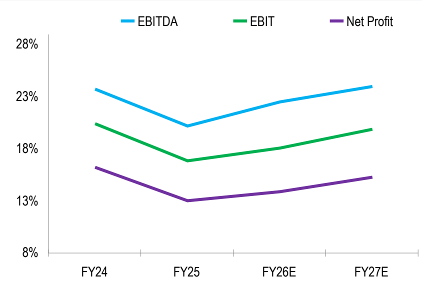
Source: Company data, Bloomberg Finance L.P., World Trade estimates.

Peer Valuation Chart FY26



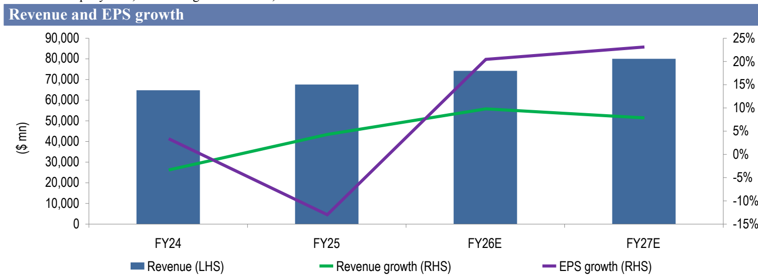
Source: Company data, Bloomberg Finance L.P., World Trade estimates.

Margin Analysis (CAT)



Source: Company data, World Trade estimates.

Revenue and EPS growth



Source: Company data, World Trade estimates.

Company Data

Market Cap (USDmn)	351,853
Shares O/S (mn)	507
Float	99.8%
Dividend Yield	0.9%
EPS ($)	22.97
3M - Avg daily volume (mn)	2.89
52 wk High/Low ($)	789.81-267.30

WTS EPS Estimate		BBG EPS Estimate	
FY26E	FY27E	FY26E	FY27E
22.97	28.28	22.79	27.60

Source: Company data, Bloomberg Finance L.P., World Trade estimates.

Peer Valuation Analysis	Ticker	Fiscal Year End	Last Note Published	Rating	Price Target	Mkt Cap ($mn)	EV/EBITDA		P/BV		P/E		ROE	
Local peers							**FY26E**	**FY27E**	**FY26E**	**FY27E**	**FY26E**	**FY27E**	**FY26E**	**FY27E**
Eaton	ETN	2025/12	04-Feb-26	OW	$406.00	141,769	21.0x	18.4x	6.2x	5.3x	26.5x	23.1x	24.9%	24.8%
CNH Industrial	CNH	2025/12	04-Mar-26	UW	$9.50	13,419	20.0x	16.4x	2.6x	2.6x	26.8x	19.0x	9.9%	13.8%
Cummins Inc	CMI	2025/12	04-Mar-26	N	$600.00	74,196	13.2x	11.7x	5.2x	4.4x	21.0x	18.2x	26.6%	26.1%
Deere & Co.	DE	2025/10	04-Mar-26	N	$525.00	159,203	21.6x	19.0x	7.2x	6.4x	29.2x	24.6x	26.2%	27.3%
Global peers														
Caterpillar Inc.	**CAT**	**2025/12**	**04-Mar-26**	**OW**	**$860.00**	**351,853**	**22.8x**	**19.7x**	**16.1x**	**13.8x**	**30.2x**	**24.5x**	**56.7%**	**59.6%**
Median							21.0x	18.4x	6.2x	5.3x	26.8x	23.1x	26.2%	26.1%
Mean							19.7x	17.0x	7.4x	6.5x	26.8x	21.9x	28.9%	30.3%
High							22.8x	19.7x	16.1x	13.8x	30.2x	24.6x	56.7%	59.6%
Low							13.2x	11.7x	2.6x	2.6x	21.0x	18.2x	9.9%	13.8%

Source: Company data, World Trade estimates.

Investment Thesis

We believe CAT's earnings power and FCF conversion continue to merit our Overweight rating and that standing estimates do not fully appreciate management's ability to drive margin improvement cycle on cycle. The company has been able to cut fixed costs by restructuring its Resource business, which should provide earnings upside as volumes push higher. CAT can be regarded as a net beneficiary of recent bouts of material cost inflation to the extent that its customers in mining and oil/gas are better off and looking to spend more on equipment. Additionally, we view CAT as the biggest winner of an extended US construction cycle.

Valuation

Our Dec 2026 price target is $860 based on ~30x FY1 P/E, supported by an SOTP analysis. The multiple is also a ~15-20% premium over the broader market, which we believe to be reasonable given CAT's pivot to a multi-industry growth profile over the medium term.

CAT Valuation Matrix	2024	2025	2026E	2027E
Consolidated EPS	$21.92	$19.07	$22.97	$28.28
PE	35.1x	40.3x	33.5x	27.2x
Equipment EBITDA ($MM)	14,466	12,381	15,086	17,486
EV/EBITDA	25.1x	29.3x	24.1x	20.8x
Price Target			$860	
PE	39.2x	45.1x	37.4x	30.4x
PEG	11.6x	-3.5x	1.8x	1.3x
EV/EBITDA	26.9x	31.5x	25.8x	22.3x
Upside/(Downside) to Target Price			**12%**	
	2024	**2025**	**2026E**	**2027E**
Equipment OCF ($MM)	11,437	12,278	12,918	14,204
Equipment Capex ($MM)	(1,952)	(2,758)	(3,500)	(3,000)
Equipment Free Cash Flow ($MM)	9,485	9,520	9,418	11,204
Share count (MM)	488.9	472.1	458.4	441.0
Free Cash Flow / Share	$19.40	$20.17	$20.55	$25.41
Current Free Cash Flow Yield	2.5%	2.6%	2.7%	3.3%
Discount / Premium to Avg SPX FCF Yield (since 2008)	-2.5%	-2.4%	-2.3%	-1.7%
FY1 FCF Yield at Target Price			**3.0%**	

Company reports, Bloomberg Finance L.P., World Trade estimates

Risks to Rating and Price Target

Downside risks. Slower-than-expected global GDP growth could result in lower demand for CAT's products, especially in mining. Capital discipline from oil/gas customers may weigh on demand for drilling, well completion, and infrastructure equipment despite supportive commodity prices. Lower revenues this cycle could result in disappointing operating margins relative to management's target for 300-700bps margin expansion cycle on cycle. Residential construction indicators are weak, which could shorten the duration of non-residential construction spending acceleration. Any abrupt slowdown in data center growth could render our estimates too high as well.