

The background features a collage of financial data. On the left, there's a table of stock prices with columns for 'Highest Gainers' and 'Change on day'. In the center, a line chart for 'IngnTech Share Price' shows an upward trend from August to September 2013, with a callout box indicating a 'Change on day 32.30'. On the right, another line chart shows a fluctuating price trend from August to September 2013. The overall theme is financial analysis and market performance.

Fundamental Analysis – Caterpillar Inc

Macro Mercenaries

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11/11/2024

Company Overview

| | |
|------------------------------------|---|
| Company Name | Caterpillar Inc. |
| Ticker | CAT: <i>Caterpillar Inc. Manufactures and sells construction and mining equipment, off-highway diesel and natural gas engines, industrial gas turbines, and diesel-electric locomotives</i> |
| Business Summary | |
| Current Price | \$393.37 |
| Current Date | 11/8/2024 |
| Target Price | \$355.44 (-9.64%) |
| Target Date | Buy date Q1 2025 – 12/31/2027 |
| Industry | Construction Machinery and Heavy Transportation Equipment |
| Sector | Industrials |
| Change in Shares Outstanding (TTM) | (24,000,000) -5%, (Q3 FY23 – Q3 FY24) 482.8MM Current Shares Outstanding, (11/08/2024) |
| Market Cap | \$189.9 Billion |
| Monthly Trading Volume | 43.54 Million |
| Beta | 1.10 |
| Sharpe Ratio | 1.89 |
| EPS | 21.55 |
| PE Ratio | 18.25 |
| 52-week Low/High | 234.62/418.59 |

Investment Thesis

BUY \$5,000 of CAT funded by cash in School Fund in Q1 if –10% price decrease

PROS

Undisputed Industry Leader

Outperformed SPY 5 Yr Return (79.46%), DIA (111.29%) 5YTD

Beneficiary of 'Red Wave'

CONS

Currently Overvalued

Insider selling in past year



Business Model

Investment Thesis

Business Model

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Conclusion

Caterpillar Inc. - Manufactures and sells construction and mining equipment, off-highway diesel and natural gas engines, industrial gas turbines, and diesel-electric locomotives in worldwide.

Business Segments & Revenue Streams Q3:

- *Construction Industry* - 36.62%
- *Resource* - 17.74%
- *Energy & Transportation* - 39.92%
- *Financial Products* - 5.7%

Customer Incentives:

- Expanded product offerings across various sectors
- Cat Financial, wholesale financing
- Network of dealers, across 180 countries
- Reputable brand name, reliable, trustworthy

Marketing Strategy/Business & Operating Model:

- Sales channels: dealer network, direct sales, e-Commerce
- Marketing: caters towards different geographical needs

SALES BY REGION

(in billions)



| | |
|-----------------|---------------|
| ● North America | \$34.6 |
| ● EAME | \$13.7 |
| ● Asia/Pacific | \$12.1 |
| ● Latin America | \$6.7 |



~2M

active construction
machines globally



1.5M+

connected assets



7.5B+

metric tonnes moved
autonomously with zero
lost-time injuries



~30M

engines built



Historical Analysis

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Important Events

Founded - 1925

2000s – Caterpillar invests in significant R&D also aggressive entry into railroad industry.

2010s – Notable acquisitions, Electro-Motive Diesel (locomotive) and Bucyrus International (mining equipment).

2017 – Appointed new CEO, Jim Umpleby.

2023 – Strong rebounding financial performance after COVID-19, record breaking performance with global group.

2024 – \$20B share buyback, PBOC stimulus helping Asia market growth. Decrease in Q3 performance.

SMA (As of 11/10/2024)

+0.95% - 20-day SMA

+4.4% - 50-day SMA

+12.59% - 200-day SMA

Historical Pricing

52 Week Range High/Low

(\$418.5 - \$234.62)

11/8 close is 67.7% above 52-week low

11/8 close is 6% below 52-week high



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Financial Statement Analysis

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Financial Statement Overview

All numbers in millions

TTM Basis

| | |
|------------------------|---|
| Revenue | \$66,356 |
| Net Income | 10,005 |
| Operating Margin | 18.36% |
| Operating Cash Flow | 12,645 |
| CAPEX | (1,821) |
| Free Cash Flow | 10,824 |
| Total Assets | 85,273 |
| Total Liabilities | 66,870 |
| Dividends | \$1.41 (2.1% Average Over Past 5 Years) |
| ROA | 11.48% |
| ROE | 51.36% |
| ROI | 29.36% |
| Goodwill / Intangibles | 5,979 |
| Debt to Equity | 1.95 |

MD&A/Footnotes

- Sales across all 3 segments decreased in Q3 due to lower sales volume.
- Enterprise operating cash flow was \$3.6 billion in the third quarter of 2024.
- Deployed \$1.5 billion of cash for share repurchases and dividends in the third quarter.
- Increased sales/market share in Latin America. Caterpillar benefiting from diversity of end markets.



Industry Trends – Present and Historically

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Past Heavy Machinery Trends

- **1950s-1970s:** Creation of suburban communities and westward expansion lead to many diverse machine developments.
- **1980s:** Total demand lowered, companies merged or went out of business. Caterpillar becomes America's biggest heavy equipment company.
- **1990s:** Demand for more compact machines.
- **2000s:** Demand for machine rentals, leading to new types of cash flow for businesses.
- **2010s-Present:** Demand for remote control machines, more efficient machines, and technology integration.

Future Heavy Machinery Trends

- Sustainable fuel sources and construction practices.
- Fully automated machines.
- Carbon elimination pressures.
- Performance metrics and data analytics integration.
- 3D printing.



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P

Political

Government Regulation

Tariffs on Raw Materials

Government Contracts

E

Economical

Lower Tax Rates

Lowering Interest Rates

Economic Cycles

Tariffs

S

Social

Sustainable Construction

Growing Urbanization

T

Technological

Automated Machinery

Increased R&D Requirements

Data Analysis Integration

15,931 Active Patents Globally

E

Environmental

Bloomberg > 5 Leading

MSCI A Rating

Renewable Energies

Emissions Laws

L

Legal

Product Lawsuits

International Regulations



Competitive Landscape

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Caterpillar's Competitive Advantage

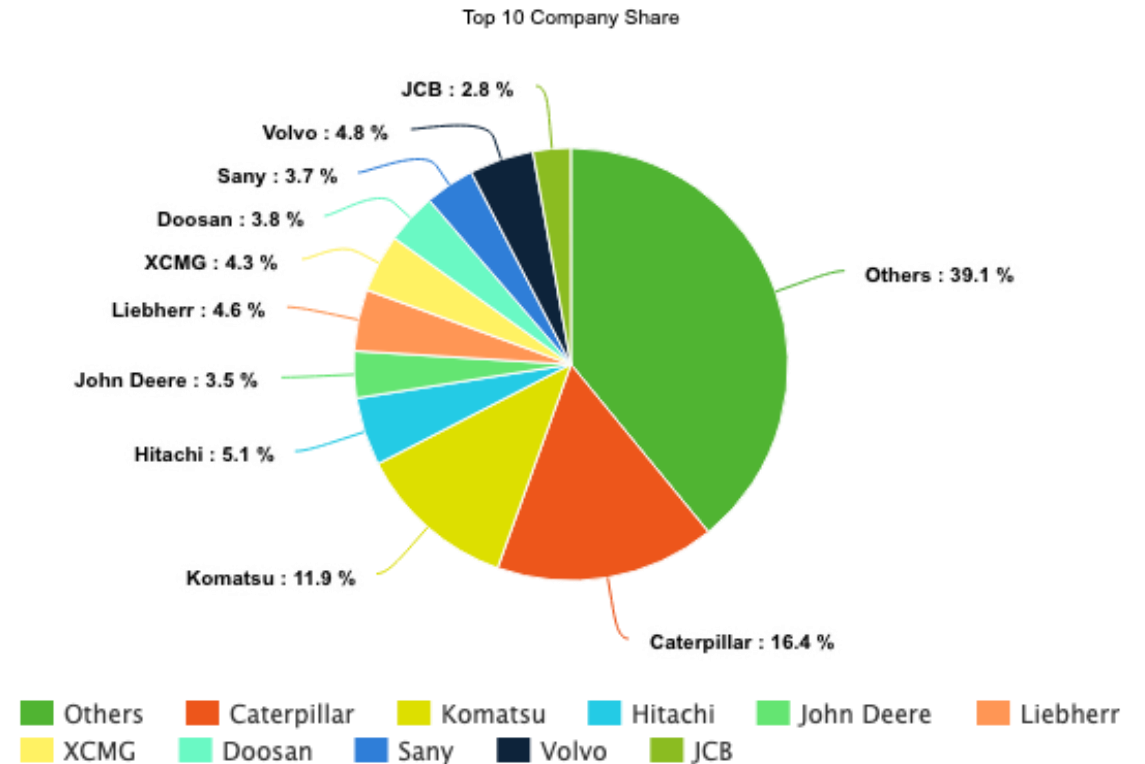
- World leader in market share
- Innovation and product quality
- Diversified product sectors

Heavy Equipment CAGR of 6.5%

- Projected to grow to \$289.3 Billion in 2030 globally
- Worth \$204.41 Billion in 2023 globally

P/E ratio relative to industry average

- 15.3x industry average
- Analysts put CAT at 18.25x, 2.92 above industry average



Competitive Landscape

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Threat of New Entrants

(Low)

- **High Barriers to Entry:** Significant start-up capital requirement, regulatory requirements.
- **Brand Recognition:** Top companies are already trusted and hold significant market share.

Threat of Substitutes

(Low)

- **Specialized Equipment:** Caterpillar already provides a diverse portfolio of products for any job.
- **Limited Alternatives:** Manual labor is usually not feasible, limited options otherwise.

Industry Rivalry

(High)

- **High Competition:** Many players, like Volvo, Hitachi, John Deere, etc. compete for global market share and price advantages.
- **Product Differentiation:** Other players specialize in one type of equipment.
- **Technology Advancements:** Each player wants to capitalize on new market for automated machines.

Bargaining Power of

Buyers

(Moderate)

- **Order Negotiations:** Due to high volume purchases, buyers may demand discounts.
- **High Switching Costs:** Limits customer loss, can restrict growth.

Bargaining Power of

Suppliers

(Low)

- **Negotiations:** Caterpillar's size allows it to negotiate favorable pricing or switch providers easily.
- **Standardization:** Due to government regulations, many parts must fit specific requirements.



Management and Employees

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- Management:
 - C suite have all been with Caterpillar Inc. for significant time and have held positions as VPs of different divisions.
 - Chairman and CEO – Jim Umpleby, joined Caterpillar Inc in 1980, became CEO in 2017.
 - CFO – Andrew Bonfield, appointed in 2018, held roles at similarly technical companies.
 - COO – Joseph Creed, joined the company in 1997, appointed COO in 2021.
- Board of directors consists of 9 members, 8 of whom are independent.
- Stock based compensation awarded to executives for positive performance.
- Faced several legal and regulatory challenges including tax disputes and environmental compliance issues, addressed through internal investigation, cooperation, and corrective measures.
- Industry is heavily unionized; Caterpillar Inc. has a history of negotiating in a positive way with employees.
- Company culture emphasizes innovation, operational excellence, and commitment to sustainability.



SWOT Analysis

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Strengths

Large Range of Products
Global Brand Recognition
Loyal Customer Base
Innovative Product Design

Weaknesses

High Capital-Expenditure Industry
Reliance on External Suppliers
Influenced by Cyclical Mining Market
Subject to Regulations From Foreign Governments

Opportunities

Expansion Into Developing Countries
Continuous Diversification of Product Offerings
Leveraging Technology and Innovation
Future Acquisitions and Partnerships

Threats

Intense International Competition
Economic Downturns and Policy Changes
Technological Advancement Making Certain Mining Techniques Obsolete
Geopolitical Forces



DCF - WACC

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WACC Calculations

Capital Structure

| | |
|--------------------------------|--------------|
| Total Debt | \$67,973.00 |
| Total Equity | \$192,357.93 |
| Debt-to-Total Capitalization | 26.1% |
| Equity-to-Total Capitalization | 73.9% |

Cost of Debt

| | |
|------------------------|-------|
| Cost of Debt | 4.2% |
| Tax Rate | 21.4% |
| After-Tax Cost of Debt | 3.3% |

Cost of Equity

| | |
|---------------------|-------|
| Risk-free Rate | 4.5% |
| Market Risk Premium | 5.7% |
| Levered Beta | 1.10 |
| Cost of Equity | 10.8% |

| | |
|-------------|-------------|
| WACC | 8.8% |
|-------------|-------------|



DCF – Assumptions Base

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Select Operating Data

| Period | | | | Projected Annual Forecast | | | | |
|---------------------------------|------------|------------|------------|---------------------------|------------|------------|-------------|-------------|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| | | | | 1 | 2 | 3 | 4 | 5 |
| Revenue | \$50,971.0 | \$59,427.0 | \$67,060.0 | \$74,436.6 | \$83,369.0 | \$95,040.7 | \$107,395.9 | \$121,357.4 |
| Growth Rate (%) | | 16.6% | 12.8% | 11.0% | 12.0% | 14.0% | 13.0% | 13.0% |
| EBITDA | \$9,685.0 | \$11,613.0 | \$16,140.0 | \$15,631.7 | \$19,841.8 | \$21,859.3 | \$24,701.1 | \$27,912.2 |
| EBITDA Margin (%) | 19.0% | 19.5% | 24.1% | 21.0% | 23.8% | 23.0% | 23.0% | 23.0% |
| EBIT | 6,968.0 | 9,128.0 | 13,764.0 | \$13,398.6 | \$13,339.0 | \$15,206.5 | \$17,183.3 | \$19,417.2 |
| EBIT Margin (%) | 13.7% | 15.4% | 20.5% | 18.0% | 16.0% | 16.0% | 16.0% | 16.0% |
| Depreciation & Amortization | \$2,352.0 | \$2,219.0 | \$2,144.0 | \$2,233.1 | \$2,501.1 | \$2,851.2 | \$3,221.9 | \$3,640.7 |
| D&A as a % of revenue | 4.6% | 3.7% | 3.2% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Cash Growth (%) | | | | 2.4% | 2.0% | 5.3% | 5.0% | 5.0% |
| Accounts Receivable Growth (%) | | | | 2.4% | 2.0% | 5.3% | 5.0% | 5.0% |
| Inventories Growth (%) | | | | 2.0% | 2.0% | 5.3% | 5.0% | 5.0% |
| Prepaid Expenses Growth (%) | | | | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Accounts Payable Growth (%) | | | | 2.0% | 2.0% | 5.3% | 5.0% | 5.0% |
| Accrued Expenses Growth (%) | | | | 2.0% | 2.0% | 5.3% | 5.0% | 5.0% |
| Capital Expenditures Growth (%) | | | | 5.0% | 5.0% | 5.5% | 5.5% | 5.5% |



DCF - Calculations

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Sum of present values of FCFs **\$53,296.5**

Terminal Value

Growth in perpetuity method:

Long term growth rate **3.0%**

WACC **8.8%**

Free cash flow (t+1) **17,647.1**

Terminal Value **303,221.8**

Present Value of Terminal Value \$198,709.8

DCF

Implied Share Price

| Approach | Base | Downside | Upside |
|------------|----------|----------|----------|
| Perpetuity | \$390.62 | \$224.79 | \$532.53 |

Enterprise Value to Equity Value

Enterprise Value **\$252,006.2**

Less: Net debt **60,995.0**

Equity Value \$191,011.2

Diluted Shares Outstanding **489.0**

Equity Value Per Share \$390.62



Multiples

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| | | Peer Group Relevance | | |
|---|-------------|-------------------------------------|------------------------------|-------------------------|
| Company Name | Industry | Sector | Largest Geographical Segment | Largest Revenue Segment |
| Target | | | | |
| Caterpillar Inc. (CAT) | Industrials | Farm & Heavy Construction Machinery | North America | Construction Machinery |
| Market Leaders Comparables | | | | |
| Hitachi (TKS: 6501) | Industrials | Conglomerates | Asia | Construction Machinery |
| Deere & Company (DE) | Industrials | Farm & Heavy Construction Machinery | North America | Agriculture Machinery |
| Market Supporters Comparables | | | | |
| AB Volvo (VOLV-B.ST) | Industrials | Farm & Heavy Construction Machinery | Europe | Commercial Vehicles |
| Mitsubishi Heavy Industries (7011.T) | Industrials | Specialty Industrial Machinery | North America | Energy Systems |
| Cummins, Inc. (CMI) | Industrials | Specialty Industrial Machinery | North America | Engines |
| CNH Industrial N.V. (CNH) | Industrials | Farm & Heavy Construction Machinery | North America | Agriculture Machinery |
| Komatsu Ltd (6301.T) | Industrials | Farm & Heavy Construction Machinery | North America | Construction Machinery |
| Sany Heavy Industry Company (SHA: 600031) | Industrials | Farm & Heavy Construction Machinery | Asia | Heavy Machinery |



Multiples

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| | Market and Financial Data | | | | | | Valuation | | |
|---|---------------------------|----------------|----------------------|---------------|----------------|--------------|------------|-------------|-------|
| Company Name | Price | Market Cap (B) | Enterprise Value (B) | LTM Sales (B) | LTM EBITDA (B) | Earnings (B) | EV / Sales | EV / EBITDA | P/E |
| Target | | | | | | | | | |
| Caterpillar Inc. (CAT) | \$393.37 | \$192.36 | \$253.35 | \$63.87 | \$16.14 | \$10.97 | 4.0x | 15.7x | 18.25 |
| Market Leaders Comparables | | | | | | | | | |
| Hitachi (TKS: 6501) | 26.45 | 121.89 | 122.55 | 63.49 | 8.80 | 3.85 | 1.9x | 13.9x | 27.94 |
| Deere & Company (DE) | 394.49 | 107.82 | 165.78 | 55.57 | 15.02 | 10.17 | 3.0x | 11.0x | 13.44 |
| Market Supporters Comparables | | | | | | | | | |
| AB Volvo (VOLV-B.ST) | 26.21 | 53.41 | 70.18 | 50.90 | 8.13 | 4.90 | 1.4x | 8.6x | 11.16 |
| Mitsubishi Heavy Industries (7011.T) | 15.26 | 51.00 | 40.00 | 31.71 | 2.46 | 0.98 | 1.3x | 16.3x | 32.70 |
| Cummins, Inc. (CMI) | 356.46 | 48.90 | 50.19 | 34.07 | 2.79 | 0.74 | 1.5x | 18.0x | 23.36 |
| CNH Industrial N.V. (CNH) | 10.66 | 13.37 | 37.60 | 24.69 | 3.08 | 2.37 | 1.5x | 12.2x | 23.36 |
| Komatsu Ltd (6301.T) | 27.74 | 25.64 | 33.62 | 25.32 | 4.80 | 2.58 | 1.3x | 7.0x | 10.3 |
| Sany Heavy Industry Company (SHA: 600031) | 2.54 | 21.95 | 22.13 | 10.62 | 0.83 | 0.64 | 2.1x | 26.7x | 29.37 |



Multiples

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| | | | EV / Sales | EV / EBITDA | P/E |
|--------------------------------------|--------|-----|------------|-------------|--------|
| Market Leaders Comparables | Weight | 70% | | | |
| Mean | | | 2.5x | 12.5x | 20.7x |
| Median | | | 2.5x | 12.5x | 20.7x |
| 25 Percentile | | | 2.2x | 11.8x | 17.1x |
| 75 Percentile | | | 2.7x | 13.2x | 24.3x |
| Standard deviation | | | 0.745 | 2.043 | 10.253 |
| Market Supporters Comparables | Weight | 30% | | | |
| Mean | | | 1.5x | 14.8x | 21.7x |
| Median | | | 1.4x | 14.2x | 23.4x |
| 25 Percentile | | | 1.3x | 9.5x | 14.2x |
| 75 Percentile | | | 1.5x | 17.6x | 27.9x |
| Standard deviation | | | 0.298 | 7.191 | 9.235 |
| Weighted Average | | | | | |
| Mean | | | 2.2x | 13.2x | 21.0x |
| Median | | | 2.1x | 13.0x | 21.5x |
| 25 Percentile | | | 1.9x | 11.1x | 16.2x |
| 75 Percentile | | | 2.4x | 14.5x | 25.4x |
| Standard deviation | | | 0.611 | 3.587 | 9.948 |



Precedent Transactions

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| Date | Target | Buyer | Target Business Description | Transaction Value (B) | Revenue (B) | EBITDA (B) | EV / Revenue | EV / EBITDA | |
|------------|-------------------------------|--------------------------|---|-----------------------|-------------|------------|--------------------|-------------|--------|
| 10/8/2024 | Environmental Solutions Group | Terex | Waste compaction machines and collection vehicles | \$2.00 | \$0.75 | - | 2.67x | - | |
| 10/7/2024 | Barnes Group | Apollo Global Management | Manufactures industrial and aerospace parts | \$3.60 | 1.62 | 0.23 | 2.22x | 15.65x | |
| 3/31/2024 | Destaco Manufacturing | Stabilius | Reed valves and material handling tools | \$0.68 | 0.21 | - | 3.30x | - | |
| 10/10/2023 | CIRCOR International | Kohlberg Kravis Roberts | Delivers flow control products to OEMs and construction | \$1.70 | 0.82 | 0.15 | 2.07x | 11.33x | |
| 3/27/2023 | Altra Industrial Motion | Regal Rexnord | Construction crane manufacturing | \$5.13 | 1.95 | 0.34 | 2.64x | 15.31x | |
| | | | | | | | Mean | 2.58x | 14.10x |
| | | | | | | | Median | 2.64x | 15.31x |
| | | | | | | | 25 Percentile | 2.22x | 13.32x |
| | | | | | | | 75 Percentile | 2.67x | 15.48x |
| | | | | | | | Standard deviation | 0.478 | 2.402 |



Weighted Valuation

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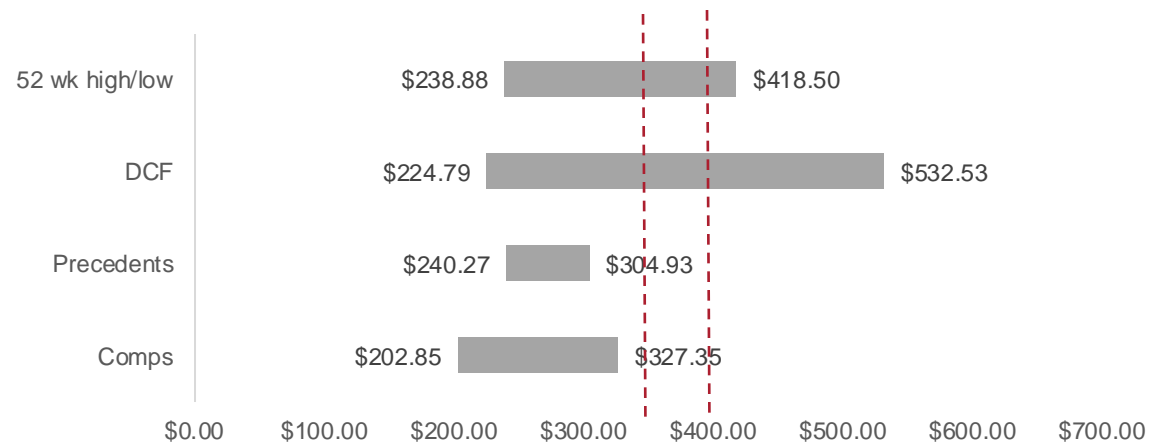
Valuation

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Football Field Data

| | Low bar | Difference | High Bar |
|----------------|----------|------------|----------|
| Comps | \$202.85 | \$124.50 | \$327.35 |
| Precedents | \$240.27 | \$64.66 | \$304.93 |
| DCF | \$224.79 | \$307.74 | \$532.53 |
| 52 wk high/low | \$238.88 | \$179.62 | \$418.50 |

Valuation Summary - Equity Value per Share



Implied Stock Price

| | |
|------------------------|----------|
| Total DCF | \$390.62 |
| Comparables | \$271.81 |
| Precedent Transactions | \$276.44 |

Weights

| | |
|------------------------|-----|
| DCF | 70% |
| Comparables | 20% |
| Precedent Transactions | 10% |

Target Price

355.44

Current price

393.37



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Investment Thesis/Company Overview – *BUY \$5,000 of CAT @355.44*

Business Model – *Construction and mining equipment leader*

Industry Analysis – *High expected growth, fairly saturated industry*

Risks and Growth – *Cyclical industry, but industry leader expanding into new markets*

Governance – *Experienced and skilled management team*

Valuation – *Implied Stock Price at \$355.44, which is 9.64% lower than Friday close*

Recommendation - *BUY \$5,000 of CAT (equal to 13.13 shares), target price: \$355.44 before end of Q1 2025, target sell date: 12/31/2027 into School Fund*



The background of the image is a blurred financial market chart. It features a red semi-transparent overlay. In the center of this overlay, the word "Exhibits" is written in a white, bold, sans-serif font. The background chart includes various elements: a line graph showing price fluctuations, a table of stock prices with columns for "High", "Low", "The Pre 1000s Stock", and "Price Chg", and a list of stock names such as "ImgnTech", "K+S", "Penny", "Polymtlnt", and "AngloAmer". A callout box in the chart indicates a "Change on day 32.30".

Exhibits

DCF – Assumptions Downside

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Select Operating Data

| Period | Historical | | | Projected Annual Forecast | | | | |
|---------------------------------|------------|------------|------------|---------------------------|------------|------------|------------|------------|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| | | | | 1 | 2 | 3 | 4 | 5 |
| Revenue | \$50,971.0 | \$59,427.0 | \$67,060.0 | \$70,413.0 | \$76,750.2 | \$84,425.2 | \$92,023.5 | \$98,925.2 |
| Growth Rate (%) | | 16.6% | 12.8% | 5.0% | 9.0% | 10.0% | 9.0% | 7.5% |
| EBITDA | \$9,685.0 | \$11,613.0 | \$16,140.0 | \$15,490.9 | \$16,731.5 | \$17,729.3 | \$19,324.9 | \$20,774.3 |
| EBITDA Margin (%) | 19.0% | 19.5% | 24.1% | 22.0% | 21.8% | 21.0% | 21.0% | 21.0% |
| EBIT | 6,968.0 | 9,128.0 | 13,764.0 | \$12,674.3 | \$12,280.0 | \$13,508.0 | \$14,723.8 | \$15,828.0 |
| EBIT Margin (%) | 13.7% | 15.4% | 20.5% | 18.0% | 16.0% | 16.0% | 16.0% | 16.0% |
| Depreciation & Amortization | \$2,352.0 | \$2,219.0 | \$2,144.0 | \$2,112.4 | \$2,302.5 | \$2,532.8 | \$2,760.7 | \$2,967.8 |
| D&A as a % of revenue | 4.6% | 3.7% | 3.2% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Cash Growth (%) | | | | 3% | 3% | 6% | 6% | 6% |
| Accounts Receivable Growth (%) | | | | 3.4% | 3.0% | 6.3% | 6.0% | 6.0% |
| Inventories Growth (%) | | | | 3.0% | 3.0% | 6.3% | 6.0% | 6.0% |
| Prepaid Expenses Growth (%) | | | | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Accounts Payable Growth (%) | | | | 2.0% | 2.0% | 5.3% | 5.0% | 5.0% |
| Accrued Expenses Growth (%) | | | | 2.0% | 2.0% | 5.3% | 5.0% | 5.0% |
| Capital Expenditures Growth (%) | | | | 6.7% | 6.7% | 6.7% | 6.7% | 6.7% |



DCF – Calculations Downside

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Sum of present values of FCFs \$44,046.7

Terminal Value

Growth in perpetuity method:

| | |
|--|--------------------|
| Long term growth rate | 2.0% |
| WACC | 8.8% |
| Free cash flow (t+1) | 13,141.6 |
| Terminal Value | 192,862.9 |
| Present Value of Terminal Value | \$126,422.8 |

DCF

Implied Share Price

| Approach | Base | Downside | Upside |
|------------|----------|----------|----------|
| Perpetuity | \$390.62 | \$224.79 | \$532.53 |

Enterprise Value to Equity Value

| | |
|-------------------------------|--------------------|
| Enterprise Value | \$170,469.5 |
| Less: Net debt | 60,995.0 |
| Equity Value | \$109,474.5 |
| Diluted Shares Outstanding | 487.0 |
| Equity Value Per Share | \$224.79 |



DCF – Assumptions Upside

Investment Thesis

Business Model

Historicals

Industry Analysis

Governance

Risk and Growth

Valuation

Conclusion

Select Operating Data

| Period | | | | Projected Annual Forecast | | | | |
|---------------------------------|------------|------------|------------|---------------------------|------------|------------|-------------|-------------|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| | | | | 1 | 2 | 3 | 4 | 5 |
| Revenue | \$50,971.0 | \$59,427.0 | \$67,060.0 | \$75,107.2 | \$85,246.7 | \$98,033.7 | \$111,758.4 | \$127,404.6 |
| Growth Rate (%) | | 16.6% | 12.8% | 12.0% | 13.5% | 15.0% | 14.0% | 14.0% |
| EBITDA | \$9,685.0 | \$11,613.0 | \$16,140.0 | \$12,768.2 | \$20,459.2 | \$23,528.1 | \$26,822.0 | \$30,577.1 |
| EBITDA Margin (%) | 19.0% | 19.5% | 24.1% | 17.0% | 24.0% | 24.0% | 24.0% | 24.0% |
| EBIT | 6,968.0 | 9,128.0 | 13,764.0 | \$13,519.3 | \$13,639.5 | \$15,685.4 | \$17,881.3 | \$20,384.7 |
| EBIT Margin (%) | 13.7% | 15.4% | 20.5% | 18.0% | 16.0% | 16.0% | 16.0% | 16.0% |
| Depreciation & Amortization | \$2,352.0 | \$2,219.0 | \$2,144.0 | \$2,253.2 | \$2,557.4 | \$2,941.0 | \$3,352.8 | \$3,822.1 |
| D&A as a % of revenue | 4.6% | 3.7% | 3.2% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Cash Growth (%) | | | | 5% | 5% | 5% | 5% | 5% |
| Accounts Receivable Growth (%) | | | | 2.0% | 2.0% | 4.5% | 4.5% | 4.5% |
| Inventories Growth (%) | | | | 2.0% | 2.0% | 4.5% | 4.5% | 4.5% |
| Prepaid Expenses Growth (%) | | | | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Accounts Payable Growth (%) | | | | 2.0% | 2.0% | 5.3% | 5.0% | 5.0% |
| Accrued Expenses Growth (%) | | | | 2.0% | 2.0% | 5.3% | 5.0% | 5.0% |
| Capital Expenditures Growth (%) | | | | 4.0% | 4.0% | 4.5% | 4.5% | 4.5% |



DCF – Calculations Upside

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Sum of present values of FCFs \$56,686.2

Terminal Value

Growth in perpetuity method:

| | |
|--|--------------------|
| Long term growth rate | 4.0% |
| WACC | 8.8% |
| Free cash flow (t+1) | 19,362.3 |
| Terminal Value | 402,211.7 |
| Present Value of Terminal Value | \$263,652.3 |

DCF

Implied Share Price

| Approach | Base | Downside | Upside |
|------------|----------|----------|----------|
| Perpetuity | \$390.62 | \$224.79 | \$532.53 |

Enterprise Value to Equity Value

| | |
|-------------------------------|--------------------|
| Enterprise Value | \$320,338.4 |
| Less: Net debt | 60,995.0 |
| Equity Value | \$259,343.4 |
| Diluted Shares Outstanding | 487.0 |
| Equity Value Per Share | \$532.53 |



Multiples

Investment Thesis

Business Model

Historicals

Industry Analysis

Governance

Risk and Growth

Valuation

Conclusion

Key Assumptions - CAT

| | |
|------------------------|----------|
| Current Price | \$393.37 |
| Shares Outstanding (M) | 489 |
| Debt (M) | 67,973 |
| Cash (M) | 6,978 |
| Revenue (M) | 63,869 |
| EBITDA (M) | 16,140 |
| Earnings | 10,972 |

Implied Stock Price

| | |
|---------------|--------|
| 25 Percentile | 202.85 |
| 75 Percentile | 327.35 |
| Mean | 271.81 |

SUMMARY

| Metrics | Comps | Implied EV | Net Debt | Equity Value | Shares | Share Price |
|---------------|-------|------------|-----------|--------------|--------|-------------|
| EV/Sales | | | | | | |
| 25 Percentile | 1.9x | 123,752.83 | 60,995.00 | 62,757.83 | 489 | 128.34 |
| 75 Percentile | 2.4x | 150,548.03 | 60,995.00 | 89,553.03 | 489 | 183.14 |
| Mean | 2.2x | 138,730.74 | 60,995.00 | 77,735.74 | 489 | 158.97 |
| EV/EBITDA | | | | | | |
| 25 Percentile | 11.1x | 178,978.67 | 60,995.00 | 117,983.67 | 489 | 241.28 |
| 75 Percentile | 14.5x | 234,188.80 | 60,995.00 | 173,193.80 | 489 | 354.18 |
| Mean | 13.2x | 212,643.41 | 60,995.00 | 151,648.41 | 489 | 310.12 |
| P/E | | | | | | |
| 25 Percentile | 16.2x | 177,839.66 | 60,995.00 | 116,844.66 | 489 | 238.95 |
| 75 Percentile | 25.4x | 278,477.59 | 60,995.00 | 217,482.59 | 489 | 444.75 |
| Mean | 21.0x | 230,362.63 | 60,995.00 | 169,367.63 | 489 | 346.36 |



Precedent Transactions

Investment Thesis

Business Model

Historicals

Industry Analysis

Governance

Risk and Growth

Valuation

Conclusion

Key Assumptions - CAT

| | |
|------------------------|----------|
| Current Price | \$393.37 |
| Shares Outstanding (M) | 489 |
| Debt (M) | 67,973 |
| Cash (M) | 6,978 |
| Revenue (M) | 63,869 |
| EBITDA (M) | 16,140 |
| Earnings | 10,972 |

Implied Stock Price

| | |
|---------------|--------|
| 25 Percentile | 240.27 |
| 75 Percentile | 304.93 |
| Mean | 276.44 |

SUMMARY

| Metrics | Comps | Implied EV | Net Debt | Equity Value | Shares | Share Price |
|---------------|-------|------------|----------|--------------|---------|-------------|
| EV/Sales | | | | | | |
| 25 Percentile | | 2.2x | 141,931 | 60,995 | 80,936 | 489 165.51 |
| 75 Percentile | | 2.7x | 170,317 | 60,995 | 109,322 | 489 223.56 |
| Mean | | 2.6x | 164,781 | 60,995 | 103,786 | 489 212.24 |
| EV/EBITDA | | | | | | |
| 25 Percentile | | 13.3x | 215,039 | 60,995 | 154,044 | 489 315.02 |
| 75 Percentile | | 15.5x | 249,892 | 60,995 | 188,897 | 489 386.29 |
| Mean | | 14.1x | 227,568 | 60,995 | 166,573 | 489 340.64 |

