



Investment Thesis

Caterpillar Inc. (CAT) – Christian Rowell, Exeter Student Investment Fund



Company:

- ❑ Caterpillar Inc.
- ❑ CAT: NYSE

5 Core Reasons:

- 1) Positioned sector leadership
- 2) Automation and digitization
- 3) Biden's Infrastructure Bill (incentivized even more by recent events in Texas)
- 4) Economic recovery from COVID-19 in Q3, Q4 2021 and into 2022
- 5) Weakening dollar due to inflation





- 1) Economic recovery thanks to an effective vaccine rollout
- 2) Broad-based infrastructure package
- 3) Inflationary elements
- 4) Secular innovation

Biden will make far-reaching investments in:

- **Infrastructure:** Create millions of good, union jobs rebuilding America's crumbling infrastructure – from roads and bridges to green spaces and water systems to electricity grids and universal broadband – to lay a new foundation for sustainable growth, compete in the global economy, withstand the impacts of climate change, and improve public health, including access to clean air and clean water.

- **Buildings:** Upgrade 4 million buildings and weatherize 2 million homes over 4 years, creating at least 1 million good-paying jobs with a choice to join a union; and also spur the building retrofit and efficient-appliance manufacturing supply chain by funding direct cash rebates and low-cost financing to upgrade and electrify home appliances and install more efficient windows, which will cut residential energy bills.

Source: [joe Biden.com](https://www.joe Biden.com) (official website)

Company Overview and Competitive Advantage



Jim Umpleby – CEO of Caterpillar, has been with the company for 40 years and prior to becoming CEO, led Caterpillar's Energy & Transportation business

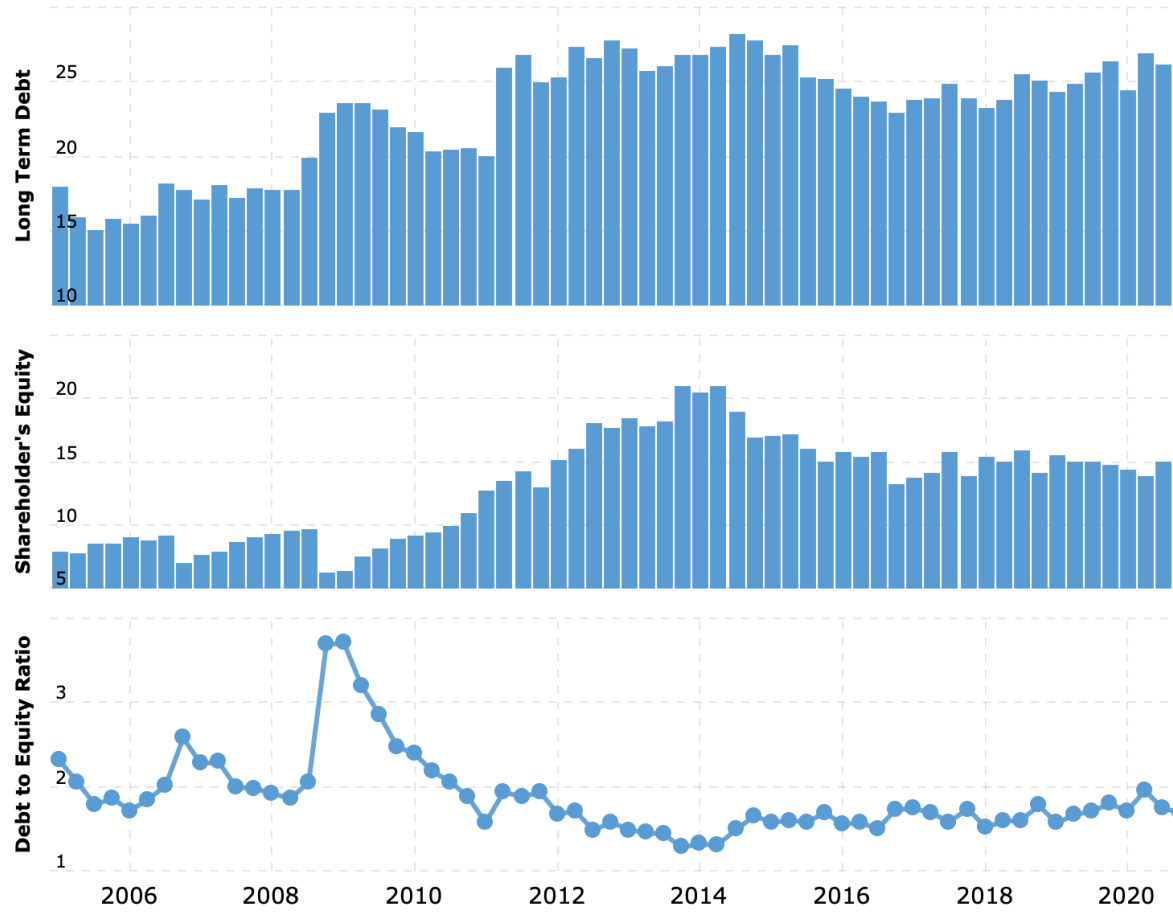


Founder Benjamin Holt successfully testing No. 77 (the first Caterpillar machine), in 1905. The name for the company was chosen when the photographer taking these photos of Holt remarked that the machined crawled like a big... 'Caterpillar'

Financials and Fundamentals



- ❑ Market Cap of \$117.7 billion with a current price of \$215.88 (as of 26/02/21 close)
- ❑ P/E ratio 40.59, with a dividend yield of 1.91%
- ❑ Revenues: \$41.7 billion in 2020, down from \$53.8 billion in 2019



Catalysts to Change



❑ Short Term: Macroeconomic Tailwinds and Biden's infrastructure bill

❑ Long Term: digitization and automation



Source: caterpillar.com (May, 2020)



Source: KHL Group



Conclusions



Q+A