

Caterpillar

202409-Fireside Chat

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>> TAMI ZAKARIA: I'm here at MINExpo in Las Vegas and what better way to start the day than having a discussion on all things Mining and strategy with Caterpillar's Chief Operating Officer, Joe Creed.

>> JOE CREED: Good morning.

>> TAMI ZAKARIA: And Head of Resource Industries, Denise Johnson. So, we are going to spend the next 45 minutes doing a Q&A. But, before I start, Ryan has important things to talk about.

>> RYAN FIEDLER: Thanks, Tami. Really appreciate it. And thanks for hosting us today. So, during today's meeting, we will be making some forward-looking statements which are subject to risks and uncertainties. We will also make assumptions that could cause our actual results to be different from the information we are sharing with you today. Please refer to our recent SEC filings and forward-looking statements reminder in our releases for details on factors that individually or in aggregate could cause our actual results to vary materially from our forecast. A detailed discussion of the many factors we believe may have a material effect on our business on an ongoing basis is contained in our SEC filings. And in today's meeting we will also refer to non-GAAP numbers. For a reconciliation of any non-GAAP numbers to the appropriate U.S. GAAP numbers, please see the appendix of our earnings call slides. Additionally, please note that Caterpillar policy does not allow for these meetings to be recorded with smartphones or other devices unless specific approvals have been sought and granted prior to the beginning of this meeting. And, lastly, we will be posting a transcript that will be available on our website as soon as we can.

And, with that, I will turn it back to Tami.

>> TAMI ZAKARIA: Joe and Denise, let's talk margins. So, Caterpillar has seen very impressive upward margin improvement in the last ten years, and we've heard management talk a lot about 'operating profit after capital charge' as a metric across the business. And can you help us with how to think about this metric and overall the margin profile as you enter into a more normalized business environment post the COVID led supply crunch and demand surge?

>> JOE CREED: I will start. And, Denise, and you can talk about Resource Industries as well. This really goes back to what we call the Operating & Execution ("O&E") Model. And that is how we effectively run the company. It's a discipline that we put in when we launched our strategy in 2017. Denise was in the executive office, and I ran the strategy group back at that time. So, when Jim became CEO, we were part of the team that created that strategy. But I think if we take a step back and say, well, what is different about CAT now over the last ten years or so, or maybe even go before

that, from 2012 to 2016, we sort of had, probably the only time in my career where all of our industries sort of hit a bit of a downturn. And we went on a pretty heavy restructuring effort to take out some structural costs, both in our manufacturing footprint - we have a lot of new factories, so we kind of decommissioned our older ones and we maintained most of our capacity - and also really focused on streamlining our back office and taking our structural costs down.

With the O&E model, one of the things is to have a flexible and competitive cost structure. And so, we really implemented the discipline to not let those costs come back in, in 2017 when our industry started to turn around. So, I think that, I would say, is the number one reason which has really helped maintain our margin profile and our OPACC generation and cash generation.

The O&E model also then looks at each one of our businesses. And across every division that we have, we really take a granular level of looking at each business, and if there is an underperforming product line or business, we really challenge the leaders to turn those businesses around. And we have been able to do that. And in most cases, that's what happened. In some cases, the O&E model for us is about resource allocation. It's putting our effort, both time and talent, as well as investment dollars in the areas where we feel like we have the best opportunity to grow OPACC in the future.

In some cases, we have actually decided to exit certain products or certain businesses. And that's happened in Energy & Transportation, when I was running Energy & Transportation. Construction Industries had a few as well. And Denise can take you through the Resource Industries journey. But, I think if you couple all of that over the last ten years, the restructuring, the discipline after that to not bring those costs back in, and then really the O&E model and the discipline, how we allocate resources and look at our businesses, has really been demonstrated in performance that we have seen in the last couple years, especially. And I'll let Denise talk about Resource Industries because if you look at what Denise has done in her business over the last eight years or so it's really impressive.

>> DENISE JOHNSON: Thank you, Joe. So, for Resource Industries, 2012 was the peak of the super cycle, so there was a lot of mining companies that were buying a lot of equipment. And, after that super cycle, certainly, things fell pretty quickly. And so, we had to quickly assess not only our cost structure but our product portfolio and where we thought the market was going for the future and look at our competitive position in all of the product lines that we had both acquired and had traditionally held within the Caterpillar portfolio. And so, we made some really difficult decisions to restructure our business. We closed and consolidated about 35 facilities. We took a billion dollars of cost structure out of the segment. And at the same time, we pivoted to ensure that we were still investing in the technologies that we needed, and we knew we were going to need for the future.

So, it was a massive transformation. And I'm really pleased to see our operating profit at much lower levels of revenue be at all-time highs. And so, as we move forward, we are very cognizant of the fact that we need to continue to invest in the technologies and the infrastructure that is going to be required for the future for mining companies, but at the same time do so in a very prudent way to ensure that we are cost competitive and that we can maintain our profitability over time. And, through the cycles, Resource Industries happens to be an industry that is very cyclical. And so, as a result of that, we need to make sure at the bottom of the cycle that we are still very profitable and, certainly, we can grow with the segment as well at the top of the cycle.

>> TAMI ZAKARIA: Perfect. So, let's talk about growth opportunities. Investors are very excited about Caterpillar's growth opportunities ahead. So, Denise, I will start with you. For Mining, of course, how is Caterpillar's Resource Industries segment positioning itself to capitalize on the rising demand of some of the critical minerals like aluminum or copper, cobalt, lithium driven by AI and the increasing demand for Power Generation?

>> DENISE JOHNSON: There is no doubt that, as we look into the future, commodities are going to be needed at increasing levels, whether it be for everything from the energy transition. But, recognizing that especially copper, but all of the minerals that you mentioned, and in addition to some of the traditional commodities that we have been a part of helping miners mine, we really are going to need more equipment and support for those. And if you look at strip ratios are [increasing], ore grades are declining (company corrected after the discussion). So, to get the same amount of commodity out of the ground, you need to move a lot more ore. And, as a result of that, we recognize that miners want to be much more efficient now than ever before. And they are very cost conscious because the demand is requiring them to also invest for the future. And it's not just investing in equipment, it's investing in the infrastructure and also some of the fixed plant assets.

So, we are very focused on ensuring that we have the total lowest cost of ownership, and we have a very competitive product, that is high utilization, and very high performing that runs 24 hours a day, seven days a week, and linking that in with services that we can provide to customers. So, we have been very mindful of the fact it's not about just selling a piece of equipment, it's about making sure that it's being maintained at the highest level as possible. So, we are doing a lot in the data space around, asset health, as well as ensuring that the assets run. And then, of course, autonomy is a key enabler for the future as many miners are struggling with manpower and also the cost structure in very remote places.

So, we are super excited that we are an industry leader in autonomy and continuing to leverage that not only for the largest mines in the world but scaling that down to the smaller mines and even in the Quarry and Aggregate space. And that's a big investment

that we've made for the future, that we are mindful of the fact that we will have an increased pull over time.

>> TAMI ZAKARIA: Perfect. We will go to autonomy in a bit. But, Joe, beyond the Resource Industries segment, what other growth opportunities would you highlight for CAT?

>> JOE CREED: That is, where the diversity of our business and portfolio really shines. the fact we have been able to have sort of record results and operate at the level we have and still have opportunities in all three [primary] segments ahead of us (company clarified after the discussion). For every part of the business you can point to, that is going well, and we have a number of places that are going well, we still have other areas of business with tremendous opportunity.

Well, the first one I would highlight is services growth, and that really transcends all segments for us. It's kind of the key pivotal center of our strategy is to focus on services. And we have been able to do that. And that is great for us for a number of reasons. One, it's good for our customers. It's good for our dealers. And for us, services is generally much less cyclical, so it helps dampen the cyclicity of some of our new equipment businesses moving forward.

Then you look at, Denise touched on Resource Industries and the opportunities and you go to the rest of the business. Even in Construction Industries, if you start there, North America has been strong. Brazil has been strong. We've had good business in the Middle East. We think infrastructure spending in North America still has, a couple of years to go here. But parts of the world have not been that strong. Europe has been a little bit weak. China has been really a small part of our portfolio the last couple of years. So, there are regions of the world we can still see upside in Construction Industries.

And then in Energy & Transportation, which recently has been our largest revenue segment [including inter-segment sales] really has some growth opportunities, particularly around our Solar Turbine business we're moving a lot of gas and backlog is up there (company clarified after the discussion). And then around data centers and our distributed power we have announced the capacity program for our large engine business to support the oil and gas and data center customers. That business, it's a secular trend that we are a huge part of in the Power Generation group. And then I would say also distributed power, the electric grids around the world, even in particular in North America. As more renewables come online, we will retire some of the traditional power generation. And as more things get plugged in the grid, there is going to be opportunities for our distributed power group to really help fill the gap and stabilize the grid. And, like our Industrial business has been off of its peak, so there is room in Energy & Transportation to continue to grow, and it's very promising for us.

So, if you just think about the diversity of our portfolio to be operating where we are at and still have those type of opportunities in front of us and we're making the investments that we think we need to capitalize on those, so it's real exciting right now.

>> TAMI ZAKARIA: That is great to hear. So, I wanted to dig deeper and talk a little bit about a topic which is data centers and demand for commodities. Does growth in data center demand present opportunities for the Resource Industries segment? Denise, the question maybe for you. Can demand for copper expand your total addressable market?

>> DENISE JOHNSON: Oh, absolutely. I mean, copper is really, I think, the forefront of the growth opportunity for Resource Industries. And if you look at how much copper is needed for data centers, and especially as you go into AI, four times as much copper is leveraged in a data center that is processing with AI than a traditional data center. So, we recognize that, in addition to all of the electrification that is taking place, not only in the auto industry, but even in the mining industry itself, where greenhouse gas reduction is something that is being driven as an initiative by many governments, as well as a lot of goals around the world, and investors are creating pressure there as well. So, the recognition that more commodities need to be mined, specifically copper, but also lithium and aluminum and many others. And that, as a result of that, that creates a huge market opportunity for us. And not only in Resource Industries; I think the thing that is unique about Caterpillar is that we are very vertically integrated and that we have multiple segments that can serve the same customer. So, in Energy and Transportation, we leverage a lot of standby power generator sets, micro grids already for mining companies. But when you look at the power of electrification in the future and what that will do for mine sites, it really unlocks the opportunity for the Energy and Transportation segment in addition to the mining equipment and services [within Resource Industries] to really combine our ecosystem (company clarified after the discussion). And you will see that out on the floor today, as you do your walk around, on the real power of growth potential for us as a company, as an enterprise.

>> TAMI ZAKARIA: Perfect. So, let's talk about technology and innovation. I think technology seems to be an underappreciated asset for CAT or advantage for CAT. Denise, we have seen CAT as a leading innovator in autonomous and electric solutions for mining and quarry customers. Talk to us about CAT's latest and greatest innovations in that space, what is the payback period, what is the customer uptake, any insights you can share.

>> DENISE JOHNSON: It's interesting because if you look at the product portfolio for Caterpillar, many of the companies that were most interested in moving towards fully non-greenhouse gas emitting equipment were in the Mining sector. The largest of our trucks, some that are demonstrated here today, are the ones that mining companies were pulling for us to completely take electric. And there is still a keen interest in that. I think as mining companies have recognized that the problem to solve is not getting new

equipment into the site, it's getting the entire site operating in a new ecosystem. So, bringing renewables to the site is a big challenge. And then standing up that site with renewable energy and then being able to distribute the power. The power requirements for a mine site that is fully electrified are much higher than what they are today.

And so, as we have gone along on the journey, we have signed up a number of mining companies that want to be part of our development process. So, we have what we call our Early Learner program where we have a number of major miners. We have seven companies that we are partnering with. And we are placing some of what we would call pre-pilot units, very early development product into the mine sites. And we are already actually installing those today at Cripple Creek and Victor for Newmont. They are getting one of the first units. We have a number of units going to BHP in Australia. And they are standing those up. And we are doing development together. So, I think we are going to learn together and grow together, but it really allows us to create that whole ecosystem.

The one thing I wanted to mention though that I think is a real game changer for us is not everyone is ready to go fully battery electric in their mine sites today. And so, when you think about new innovation and what we can do, we have really developed a new strategy where we can take a diesel electric truck and couple that with a lot of the infrastructure that will be required for the future to take current emissions down by up to 60%. So that is called Dynamic Energy Transfer. And it's demonstrated out here today. We think that will be a real game changer for the industry as you look at how that technology will be deployed and allow mining companies to step in towards electrification but not fully go to zero emissions. So, and we see a big pull and interest from mining companies around that theme. So, we are excited. I think it creates a big growth opportunity for us in the future and I think we are well positioned.

>> TAMI ZAKARIA: I think investors are excited, too. Going back to you, Joe. Given your recent experience as Group President of the Energy and Transportation segment, can you explain how the Energy & Transportation segment differentiates Caterpillar and promotes an integrated approach to the mine site of the future?

>> JOE CREED: I think Denise said it well, vertical integration and the fact we have been in the distributed power business almost as long as we have been in the machine business is critical. As you look at sites of the future, and I think one of the amazing things the team has done, both Energy & Transportation and then Denise and her team, and she mentioned it, is we developed the technologies to meet our customers where they are at on their sustainability goals. So, it's not always just get to the fully electrified mine site. I don't know that any of us know the pace at which that is going to go. It's going to vary by customer and region of the world. But we have developed tools like Dynamic Energy Transfer that allows customers to stairstep their way into this. And DET with diesel electric drive, not only does it help more sustainably help our customers, but it also speeds up their production. There are other benefits in here as

well and can extend the life of some of their trucks and engines. So, having a distributed power group, as Denise mentioned, getting equipment to the mine site, is one thing. Now customers, and I would say quarries, and this will be this way as Construction Industries and Construction moves through this journey as well in the energy transition, getting sites power, getting the right power, distributing to the right place, knowing when to charge equipment if it's battery electric or how you get the site set up is going to be critical. And having that experience inside one company where we can bring a whole solution to help our customers solve problems versus just being a transactional equipment supplier, I think, is a huge advantage to us.

And then we have the dealer network on the ground with us as well. So, our team there is side by side with our dealers. I think it provides a huge competitive advantage for us.

>> TAMI ZAKARIA: I think that is a perfect transition to my next question, which is on competition. If I'm a customer, why should I choose Caterpillar? What differentiates you from the others?

>> DENISE JOHNSON: I would start from the perspective of Resource Industries and Mining. We provide an end-to-end solution that no one else can provide. And it's starting with the deep integration of our components. Many of our competitors buy their engines from another provider. They buy a lot of their electric drive trains from others, and then they integrate it. We developed all of that technology ourselves and we knit it together with the controls and software to make it perform at a higher level because we have the deep integration and domain expertise to be able to do that.

I think, likewise, the support on the ground with our dealers is second to none. They understand the local compliance issues. They understand the local people. They have relationships built. And so that whole ability to be able to recruit individuals and then be able to serve and support customers is critical. And in remote places throughout the world, that is sometimes difficult. I mean, one of the biggest challenges a lot of our customers talk to us about is the fact that they need support on the ground, 24/7. And so, to be able to provide that both technically from a Caterpillar perspective but on the ground with the dealer is really important. So, I think that really sets us apart.

And then, certainly, our ability to provide that service support also is really important.

>> JOE CREED: Yeah. I think that is well said. And, having the breath and diversity, I keep coming back to this, but of our three primary segments, we can leverage technology as Denise mentioned, inverter technology that is in our mining equipment, is super durable and helps in Power Generation and Oil and Gas. We use the mining transmission to be the best transmission in Oil and Gas. So, leveraging that scale and technology that we've develop and really bring the full investment and innovation of the entire Caterpillar no matter where the technology sits to our customers and each of the industries we serve, along with the dealer network, I think really just continues to set us apart.

And we talked about this earlier, the way, the discipline of running the company with an OPACC focus and an O&E model, all the cash generation, the good results, really allowing us to invest in all these technologies that we can bring to bear for the customers. And when you do the show floor, if anyone is here, I encourage you to get out there and see Dynamic Energy Transfer and the CAT Command, autonomy. All the great technology that we are able to bring to our customers, I think, is a huge advantage for us.

>> TAMI ZAKARIA: So, for autonomy, let's talk about that. Denise, what drives customers to adopt autonomy in general and how about specifically with CAT's solution, what are the drivers of adoption?

>> DENISE JOHNSON: So, it's two things that drive the adoption. One is productivity and as we have, have implemented autonomy, initially it was a focus around safety. But productivity is really second to none for, the bottom line of a miner who implements autonomy. But safety is another really important thing. I mean, there have not been any safety incidents with an autonomous site since we've implemented. That's because we have layers of safety built into our autonomy solution which really has provided the ability to make that happen. As mine sites have converted to it, initially it was retrofitting existing equipment, and we saw that trend take place in the beginning in the early days of autonomy. There were a lot of new mining trucks out there in the field right after the super cycle. So, as the pull came initially, it was retrofit. And now we are seeing much more of an adoption of new product moving into, wanting to desire autonomy. It's more than trucks though. I mean, we have autonomous drills. We have autonomous dozers. We have autonomous underground solutions. So, we are recognizing the need to be more holistic with it. And we have a big pull on those products, in addition to even semi-remote, autonomous solutions. So, we talk a lot about fully autonomous trucks, but really it is an ecosystem of solutions which customers are wanting. And, really, what's driving it is safety and productivity.

>> TAMI ZAKARIA: Joe, would you want to add something about some of the semi-autonomous solutions outside of the Resource Industries segment?

>> JOE CREED: It's Resource Industries as well as Construction Industries. And you will get to see some of that out on the show floor. We have fully autonomous, but we have CAT Command and can do line of site remote control. You can be halfway around the world, controlling a machine, controlling more than one machine at one time. I mean, we are making all these investments. And then there is technology on the machines as well like grade control and all kinds of assist features. If you think about one of the things you will hear, is a common theme in the show this week, and will hear it through all of our segments is, yes, we want to have the best equipment in the world. But we also want to help our customers with solutions that solve their toughest challenges. You think about the challenge to get operators, either operators who don't

want to go to remote sites or maybe landfills or operators that are not as skilled, in making them skilled.

One of the things I've been able to do over the last year in this role is spending time with the teams, is get in the cab with some of our machines. And suffice to say, I'm not a super skilled operator. So, the teams will have me operate sort of manually and then they will turn all the technology on. And the difference in how fast I can pick things up and complete activities like grades and keep on grade with all the technology really, really is impressive. And you think about how that gets put to work for our customers as they are trying to attract people and drive efficiency, drive safety. It's more than just having the best machines. It's putting this technology on there as well to make them much more efficient and help them solve their biggest challenges.

>> TAMI ZAKARIA: Perfect. So, let's talk about connected assets. We've heard management talk about 1.5 million of connected assets and access to massive amounts of data. So, Denise, the question to you: The data that you have right now, does it give you any insights on the optimal age or utilization of mining trucks and equipment versus where the fleet is today, and is a great replacement cycle on the come up based on the data?

>> DENISE JOHNSON: Yes. So, I mean, for Resource Industries we have [around] 100,000 of [about 1.5] million assets connected today (company clarified after the discussion). And I would say, absolutely, a lot of the data that we are pulling off is leveraged for productivity and health reasons. And so, as you start to look at aging fleets, we are continuing to monitor those to make sure there is no major component that needs to be replaced. We are continuing to see mining companies and even heavy construction companies stretch the life of their machines even longer and rebuild multiple times. So, we have rebuild cycles that come up for major components. And we are seeing the length of time double from the past. So that's a good thing for us, as I think we are uniquely positioned to help customers extend the life of their units.

At the same time there is a certain point when assets do need to be replaced. And if you think about new technology that comes on to machines and just the electrical infrastructure and the amount of data that you're looking to pull off, if you have an asset that's 15 years old, that is a pretty massive electrical architecture upgrade that needs to be made. And at some point, it makes sense to move to a new unit. So, we are rebuilding as we speak. And we are also building more large mining trucks than we ever have before [since the super cycle] (company clarified after the discussion). So, we are really able to do both. And we do see replacement cycles starting to come on, and over time having to increase though as a result of some of the trends that we are seeing from a data perspective.

>> TAMI ZAKARIA: Got it. Just to build on that, what would customers need to see to begin meaningful product replacement from here on?

>> DENISE JOHNSON: I think it very much depends upon the mine site, the length of the mine, and how long it will be in existence, what the regulation is in their area and how they are thinking of the energy transition and what they want to do from that perspective. So, I think it's not one single thing that is really going to be a springboard for replacement. I think it's really about how much over time, as assets age, availability tends to plateau. And so, as you're really looking for the most efficient productive units in the fleets, generally that's when you replenish. And as they get older and you really are looking to have much more connectivity and data and with autonomy and some of the other trends with electrification, that's going to be the tipping point, I think, for when you're going to see more mining companies move over to replacement. But a lot of it will depend on their investment profile and how much they are investing in other things as they are very prudent and careful with the investments they are making at each mine site.

>> TAMI ZAKARIA: Got it. That is super helpful. So, let's talk about services. How does a customer's capital discipline benefit the services business of Caterpillar?

>> DENISE JOHNSON: Well, it's a huge benefit from a Resource Industries perspective as we look at the ability to be able to capture the rebuild cycles as they come up. So that is everything from drivetrain replacements to hydraulic pump refurbishments. A lot of times the engine, we will put in a Reman engine at a life cycle where that engine needs to be refurbished. So, the services amount is substantial as you start to look at the lifecycle over 10 to 20 years for the lifecycle of a piece of equipment in Resource Industries.

In addition to that though, I think what we are finding is customers are looking for more skin in the game by Caterpillar. So, really extending component life, right? It's not just about 12,000 hours, I'm replacing a component. Can it last longer? So, leveraging the data, the connectivity, the condition monitoring and can we extend it, instead of going to 12,000 hours, I am extending that 15,000 or 20,000. While that does not sell another piece of component, it does make that mining company more efficient and more willing to recognize that we need to play a part in helping the cost structure of the services for the customer be affordable and competitive. And so those are the kind of things we are doing, but we see the services area as a key component of the value profit that we provide, that others don't within the industry.

>> JOE CREED: That's what keeps people coming back to Caterpillar. You asked that question earlier. And I would bring that back also to another point on the [about] 1.5 million connected assets and all the data (company clarified after the discussion). Denise said it well. But that data, we can turn that into opportunities to help our customers in this space, right? All of the condition monitoring that data also helps our engineers. To Denise's point, when we design a piece of equipment, we have a certain life that we expect in the field, but how is it really performing in the field and how can we continue to extend those lives, so the data helps the engineering team. We have

amazing apps like VisionLink and CAT Central to help our customers, use that data and then help them, notify them ahead of time, what we call Prioritized Service Events. We think within the next so many hours or the next service interval or a certain amount of time based on all the data and how we see your machine performing, this service event will get you in contact with our dealer. We have a great eCommerce solution for customers to try to be easy, to buy parts online and do business with. So, this whole services mindset is really helping our customers be more efficient. And the longer we can extend the life of a piece of CAT equipment, it's good services for us and great for our customers and dealers, and that is what is going to keep them coming back to us in the future.

>> TAMI ZAKARIA: Perfect. Another key topic among investors is Caterpillar's free cash flow generation, which has seen remarkable improvement over the last ten years. So, I think it was about \$10 billion last year. And so, remind us how you have accomplished this growth and how to think about that from here on?

>> JOE CREED: Yeah. I think how we started this discussion today with really the journey we have been on, the strategy we have in place around the Operating & Execution Model and how each of the businesses really focused on driving efficiency, but still making the investments. You are right. Last year we were around \$10 billion [of ME&T free cash flow] (company clarified after the discussion). And we've generated, I believe, around \$45 billion since 2017 and it's been \$5 to \$10 billion every year with the exception of COVID year of 2020 and we were still at \$3 billion. And that is something that we are very proud of in our business. And I think maybe it's a little bit underappreciated because people look at, the top line and how sometimes it can move around. But our cash generation has been really solid. And that sets us apart, that discipline, and the O&E model we have, because it allows us to continue to make the investments and all these things we talked about today. You will see on the show floor the eCommerce, the digital solutions, in addition to the newest products we need to bring to market for our customer. So, it's a real advantage for us. And I'm proud of the team and what we have been able to do over the last seven years or so and we plan to continue to do it into the future.

>> TAMI ZAKARIA: Great. So, I wanted to ask you about capacity. So, this is a question for you, Joe. Are you well positioned to support the growth ambitions across all the segments of Caterpillar over the coming decade, or do you need to invest in additional capacity?

>> JOE CREED: That depends on which business. And we have a pretty rigorous S&OP process for sort of the short-term operating, and then also looking out to what we think our opportunities are. When you look at the growth we have, in certain areas we will make investments where we need to. And we've announced the one in the large engine business, and that is a tremendous opportunity for us with a secular change and with the data centers and the demand that we see and the backlog that we have, putting

that in. And each business sort of goes through, that is one example of the process. For the most part we are in pretty good shape right now, but we always keep an eye on it. And that is a great challenge to have in front of us is having to add capacity because we have good business.

>> TAMI ZAKARIA: Perfect. So, another trending topic within the investment community is the topic of pricing. And so, Joe, this is a question for you. We, here at CAT, talk about pricing every quarter. And how does mix and product feature improvement play into the pricing decision of the product, and can this be a driver of price growth in the coming years?

>> JOE CREED: Certainly, the inflationary period we have been in is a little bit different than normal. There are a lot of things that go into, decisions to make pricing. And every industry sort of has to take an assessment. And we allow them to do that of particular dynamics of what is going on in their markets. But, being a premium player and having all the technology that we have clearly allows us to continue to be the premium player in the market. Input cost and we mentioned mix as well, there are certain regions of the world that have a better pricing profile. So, as that moves around, we can see a little bit of mixed impact. But, we feel like we are in a good position right now. And we look at that constantly and even more dynamically than we ever have and continue to try to make sure we are in the right place at each business depending on the competitive situation that we are in.

>> TAMI ZAKARIA: Perfect. So, I wanted to pivot to infrastructure spending. Can either of you talk about the piece of spending that you are seeing from mega projects driven by stimulus as part of the IIJA, IRA, or CHIPS Act?

>> DENISE JOHNSON: I'll start and say, certainly, from a heavy construction perspective, we are seeing the investments being made, I think. Some of the starts for those though have started slower than maybe we anticipated and will extend out still yet a couple of years. So, while we expected a big, dramatic increase, it has come a little slower than we initially expected. But we are seeing a steady...a lot of projects out there. There is a lot of infrastructure being put in. And we see that investment continuing for the future. And, certainly, that benefits both the heavy construction site of Resource Industries but also all of Construction Industries as well, with a lot of the investments that is taking place in the United States.

>> JOE CREED: Yeah. I agree. That is what we are hearing. We still have there has been a lot of stimulus put out there, particularly in the U.S. And I think, we continue to see, generally healthy demand. We will see what happens with the rate cut and as we move forward. But there is still a decent amount of projects and infrastructure, that work that needs to happen here in North America. So, I anticipate that business will be there for us and continue to work with our customers at the pace that they need us to work with them.

>> TAMI ZAKARIA: Any thoughts from M&A, any areas where Caterpillar could do acquisitions to round out the portfolio either in Resource Industries or overall within the CAT portfolio?

>> JOE CREED: Denise can talk about Resource Industries. We are always looking at opportunities out there, particularly around the technology space. If you look at the types of transactions that we've done over the last five to seven years, mostly have been small bolt on-type of technologies, and that is where, we can get the best bang for our investment. If you think about the scale that we have of all the industries, if you have a piece of technology that we can bring in that helps us across our product lines or helps us with our dealers or helps us make our customers more efficient, those are the types of things that generally seem to have the best fit for us. We don't have anything to announce today, but we are always looking at what we need. It's just sort of part of the overall investment thesis, right? It's not, do we have an intentional focus on M&A; it's really what do we need to help our customers and what is missing in our portfolio or what is the next level of technology. And then what can we develop ourselves and keep an eye on what is out there and maybe we can tuck in to help accelerate that.

>> DENISE JOHNSON: From a Resource Industries perspective, it is a lot around technology, and recognizing that speed to market is also key. And sometimes you can acquire something that you could develop internally; but it would take a much longer timeframe to be able to do. So, most of what we are looking at in Resource Industries is in adjacent spaces around our mining technology. We are talking a lot today to customers around precision mining, and that is leveraging data, much broader within the ecosystem of mining to allow more efficiency and the whole mining end-to-end product cycle, if you think about it, from a value chain perspective. And so, things like that are things that we are exploring. And we are really excited because it also expands our total addressable market beyond where we are doing today. So, yeah, that's really the area we are exploring most heavily.

>> TAMI ZAKARIA: Amazing. So, we are near the end of our discussion, so one question for you, Denise, as the Resource Industries Group President. It's been quite a journey for you. Can you talk how the segment has really transformed over the past decade and how you are prepared to support your customers today and going forward?

>> DENISE JOHNSON: Yeah, absolutely. So, I spoke previously about the financial transformation or the operational transformation that we made and really focusing in on what part of our portfolio we are best positioned to win and win in a very competitive way. I think, in addition to that, we have doubled down on a lot of investments that we know our customers are going to need for the future. And those are not pinpoint solutions that are based on iron. They are site solutions that can transform and really help our customers be more productive and safer; and, certainly, help us then also partner with them in a much closer way.

So, I'm really proud of what the team has accomplished. And I think we are well positioned moving forward to be the choice of our customers, as we move forward, so...

>> TAMI ZAKARIA: Great. Joe, anything you would leave us with?

>> JOE CREED: Yeah. Maybe just to wrap up, and we talked about a lot of this today, first, I'm super proud and honored to be a part of this team. We have an amazing team of people, amazing leadership, amazing team of 110,000 employees around the globe to support our customers. And over 150 dealers that partner with us every day to try to make our customers more successful.

We started this discussion, we were running as a different company than we were ten years ago, the discipline and strategy we have is working. And that's demonstrated in our earnings, particularly in our cash flow generation that we talked about. And then most importantly, to leave everyone with a diversity of our business is a strength. We talked about today how there are a lot of areas of our businesses that is performing really well right now. And for almost every area you can name there are areas that have tremendous growth opportunity or areas that maybe are not performing at their peak and have a lot of room to grow. So, we have been able to perform. I'm proud of the performance we have been able to demonstrate the last few years. But I am also excited about the opportunities ahead of us. We really appreciate you joining us today and hopefully you enjoy the show here on the floor. We have an amazing show put together for everybody.

>> TAMI ZAKARIA: Perfect. That marks the end of today's session. Thank you so much for joining. Thank you, Joe and Denise, for spending time with us. And I will pass it on to Ryan for closing remarks.

Okay, thanks, everyone.