

CATERPILLAR INC
Form 10-Q
October 30, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended September 30, 2015

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission File Number: 1-768

CATERPILLAR INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

37-0602744

(IRS Employer I.D. No.)

100 NE Adams Street, Peoria, Illinois

(Address of principal executive offices)

61629

(Zip Code)

Registrant's telephone number, including area code:

(309) 675-1000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At September 30, 2015, 582,233,801 shares of common stock of the registrant were outstanding.

Table of Contents

Table of Contents

Part I. Financial Information

<u>Item 1.</u>	<u>Financial Statements</u>	<u>3</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>59</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>90</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>90</u>

Part II. Other Information

<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>91</u>
Item 1A.	Risk Factors	*
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>91</u>
Item 3.	Defaults Upon Senior Securities	*
Item 4.	Mine Safety Disclosures	*
Item 5.	Other Information	*
<u>Item 6.</u>	<u>Exhibits</u>	<u>92</u>

* Item omitted because no answer is called for or item is not applicable.

Table of Contents

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

Caterpillar Inc.

Consolidated Statement of Results of Operations

(Unaudited)

(Dollars in millions except per share data)

	Three Months Ended September 30,	
	2015	2014
Sales and revenues:		
Sales of Machinery, Energy & Transportation	\$ 10,285	\$ 12,758
Revenues of Financial Products	677	791
Total sales and revenues	10,962	13,549
Operating costs:		
Cost of goods sold	7,954	9,634
Selling, general and administrative expenses	1,225	1,446
Research and development expenses	534	533
Interest expense of Financial Products	142	157
Other operating (income) expenses	394	387
Total operating costs	10,249	12,157
Operating profit	713	1,392
Interest expense excluding Financial Products	127	128
Other income (expense)	(68) 117
Consolidated profit before taxes	518	1,381
Provision (benefit) for income taxes	144	364
Profit of consolidated companies	374	1,017
Equity in profit (loss) of unconsolidated affiliated companies	(3) 4
Profit of consolidated and affiliated companies	371	1,021
Less: Profit (loss) attributable to noncontrolling interests	3	4
Profit ¹	\$ 368	\$ 1,017
Profit per common share	\$ 0.63	\$ 1.66
Profit per common share – diluted ²	\$ 0.62	\$ 1.63
Weighted-average common shares outstanding (millions)		
– Basic	588.4	611.5
– Diluted ³	594.8	622.8

Cash dividends declared per common share	\$—	\$—
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¹ Profit attributable to common stockholders.

² Diluted by assumed exercise of stock-based compensation awards using the treasury stock method.

See accompanying notes to Consolidated Financial Statements.

3

Table of Contents

Caterpillar Inc.

Consolidated Statement of Comprehensive Income

(Unaudited)

(Dollars in millions)

	Three Months Ended September 30,	
	2015	2014
Profit of consolidated and affiliated companies	\$371	\$1,021
Other comprehensive income (loss), net of tax:		
Foreign currency translation, net of tax (provision)/benefit of: 2015 - \$(5); 2014 - \$(44)	(235)	(710)
Pension and other postretirement benefits:		
Current year actuarial gain (loss), net of tax (provision)/benefit of: 2015 - \$(21); 2014 - \$(2)	44	4
Amortization of actuarial (gain) loss, net of tax (provision)/benefit of: 2015 - \$(56); 2014 - \$(44)	108	86
Current year prior service credit (cost), net of tax (provision)/benefit of: 2015 - \$(1); 2014 - \$(1)	1	—
Amortization of prior service (credit) cost, net of tax (provision)/benefit of: 2015 - \$5; 2014 - \$3	(8)	(6)
Derivative financial instruments:		
Gains (losses) deferred, net of tax (provision)/benefit of: 2015 - \$7; 2014 - \$17	(12)	(30)
(Gains) losses reclassified to earnings, net of tax (provision)/benefit of: 2015 - \$(11); 2014 - \$1	20	—
Available-for-sale securities:		
Gains (losses) deferred, net of tax (provision)/benefit of: 2015 - \$10; 2014 - \$5	(15)	(5)
(Gains) losses reclassified to earnings, net of tax (provision)/benefit of: 2015 - \$9; 2014 - \$7	(18)	(13)
Total other comprehensive income (loss), net of tax	(115)	(674)
Comprehensive income	256	347
Less: comprehensive income attributable to the noncontrolling interests	(2)	(4)
Comprehensive income attributable to stockholders	\$254	\$343

See accompanying notes to Consolidated Financial Statements.

Table of Contents

Caterpillar Inc.

Consolidated Statement of Results of Operations

(Unaudited)

(Dollars in millions except per share data)

	Nine Months Ended September 30,	
	2015	2014
Sales and revenues:		
Sales of Machinery, Energy & Transportation	\$33,829	\$38,642
Revenues of Financial Products	2,152	2,298
Total sales and revenues	35,981	40,940
Operating costs:		
Cost of goods sold	25,559	29,268
Selling, general and administrative expenses	3,932	4,175
Research and development expenses	1,612	1,557
Interest expense of Financial Products	440	470
Other operating (income) expenses	1,068	1,205
Total operating costs	32,611	36,675
Operating profit	3,370	4,265
Interest expense excluding Financial Products	381	358
Other income (expense)	76	236
Consolidated profit before taxes	3,065	4,143
Provision (benefit) for income taxes	870	1,201
Profit of consolidated companies	2,195	2,942
Equity in profit (loss) of unconsolidated affiliated companies	1	6
Profit of consolidated and affiliated companies	2,196	2,948
Less: Profit (loss) attributable to noncontrolling interests	7	10
Profit ¹	\$2,189	\$2,938
Profit per common share	\$3.66	\$4.73
Profit per common share – diluted ²	\$3.62	\$4.64
Weighted-average common shares outstanding (millions)		
– Basic	597.9	620.6
– Diluted ³	605.3	632.7
Cash dividends declared per common share	\$1.47	\$1.30

¹ Profit attributable to common stockholders.

² Diluted by assumed exercise of stock-based compensation awards using the treasury stock method.

See accompanying notes to Consolidated Financial Statements.

5

Table of Contents

Caterpillar Inc.

Consolidated Statement of Comprehensive Income

(Unaudited)

(Dollars in millions)

	Nine Months Ended September 30,	
	2015	2014
Profit of consolidated and affiliated companies	\$2,196	\$2,948
Other comprehensive income (loss), net of tax:		
Foreign currency translation, net of tax (provision)/benefit of: 2015 - \$(60); 2014 - \$(52)	(810) (643
Pension and other postretirement benefits:		
Current year actuarial gain (loss), net of tax (provision)/benefit of: 2015 - \$(35); 2014 - \$(7)	68	14
Amortization of actuarial (gain) loss, net of tax (provision)/benefit of: 2015 - \$(168); 2014 - \$(132)	326	258
Current year prior service credit (cost), net of tax (provision)/benefit of: 2015 - \$(1); 2014 - \$(1)	1	1
Amortization of prior service (credit) cost, net of tax (provision)/benefit of: 2015 - \$14; 2014 - \$10	(26) (18
Derivative financial instruments:		
Gains (losses) deferred, net of tax (provision)/benefit of: 2015 - \$9; 2014 - \$33	(15) (57
(Gains) losses reclassified to earnings, net of tax (provision)/benefit of: 2015 - \$(40); 2014 - \$7	69	(10
Available-for-sale securities:		
Gains (losses) deferred, net of tax (provision)/benefit of: 2015 - \$10; 2014 - \$(6)	(13) 18
(Gains) losses reclassified to earnings, net of tax (provision)/benefit of: 2015 - \$10; 2014 - \$11	(21) (23
Total other comprehensive income (loss), net of tax	(421) (460
Comprehensive income	1,775	2,488
Less: comprehensive income attributable to the noncontrolling interests	2	(9
Comprehensive income attributable to stockholders	\$1,777	\$2,479

See accompanying notes to Consolidated Financial Statements.

Table of Contents

Caterpillar Inc. Consolidated Statement of Financial Position (Unaudited) (Dollars in millions)	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and short-term investments	\$6,046	\$7,341
Receivables – trade and other	6,783	7,737
Receivables – finance	8,862	9,027
Deferred and refundable income taxes	1,446	1,739
Prepaid expenses and other current assets	993	818
Inventories	11,150	12,205
Total current assets	35,280	38,867
Property, plant and equipment – net	15,955	16,577
Long-term receivables – trade and other	1,266	1,364
Long-term receivables – finance	13,551	14,644
Investments in unconsolidated affiliated companies	231	257
Noncurrent deferred and refundable income taxes	1,559	1,404
Intangible assets	2,841	3,076
Goodwill	6,546	6,694
Other assets	1,740	1,798
Total assets	\$78,969	\$84,681
Liabilities		
Current liabilities:		
Short-term borrowings:		
Machinery, Energy & Transportation	\$12	\$9
Financial Products	6,068	4,699
Accounts payable	5,206	6,515
Accrued expenses	3,306	3,548
Accrued wages, salaries and employee benefits	1,678	2,438
Customer advances	1,610	1,697
Dividends payable	—	424
Other current liabilities	1,698	1,754
Long-term debt due within one year:		
Machinery, Energy & Transportation	516	510
Financial Products	5,739	6,283
Total current liabilities	25,833	27,877
Long-term debt due after one year:		
Machinery, Energy & Transportation	8,997	9,493
Financial Products	16,211	18,291
Liability for postemployment benefits	8,638	8,963
Other liabilities	3,322	3,231
Total liabilities	63,001	67,855

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Commitments and contingencies (Notes 10 and 13)

Stockholders' equity

Common stock of \$1.00 par value:

Authorized shares: 2,000,000,000

Issued shares: (9/30/15 and 12/31/14 – 814,894,624) at paid-in amount 5,190 5,016

Treasury stock (9/30/15 – 232,660,823 shares; 12/31/14 – 208,728,065 shares) at cost (17,642) (15,726)

Profit employed in the business 35,191 33,887

Accumulated other comprehensive income (loss) (6,843) (6,431)

Noncontrolling interests 72 80

Total stockholders' equity 15,968 16,826

Total liabilities and stockholders' equity \$78,969 \$84,681

See accompanying notes to Consolidated Financial Statements.

Table of Contents

Caterpillar Inc.

Consolidated Statement of Changes in Stockholders' Equity

(Unaudited)

(Dollars in millions)

	Common stock	Treasury stock	Profit employed in the business	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total
Nine Months Ended September 30, 2014						
Balance at December 31, 2013	\$4,709	\$(11,854)	\$31,854	\$(3,898)	\$ 67	\$20,878
Profit of consolidated and affiliated companies	—	—	2,938	—	10	2,948
Foreign currency translation, net of tax	—	—	—	(642)	(1)	(643)
Pension and other postretirement benefits, net of tax	—	—	—	255	—	255
Derivative financial instruments, net of tax	—	—	—	(67)	—	(67)
Available-for-sale securities, net of tax	—	—	—	(5)	—	(5)
Change in ownership from noncontrolling interests	—	—	—	—	4	4
Dividends declared	—	—	(815)	—	—	(815)
Distribution to noncontrolling interests	—	—	—	—	(7)	(7)
Common shares issued from treasury stock for stock-based compensation: 9,338,857	(109)	327	—	—	—	218
Stock-based compensation expense	207	—	—	—	—	207
Net excess tax benefits from stock-based compensation	161	—	—	—	—	161
Common shares repurchased: 41,762,325 ¹	—	(4,238)	—	—	—	(4,238)
Balance at September 30, 2014	\$4,968	\$(15,765)	\$33,977	\$(4,357)	\$ 73	\$18,896
Nine Months Ended September 30, 2015						
Balance at December 31, 2014	\$5,016	\$(15,726)	\$33,887	\$(6,431)	\$ 80	\$16,826
Profit of consolidated and affiliated companies	—	—	2,189	—	7	2,196
Foreign currency translation, net of tax	—	—	—	(801)	(9)	(810)
Pension and other postretirement benefits, net of tax	—	—	—	369	—	369
Derivative financial instruments, net of tax	—	—	—	54	—	54
Available-for-sale securities, net of tax	—	—	—	(34)	—	(34)
Dividends declared	—	—	(885)	—	—	(885)
Distribution to noncontrolling interests	—	—	—	—	(7)	(7)
Common shares issued from treasury stock for stock-based compensation: 2,843,506	(75)	109	—	—	—	34
Stock-based compensation expense	240	—	—	—	—	240
Net excess tax benefits from stock-based compensation	7	—	—	—	—	7
Common shares repurchased: 25,841,608 ¹	—	(2,025)	—	—	—	(2,025)