

## EARNINGS

# Caterpillar Lowers Profit Outlook

Machinery maker blames global economic uncertainty for flat demand



Caterpillar reported its third-quarter financial results Wednesday. PHOTO: MIKE BLAKE/REUTERS

*By Austen Hufford*

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Caterpillar Inc. cut its profit forecast for this year, saying that global economic uncertainty is prompting customers to hold off on big purchases.

The Deerfield, Ill., maker of construction and mining equipment said Wednesday that sales fell across most of its product segments and regions in the latest quarter as its dealers reduced their inventories and customers bought fewer machines than expected.

Caterpillar now expects sales to decline this year compared to 2018 and cut its profit guidance for a second straight quarter.

“People who are buying large capital equipment are impacted by the uncertainty in the global economy,” Caterpillar financial chief Andrew Bonfield said in an interview. “Our customers are not in financial difficulties. Our customers are being cautious.”

Its shares were up more than 1% afternoon trade even as its quarterly revenue fell short of analysts’ estimates for the first time since the final period of 2016. Caterpillar said volume

declines reduced revenue by \$751 million, with higher prices offsetting some of the decline.

The company, which sells its heavy equipment to customers in 193 countries, is widely viewed as a barometer for global economic health.

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This year the world's economy is expected to grow at its slowest rate since the 2009 recession, according to the International Monetary Fund. In the U.S., there are concerns that a decline in manufacturing is starting to weigh on the nation's economy. In China, business activity is continuing to decelerate.

Caterpillar sells to dealers who then sell to customers. Global end-user demand rose 6% in the third quarter even as dealers cut their inventories of products like excavators and pipe layers. The company expects customer demand to be flat in the current quarter and for dealers to continue to reduce their inventory levels, leading to a decline in Caterpillar sales for the period.

“We are taking steps to reduce production to match dealer demand,” Chief Executive Jim Umpleby told analysts Wednesday.

As a major manufacturer with a global supply chain, Caterpillar is facing higher costs as a result of tariffs enacted by the U.S. in its trade fight with China and other nations. Caterpillar said it expects tariff-related costs to be below \$250 million this year; its previous projection was \$250 million to \$300 million. Its tariff-related costs last year totaled \$110 million.

Caterpillar said it was closely monitoring the economy to see if further cost reductions were needed.

“We won’t make a call as to whether or not we’ll have a major restructuring” Mr. Umpleby said. “We’ll see what the market brings to us over the next few months.”

Caterpillar said its third-quarter revenue fell 5.6% to \$12.76 billion, below the \$13.4 billion expected by analysts polled by FactSet. Profit per share fell to \$2.66 from \$2.88 in the same quarter a year before. Analysts polled by FactSet were expecting \$2.90.

The company now expects earnings per share for the year of \$10.90 to \$11.40, compared to its previous expectation of \$12.06 to \$13.06. In July the company said it would come in at the low end of that range.

— *Patrick Thomas contributed to this article.*

**Write to Austen Hufford at [austen.hufford@wsj.com](mailto:austen.hufford@wsj.com)**

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