Value Investing Analysis - Caterpillar Inc. (CAT)

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Company Fundamentals

Metric	Value	Benchmark/Notes
Industry	-	
Market Cap ($)	204,102,245,930.00	
Revenue (TTM, $)	64,809,000,000.00	positive & steady
EPS (TTM)	22.05	growth steady
ROE	-592.7%	> 15% preferred
Debt/Equity	-11.07	< 1 conservative
FCF CAGR	17.1%	>= 5%
Dividend Yield	-	
Payout Ratio	24.5%	< 60% sustainable

Valuation

Metric	Value	Benchmark/Notes
Price	435.67	
P/E (TTM)	19.76	compare to industry & history
Forward P/E	-	
P/B	-	< 1.5 often attractive
P/S	3.15	< 2 often attractive
EPS (normalized)	22.05	
Growth rate (assumed)	17.1%	can use FCF CAGR
Intrinsic Value (Graham)	1,034.17	heuristic
Margin of Safety	57.9%	target 20-40%

Checklist

Rule	Pass?
ROE > 15%	No
D/E < 1	Yes
P/B < 1.5	No
P/S < 2	No
Dividend payout < 60%	Yes
FCF CAGR 5%	Yes
MOS 25%	Yes

Decision

Decision: Consider
Current Price: 435.67
MOS Target Met?: Yes

How to Interpret the Checklist

- 5-7 passes -> Buy: quality + value likely align.

- 3-4 passes -> Consider: dig deeper; some risks/valuation flags.

- 0-2 passes -> Pass: quality or valuation probably insufficient now.

- Rules are guardrails, not guarantees. Prefer multi-year consistency over single-period spikes.

- If business quality is exceptional (durable moat, steady reinvestment), you may accept slightly higher P/B or lower MOS-but document why.

Appendix: Definitions & Why They Matter

Metric	Definition & Rationale
Return on Equity (ROE)	Net income / average shareholders' equity. Gauges how efficiently the company turns owner capital into profits. Higher & consistent ROE (e.g., >15%) often signals a durable advantage or strong execution.
Debt-to-Equity (D/E)	Total debt / shareholders' equity. Indicates leverage. Lower D/E (<1) gives more flexibility in downturns and reduces financial risk.
Earnings per Share (EPS)	Profit attributable to common shareholders / diluted shares. Common input for valuation (e.g., P/E, Graham formula).
Price-to-Book (P/B)	Market cap / shareholders' equity. Rough proxy for paying above/below accounting book value. Sub-1.5 is a classic value screen (industry-dependent).
Price-to-Sales (P/S)	Market cap / trailing 12-month revenue. Useful when earnings are noisy; lower P/S indicates cheaper revenue but margins matter.
Free Cash Flow (FCF)	Operating cash flow - capital expenditures. Cash available after maintaining/growing the asset base. Fuels buybacks, dividends, and debt paydown.
FCF CAGR	Compound annual growth rate of FCF over multiple years. Measures direction & durability of cash generation; sustained positive CAGR is a quality signal.
Payout Ratio	Dividends paid / net income. Tests dividend sustainability. Lower ratios (<60%) leave room for reinvestment or shocks.
Graham Intrinsic Value (heuristic)	Ben Graham's formula using EPS and growth (adjusted by bond yield). It's a rough anchor, not a precise valuation.
Margin of Safety (MOS)	(Intrinsic value - price) / intrinsic value. A discount that protects against errors or adverse surprises; 20-40% is a common target.