

# Caterpillar Expects Strong 2010 Despite 4Q Tumble

PEORIA, Ill. (AP) — Caterpillar said Wednesday that its fourth-quarter profit tumbled as its dealer inventories dwindled, the same reason the company expects sales and revenue to rebound this year.

Leading the way will be China and other developing countries where the world's biggest mining and construction equipment company has seen an increasing share of its business go.

Though sales will pick up sharply next year, Caterpillar's profit expectations for the year, about \$2.50 per share, falls short of what many analysts were looking for.

Company shares slid \$1.56, nearly 3 percent, to \$54.29 in premarket trading.

It was the end of a terrible year for Caterpillar, which hadn't seen sales and revenue slide so badly since the 1940s.

The company's outlook could be yet another signal that a global economic rebound may be slow in coming, particularly for developed countries like the United States. Because of its size and scope, Caterpillar is considered a barometer of economic health across a broad spectrum of industries.

The company said it expects a rougher time for North America, Europe and other developed regions during the recovery.

The company slashed more than 20,000 jobs last year as customers stopped buying equipment to ride out the recession with the inventory on hand.

They can usually go only so long, and Caterpillar said it now expects sales and revenues will climb 10 percent to 25 percent from last year's \$32.4 billion.

The company said dealers cut new machine inventories by more than \$3.3 billion and new engine inventories by more than \$600 million last year.

Inventories now are more in line for the current economy and with huge job cuts from 2009, the company said it will be in a good position when the recession loosens its grip.

"We expect 2010 will be a better year than 2009, and Caterpillar is in an excellent position to benefit from growth in the world economy," Chairman and CEO Jim Owens said in a statement.

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Caterpillar predicts the world economy will grow more than 3 percent this year, with interest rates staying low and demand for most commodities improving.

Caterpillar's earnings in the fourth quarter slid 65 percent to \$232 million, or 36 cents per share, compared with \$661 million, or \$1.08 per share, a year ago. Removing costs like those related to the thousands of job cuts, profit was 41 cents per share, beating the 28-cents-per-share estimate of analysts. These estimates normally exclude one-time items.

Total sales and revenues for the quarter fell 39 percent to \$7.9 billion from \$12.92 billion. The performance fell short of Wall Street's \$8.11 billion view.

Full-year profit tumbled to \$895 million, or \$1.43 per share, from \$3.56 billion, or \$5.66 per share, in the previous year. Adjusted earnings were \$2.18 per share.

Total sales and revenue for 2009 declined 37 percent from \$51.32 billion — the biggest single-year percentage decline since the 1940s.

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