

## CAT 4Q Profit Tops Wall St. View

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NEW YORK (AP) — Caterpillar Inc. said Thursday that its fourth-quarter profit jumped 60 percent, boosted by pent-up demand for new equipment and continuing growth in developing countries.

The performance of the world's largest maker of construction and mining equipment is an indicator of the strength of the global economy. Along with strong fourth-quarter earnings, Caterpillar issued rosy guidance, saying that it expects the global economy to grow faster this year and construction activity to continue to improve in most parts of the world.

Caterpillar, based in Peoria, Ill., reported net income of \$1.55 billion, or \$2.32 per share, up from \$968 million, or \$1.47 per share, in the same quarter last year.

Sales and revenue jumped 24 percent to \$17.24 billion, as sales volume increased at all three of the company's major businesses. Revenue from mining equipment company Bucyrus International Inc., which Caterpillar acquired in July, totaled \$1.39 billion.

Caterpillar's results easily topped Wall Street predictions for profit of \$1.76 per share and \$15.95 billion in revenue, according to FactSet. That sent its shares higher and made it one of the biggest gainers in the Dow Jones industrial average on Thursday. The stock rose \$3.08, or 2.8 percent, to \$112.13 in heavy afternoon trading, after hitting \$114 earlier in the day, within a few dollars of its 52-week high of \$116.55.

Caterpillar said that despite the ongoing downturn in the construction industry, many of its customers had to replace their aging equipment during the quarter. In addition, the company continued to get a boost from rapid economic growth in developing parts of the world.

Construction sales rose 31 percent to \$5.26 billion, while resource industries sales, which include Bucyrus, jumped 80 percent to \$5.06 billion. Sales of power systems were up 22 percent to \$5.67 billion.

Caterpillar expects the global economy to grow about 3.3 percent this year, with the U.S. economy expanding by at least 3 percent. In addition U.S. construction spending, which has been declining since 2004, should finally begin to recover, the company said.

But Caterpillar warned that even with the slight recovery, construction spending will remain depressed. And while Europe's economic crisis probably won't trigger a global recession, economic growth in eurozone counties is unlikely to improve until the second half of this year.

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Caterpillar sees China's economy growing by 8.5 percent in 2012, with more construction and rising demand for commodities bringing more machine sales.

Caterpillar estimates its 2012 profit will be \$9.25 per share with \$68 billion to \$72 billion in revenue. The outlook includes about \$6 billion in revenue from Bucyrus and from Motoren-Werke Mannheim Holding GmbH, which Caterpillar also bought last year. Analysts polled by FactSet expect profit of \$9.07 per share on \$66.99 billion in revenue for Caterpillar this year.

The company said sales of new machines and equipment will continue to improve as customers in developed countries rebuild their fleets. Low interest rates and the expected increase in construction activity are also expected to boost demand.

Caterpillar noted that production of some of its products will be limited by its current capacity to make them, though it added that it's making investments to expand capacity.

In addition, the company expects demand for its mining equipment to continue to be strong globally, as companies around the world increase production.

Morgan Stanley analyst Vance Edelson backed his "Overweight" rating for Caterpillar stock. He said that the company is unique, because it's poised to do well if the economy improves but will remain more stable than expected, if things take a turn for the worse.

"We believe there is upside potential to the implied earnings per share figure," Edelson wrote in a note to investors. "We also note the record sales expectations despite still lackluster construction activity in the U.S. and Europe."

For the full year 2011, Caterpillar earned \$4.93 billion, or \$7.40 per share, up from \$2.7 billion, or \$4.15 per share, in 2010. Sales and revenue increased to \$60.14 billion from \$42.59 billion.

Excluding Bucyrus, Caterpillar earned \$7.79 per share and posted \$57.61 billion in sales.

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