CAT 1Q Profit Shrank; Cuts 2013 Outlook

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MINNEAPOLIS (AP) — A slowdown in the mining business is digging a hole in Caterpillar's profits.

First-quarter profit shrank 45 percent. Caterpillar lowered its expectations for full year sales and profits because its mining business is slowing [1]. Sales of Caterpillar-branded mining machines will drop by half this year, the company said on Monday.

Caterpillar said mining customers placed big orders for gear last year, just as mining profits fell, so now those customers are cutting back. Dealers who would normally be stocking up on Caterpillar gear to get ready for a busy summer instead cut inventory during the first quarter.

Caterpillar has already started cutting costs. On April 5 it said it would lay off more than 460 employees [2] at a mining truck plant in Decatur, Ill. Caterpillar also announced mining-related layoffs in Milwaukee and plans to cut 1,300 of 3,400 jobs at a plant near Brussels that makes excavators, loading vehicles, and engine parts. This year's capital spending — which covers big-ticket items like factories and computer systems — will fall below $3 billion, down from $3.4 billion last year.

Net income dropped to $882 million, or $1.31 per share. Revenue fell 17 percent to $13.21 billion, from $15.98 billion a year ago. Both missed analyst expectations. Analysts surveyed by FactSet were expecting a profit of $1.36 per share on revenue of $13.79 billion.

It also cut its 2013 guidance. Caterpillar now expects to earn $7 per share, down from $7 to $9 previously. It forecast revenue of $57 billion to $61 billion, down from $60 billion to $68 billion. Analysts were expecting a 2013 profit of $7.67 per share on revenue of $62.48 billion.

There were some bright spots. Sales in China rose compared to a year ago. And the company is "becoming more optimistic" on the U.S. housing sector.

Shares of Peoria, Ill.-based Caterpillar Inc. rose 70 cents to $81.13 in premarket trading.

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