



# Fourth Quarter 2020 Earnings Teleconference

February 4, 2021

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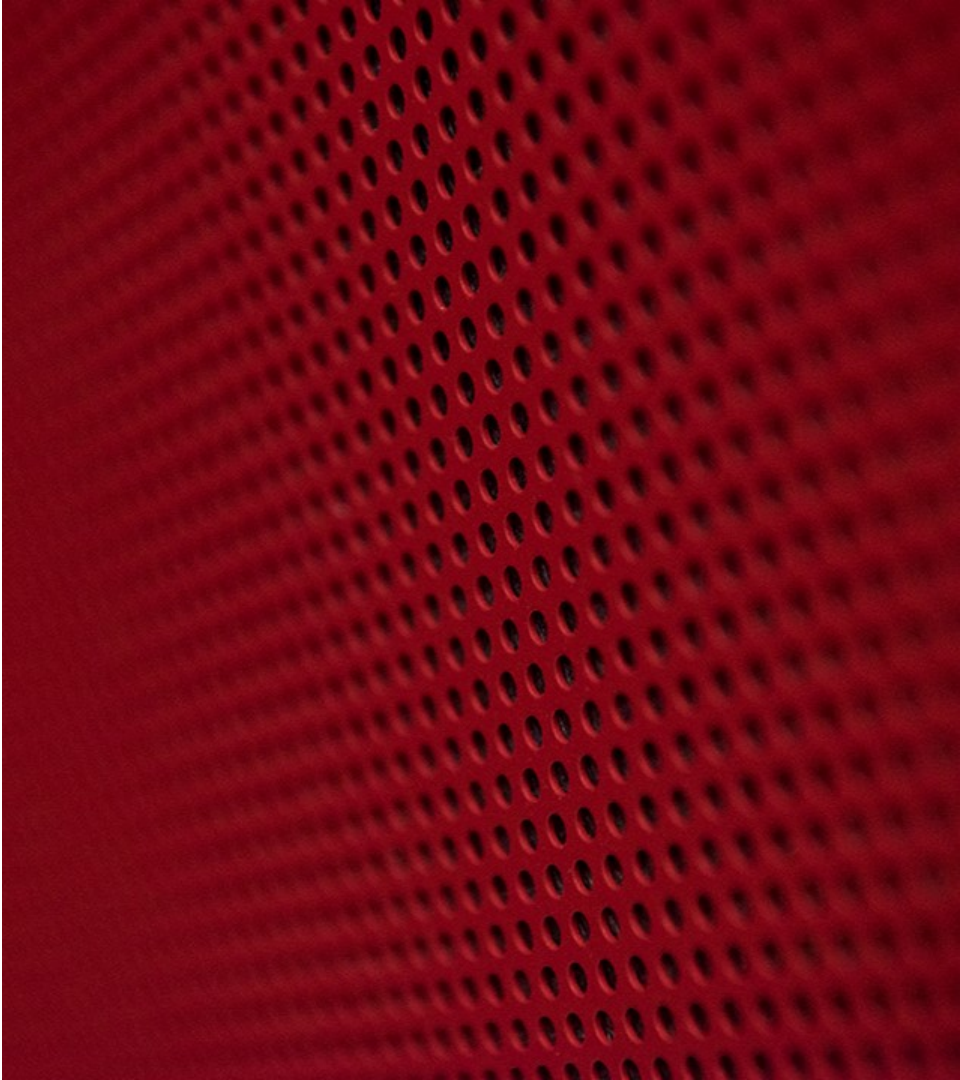
Appendix

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# Disclosure Regarding Forward-Looking Statements

Information provided in this release that is not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our forecasts, guidance, preliminary results, expectations, hopes, beliefs and intentions on strategies regarding the future. These forward-looking statements include, without limitation, statements relating to our plans and expectations for our revenues and EBITDA. Our actual future results could differ materially from those projected in such forward-looking statements because of a number of factors, including, but not limited to: market slowdown due to the impacts from COVID-19 pandemic, other public health crises, epidemics or pandemics; impacts to manufacturing and supply chain abilities from an extended shutdown or disruption of our operations due to the COVID-19 pandemic; supply shortages and supplier financial risk, particularly from any of our single-sourced suppliers, including suppliers that may be impacted by the COVID-19 pandemic; aligning our capacity and production with our demand, including impacts of COVID-19; a major customer experiencing financial distress, particularly related to the COVID-19 pandemic; any adverse results of our internal review into our emissions certification process and compliance with emission standards; increased scrutiny from regulatory agencies, as well as unpredictability in the adoption, implementation and enforcement of emission standards around the world; disruptions in global credit and financial markets as the result of the COVID-19 pandemic; adverse impacts from government actions to stabilize credit markets and financial institutions and other industries; product recalls; the development of new technologies that reduce demand for our current products and services; policy changes in international trade; a slowdown in infrastructure development and/or depressed commodity prices; the U.K.'s exit from the European Union (EU); labor relations or work stoppages; reliance on our executive leadership team and other key personnel; lower than expected acceptance of new or existing products or services; changes in the engine outsourcing practices of significant customers; our plan to reposition our portfolio of product offerings through exploration of strategic acquisitions and divestitures and related uncertainties of entering such transactions; exposure to potential security breaches or other disruptions to our information technology systems and data security; challenges or unexpected costs in completing cost reduction actions and restructuring initiatives; failure to realize expected results from our investment in Eaton Cummins Automated Transmission Technologies joint venture; political, economic and other risks from operations in numerous countries; competitor activity; increasing competition, including increased global competition among our customers in emerging markets; foreign currency exchange rate changes; variability in material and commodity costs; the actions of, and income from, joint ventures and other investees that we do not directly control; changes in taxation; global legal and ethical compliance costs and risks; product liability claims; increasingly stringent environmental laws and regulations; the performance of our pension plan assets and volatility of discount rates, particularly those related to the sustained slowdown of the global economy due to the COVID-19 pandemic; future bans or limitations on the use of diesel-powered products; the price and availability of energy; our sales mix of products; protection and validity of our patent and other intellectual property rights; the outcome of pending and future litigation and governmental proceedings; continued availability of financing, financial instruments and financial resources in the amounts, at the times and on the terms required to support our future business; and other risks detailed from time to time in our SEC filings, including particularly in the Risk Factors section of our 2019 Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are made only as of the date of this press release and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. More detailed information about factors that may affect our performance may be found in our filings with the SEC, which are available at <http://www.sec.gov> or at <http://www.cummins.com> in the Investor Relations section of our website.

# **2020 Summary**



# 2020 Summary

- **Fourth quarter revenues of \$5.8 billion**
- **GAAP<sup>1</sup> Net Income of \$501 million and Diluted EPS of \$3.36**
- **EBITDA of \$837 million or 14.4 percent of sales**
- **Full year revenues of 19.8 billion**
- **GAAP<sup>1</sup> Net Income of \$1.8 billion and Diluted EPS of \$12.01**
  - **Discrete tax expense of \$26 million or \$0.17 Diluted EPS**
- **EBITDA of \$3.1 billion or 15.7 percent of sales**
- **Full year operating cash flow of \$2.7 billion with \$1.4 billion returned to shareholders through dividends and share repurchases**
- **Total liquidity increased to \$7.0 billion, including cash, cash equivalents and marketable securities of \$3.9 billion**

<sup>1</sup> Generally Accepted Accounting Principles

# Q4 2020 EBITDA Detail

<b>Q4 2020</b> \$ Millions	CMI	Engine Segment	Distribution Segment	Components Segment	Power Systems Segment	New Power Segment	Eliminations
<b>Reported EBITDA</b>	<b>837</b>	<b>338</b>	<b>165</b>	<b>280</b>	<b>74</b>	<b>(51)</b>	<b>31</b>
Reported EBITDA included Reorganization and Closure Costs of	(36)	(7)	(20)	(5)	(4)		
Reported EBITDA included Loss on Sale of JV of	(8)				(8)		
<b>Q4 2019</b> \$ Millions	CMI	Engine Segment	Distribution Segment	Components Segment	Power Systems Segment	New Power Segment	Eliminations
<b>Reported EBITDA</b>	<b>563</b>	<b>259</b>	<b>127</b>	<b>189</b>	<b>43</b>	<b>(51)</b>	<b>(4)</b>
Reported EBITDA included Restructuring Costs of	(119)	(18)	(37)	(20)	(12)	(1)	(31)
Reported EBITDA included JV Impairment Costs of	(15)				(15)		

# Cummins Inc.

## Selected Financial Data – Full Year

<b>\$ MILLIONS</b>	<b>2020</b>	<b>2019</b>
Sales	19,811	23,571
Gross Margin (% of Sales)	24.7%	25.4%
SAR (% of Sales)	15.3%	14.7%
EBITDA <sup>1</sup>	3,108	3,731
EBITDA (% of Sales) <sup>1</sup>	15.7%	15.8%
GAAP Net Income attributable to Cummins Inc. <sup>2</sup>	1,789	2,350
GAAP Net Income (% of Sales) <sup>2</sup>	9.0%	10.0%
Diluted EPS <sup>2</sup>	\$12.01	\$15.05
Dividend Per Share	\$5.28	\$4.90
ROANA <sup>3</sup>	26%	35%
ROIC <sup>3</sup>	15%	21%

<sup>1</sup> 2019 EBITDA excludes \$119 million of restructuring charges.

<sup>2</sup> 2019 Net Income and Diluted EPS exclude \$90 million (after-tax) of restructuring charges.

<sup>3</sup> 2019 ROANA and ROIC exclude \$119 million of restructuring charges.

# 2020 Income Statement by Segment

<b>\$M</b>	<b>Engine</b>	<b>Distribution</b>	<b>Components</b>	<b>Power Systems</b>	<b>New Power</b>	<b>Intersegment Eliminations</b>	<b>Total</b>
<b>Year ended December 31, 2020</b>							
Net Sales	8,022	7,136	6,024	3,631	72	(5,074)	19,811
<i>Sales growth vs 2019</i>	(20)%	(12)%	(13)%	(19)%	89%	(15)%	(16)%
EBITDA	1,235	665	961	343	(172)	76	3,108
Segment EBITDA %	15.4%	9.3%	16.0%	9.4%	NM <sup>1</sup>		15.7%
<b>Year ended December 31, 2019</b>							
Net Sales	10,056	8,071	6,914	4,460	38	(5,968)	23,571
EBITDA <sup>2</sup>	1,472	693	1,117	524	(148)	73	3,731
Segment EBITDA % <sup>2</sup>	14.6%	8.6%	16.2%	11.7%	NM <sup>1</sup>		15.8%

<sup>1</sup>"NM" - not meaningful information

<sup>2</sup> 2019 EBITDA excludes the impact of restructuring charges that reduced Engine Segment EBITDA \$18 million, Distribution Segment EBITDA \$37 million, Components Segment EBITDA \$20 million, Power Systems Segment EBITDA \$12 million, New Power Segment EBITDA \$1 million, and Intersegment Eliminations EBITDA \$31 million.



# Cummins Inc.

## Selected Financial Data - Quarter

<b>\$ MILLIONS</b>	<b>Q4 2020</b>	<b>Q4 2019</b>
Sales	5,830	5,578
Gross Margin (% of Sales)	23.3%	23.5%
SAR (% of Sales)	14.3%	16.2%
EBITDA <sup>1</sup>	837	682
EBITDA (% of Sales) <sup>1</sup>	14.4%	12.2%
GAAP Net Income attributable to Cummins Inc. <sup>2</sup>	501	390
GAAP Net Income (% of Sales) <sup>2</sup>	8.6%	7.0%
Diluted EPS <sup>2</sup>	\$3.36	\$2.56
Dividend Per Share	\$1.35	\$1.31
ROANA (LTM) <sup>3</sup>	26%	35%
ROIC (LTM) <sup>3</sup>	15%	21%

<sup>1</sup> Q4 2019 EBITDA excludes \$119 million of restructuring charges.

<sup>2</sup> Q4 2019 Net Income and Diluted EPS exclude \$90 million (after-tax) of restructuring charges.

<sup>3</sup> 2019 ROANA and ROIC exclude \$119 million of restructuring charges.

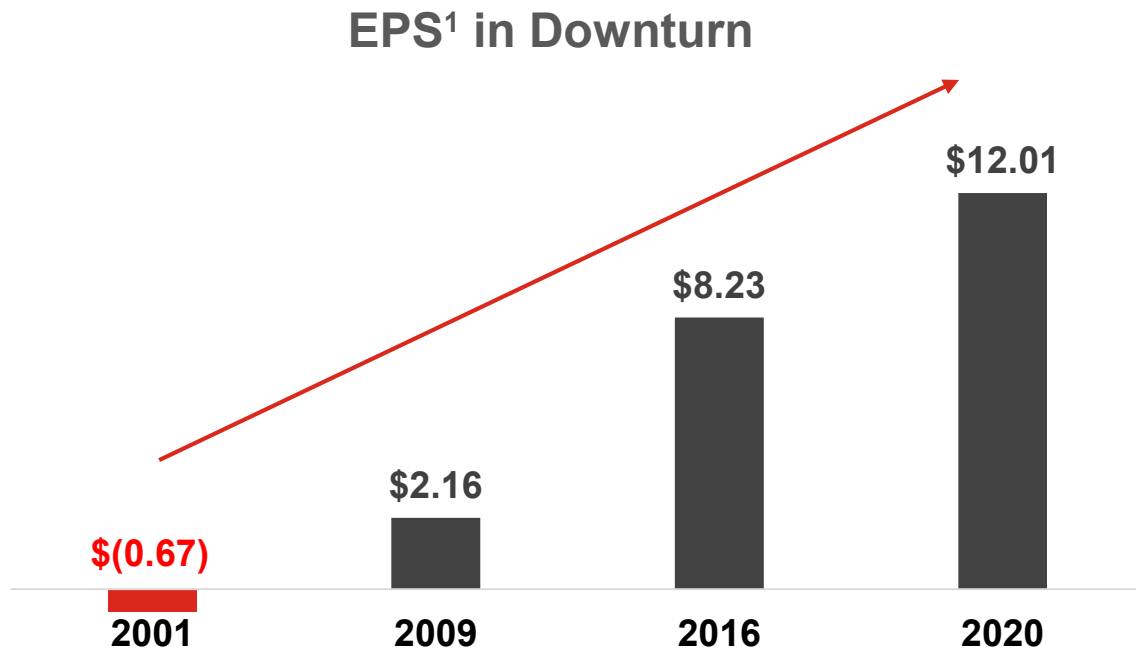
# Q4 2020 Income Statement by Segment

<b>\$M</b>	<b>Engine</b>	<b>Distribution</b>	<b>Components</b>	<b>Power Systems</b>	<b>New Power</b>	<b>Intersegment Eliminations</b>	<b>Total</b>
<b>Three months ended December 31, 2020</b>							
Net Sales	2,329	1,996	1,831	989	34	(1,349)	5,830
<i>Sales growth vs 2019</i>	2%	(2)%	18%	(6)%	89%	(2)%	5%
EBITDA	338	165	280	74	(51)	31	837
Segment EBITDA %	14.5%	8.3%	15.3%	7.5%	NM <sup>1</sup>		14.4%
<b>Three months ended December 31, 2019</b>							
Net Sales	2,284	2,038	1,557	1,054	18	(1,373)	5,578
EBITDA <sup>2</sup>	277	164	209	55	(50)	27	682
Segment EBITDA % <sup>2</sup>	12.1%	8.0%	13.4%	5.2%	NM <sup>1</sup>		12.2%

<sup>1</sup>"NM" - not meaningful information

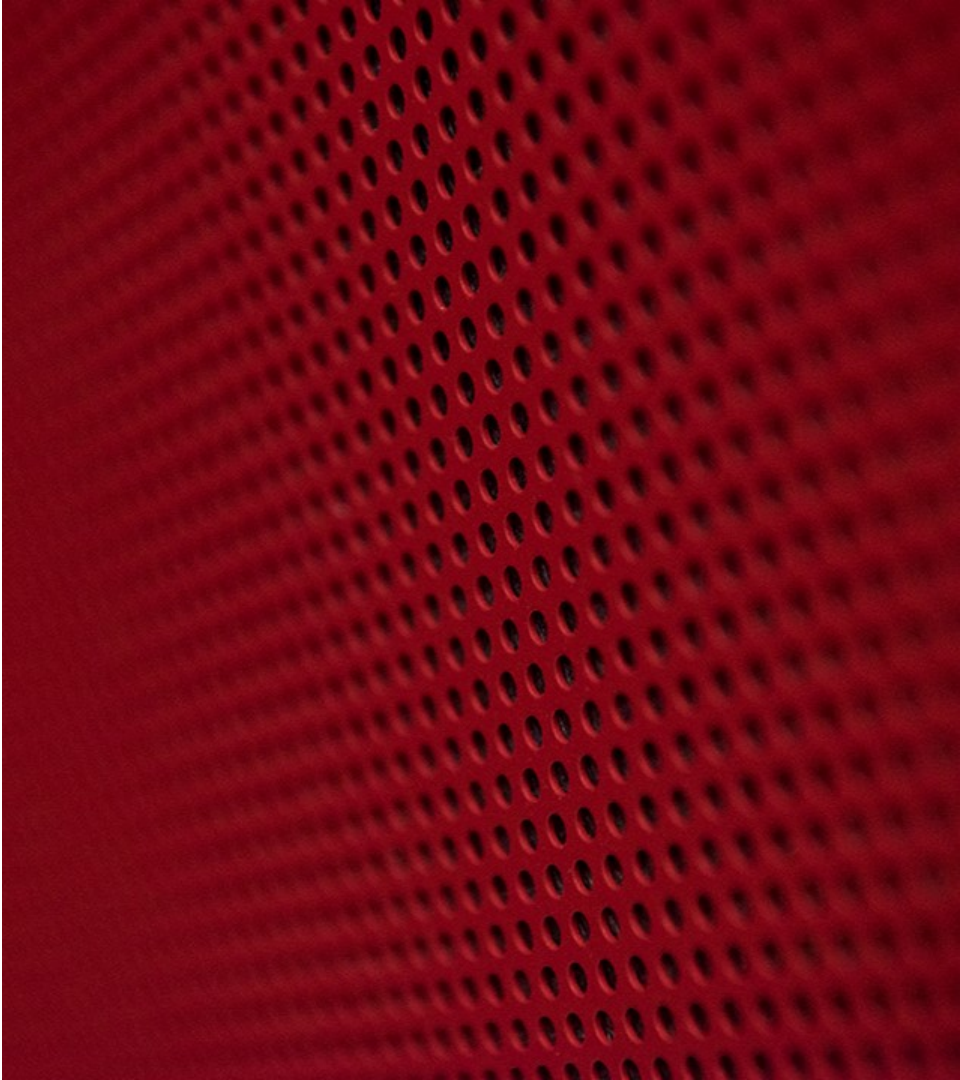
<sup>2</sup>Q4 2019 EBITDA excludes the impact of restructuring charges that reduced Engine Segment EBITDA \$18 million, Distribution Segment EBITDA \$37 million, Components Segment EBITDA \$20 million, Power Systems Segment EBITDA \$12 million, New Power Segment EBITDA \$1 million, and Intersegment Eliminations EBITDA \$31 million.

# Raising Performance Over Successive Troughs



<sup>1</sup>EPS = Diluted Earnings Per Share

# 2021 Guidance



# Guidance for 2021 Consolidated Results

<b>ITEM</b>	<b>FULL YEAR GUIDANCE</b>
Consolidated Revenue	Up 8% to 12%
Earnings from JVs	Down 25% to 30%
EBITDA Margin	15.0% to 15.5%
Depreciation & Amortization	\$650 to \$670 M
Effective Tax Rate <sup>1</sup>	22.5%
Capital Expenditures	\$725 to \$775 M
Global Pension Funding	\$75 M
Interest Expense	\$115 M

<sup>1</sup> Excluding discrete income tax items

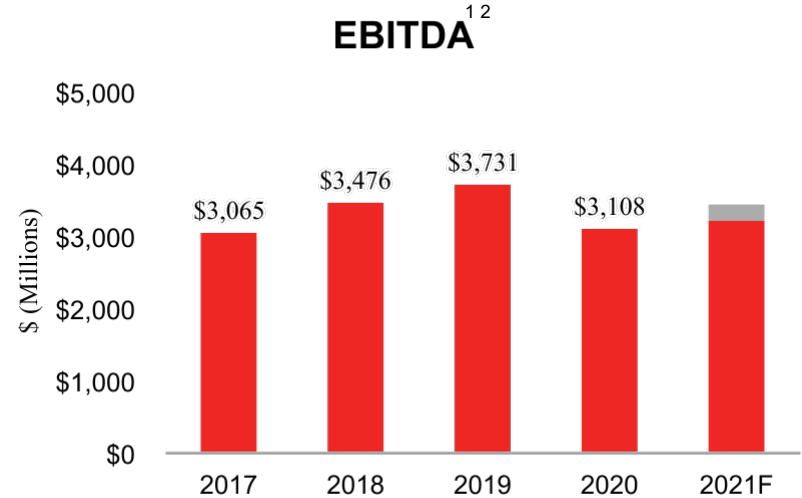
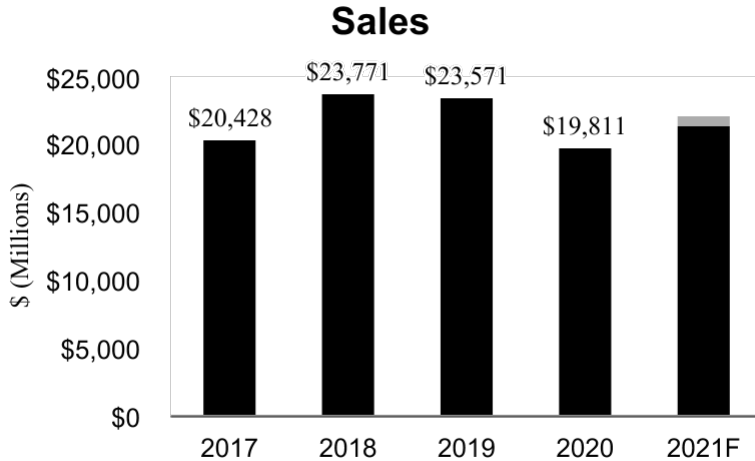
# Guidance for 2021 Segment Results

ITEM	ENGINE	DISTRIBUTION	COMPONENTS	POWER SYSTEMS	NEW POWER
Consolidated Revenue Growth	Up 10% to 14%	Up 6% to 10%	Up 9% to 13%	Up 7% to 11%	\$110M to \$130M
2021 EBITDA Margins (% of Revenue)	14.0% to 15.0%	9.6% to 10.6%	14.4% to 15.4%	10.1% to 11.1%	(\$210M) to (\$190M)
2020 EBITDA Margins (% of Revenue)	15.4%	9.3%	16.0%	9.4%	(\$172M)

# Key On-Highway Engine Markets - 2021

KEY MARKET	2021 Forecast	Market Size Vs. 2020
<b>Heavy Duty Truck - NAFTA</b> Class 8, Group 2 - Production	245K to 265K units	Up 30% to 40%
<b>Medium Duty Truck - NAFTA</b> Class 6-7, and Class 8 Group 1 - Production	120K to 130K units	Up 20% to 30%
<b>Heavy &amp; Medium Truck - China</b> Sales	1,300K units	Down 30%
<b>Heavy &amp; Medium Truck - India</b> Sales	185K units	Up 20%
<b>Heavy &amp; Medium Truck - Brazil</b> Production	113K units	Up 24%

# Cummins Inc.



## 2021 Guidance

Sales Up 8% to 12%    EBITDA 15.0% to 15.5%

<sup>1</sup> 2017 EBITDA excludes \$39 million of joint venture tax charges related to Tax Legislation.

<sup>2</sup> 2019 EBITDA excludes \$119 million of restructuring charges.



A vertical red bar with a perforated texture occupies the left side of the page. The perforations are small, dark, oval-shaped holes arranged in a grid pattern that tapers towards the right.

# **2020 Supplemental Information**

# Engine Segment Selected Financial Data

- Sales increased due to continued strong demand in China markets.
- EBITDA increased due to cost savings related to restructuring activities and increased joint venture income.

<b>\$ MILLIONS</b>	<b>Q4 2020</b>	<b>Q4 2019</b>	<b>CHANGE</b>
Sales	2,329	2,284	2%
EBITDA <sup>1</sup>	338	277	22%
EBITDA (% of Sales) <sup>1</sup>	14.5%	12.1%	

<sup>1</sup> Q4 2019 EBITDA excludes \$18 million of restructuring charges.

# Engine Segment - Sales by Market

- On-highway revenues improved due to increased demand in North America Heavy & Light Duty truck markets.
- Off-highway revenues increased due to higher demand in China construction markets.

<b>\$ MILLIONS</b>	<b>Q4 2020</b>	<b>Q4 2019</b>	<b>CHANGE</b>
Heavy-Duty Truck	789	755	5%
Medium-Duty Truck & Bus	565	602	(6)%
Light-Duty Automotive	492	464	6%
<b>On-Highway</b>	<b>1,846</b>	<b>1,821</b>	<b>1%</b>
<b>Off-Highway</b>	<b>483</b>	<b>463</b>	<b>4%</b>
<b>Total Sales</b>	<b>2,329</b>	<b>2,284</b>	<b>2%</b>

# Distribution Segment Selected Financial Data

- Sales decreased with revenues in North America down 7% partially offset by international sales growth of 8%.
- EBITDA increased primarily due to the benefits of our North America transformation work.

\$ MILLIONS	Q4 2020	Q4 2019	CHANGE
Sales	1,996	2,038	(2)%
EBITDA <sup>1</sup>	165	164	1%
EBITDA (% of Sales) <sup>1</sup>	8.3%	8.0%	

<sup>1</sup> Q4 2019 EBITDA excludes \$37 million of restructuring charges.

# Components Segment Selected Financial Data

- Sales in North America increased 1% driven by higher truck production, while revenues in international markets increased by 40% as a result of higher truck demand in China and India.
- EBITDA increased due to the impact of higher volumes, higher joint venture income and realizing the benefits of restructuring.

<b>\$ MILLIONS</b>	<b>Q4 2020</b>	<b>Q4 2019</b>	<b>CHANGE</b>
Sales	1,831	1,557	18%
EBITDA <sup>1</sup>	280	209	34%
EBITDA (% of Sales) <sup>1</sup>	15.3%	13.4%	

<sup>1</sup> Q4 2019 EBITDA excludes \$20 million of restructuring charges.

# Power Systems Segment Selected Financial Data

- Industrial sales declined 12% driven by continued weakness in mining and oil and gas markets. Power generation sales decreased by 2%.
- The increase in EBITDA was due to the benefits of restructuring and cost reduction actions more than offsetting the impact of lower volumes.

\$ MILLIONS	Q4 2020	Q4 2019	CHANGE
Sales	989	1,054	(6)%
EBITDA <sup>1</sup>	74	55	35%
EBITDA (% of Sales) <sup>1</sup>	7.5%	5.2%	

<sup>1</sup> Q4 2019 EBITDA excludes \$12 million of restructuring charges.

# New Power Segment Selected Financial Data

- EBITDA losses were \$51 million for the quarter driven by the development of new products and the expected slow ramp of new technology adoption.

\$ MILLIONS	Q4 2020	Q4 2019	CHANGE
Sales	34	18	+89%
EBITDA <sup>2</sup>	(51)	(50)	(2)%
EBITDA (% of Sales) <sup>2</sup>	NM <sup>1</sup>	NM <sup>1</sup>	

<sup>1</sup>"NM" - not meaningful information

<sup>2</sup>Q4 2019 EBITDA excludes \$1 million of restructuring charges.



## Joint Venture Income - Full Year

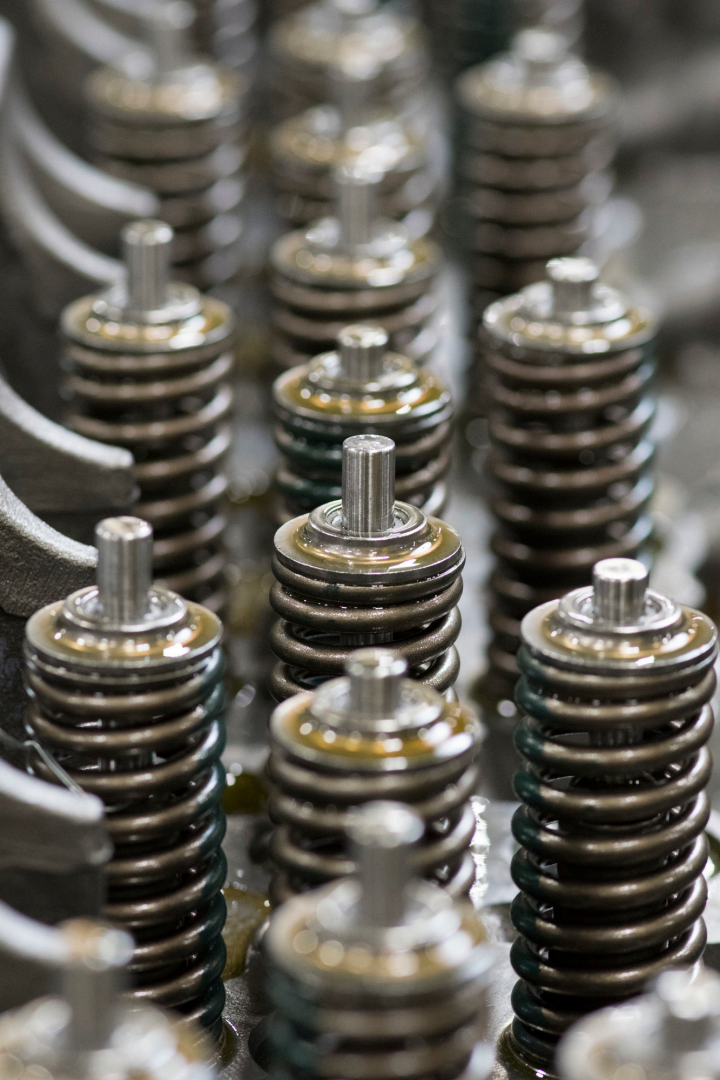
<b>\$ MILLIONS</b>	<b>2020</b>	<b>2019</b>
Engine	312	200
Distribution	62	52
Components	61	40
Power Systems	21	38
New Power	(4)	—
<b>Total JV Income</b>	<b>452</b>	<b>330</b>





## Cash Flow – Full Year

<b>\$ MILLIONS</b>	<b>2020</b>	<b>2019</b>
Operating Cash Flow	2,722	3,181
Capital Expenditures	528	700
Working Capital Measure	4,425	4,622
Working Capital Measure (% of Net Sales)	22.3%	19.6%
Total Debt to Capital %	31.7%	21.9%
Net Debt to Capital %	2.3%	8.3%



## Joint Venture Income - Quarter

<b>\$ MILLIONS</b>	<b>Q4 2020</b>	<b>Q4 2019</b>
Engine	76	48
Distribution	17	17
Components	15	10
Power Systems	3	(1)
New Power	(1)	—
<b>Total JV Income</b>	<b>110</b>	<b>74</b>

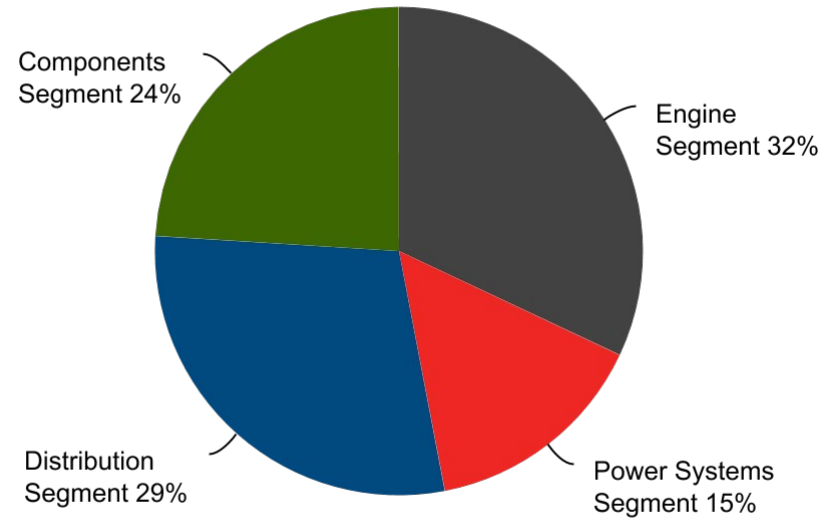
# Appendix



# Cummins Inc.

- Strong product portfolio and global partners
- Macro growth trends play to Cummins' strengths
- Disciplined investment for growth
- Demonstrated technology leadership

## 2020 Revenue by Segment



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### 2020 Results

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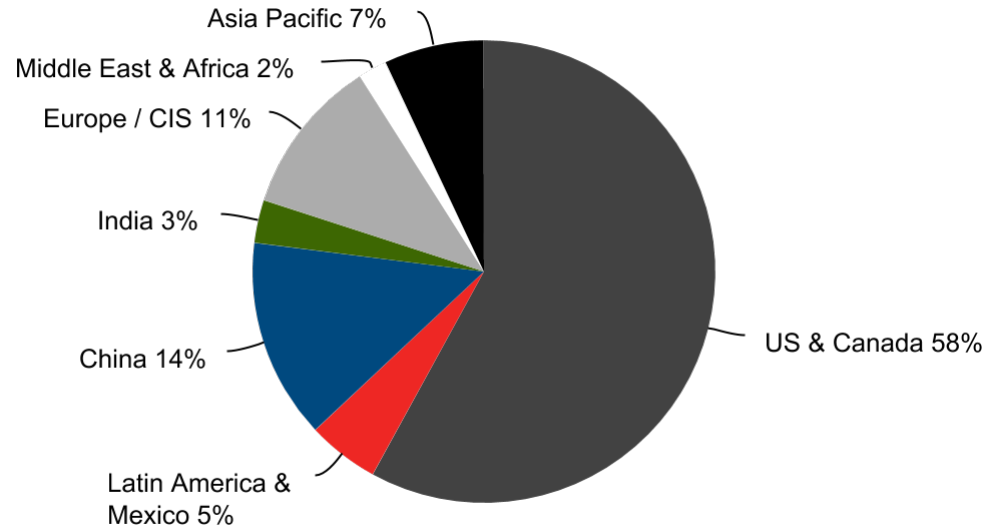
Sales:	\$19.8 billion
EBITDA:	\$3.1 billion
EBITDA%:	15.7%

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# Cummins Inc.

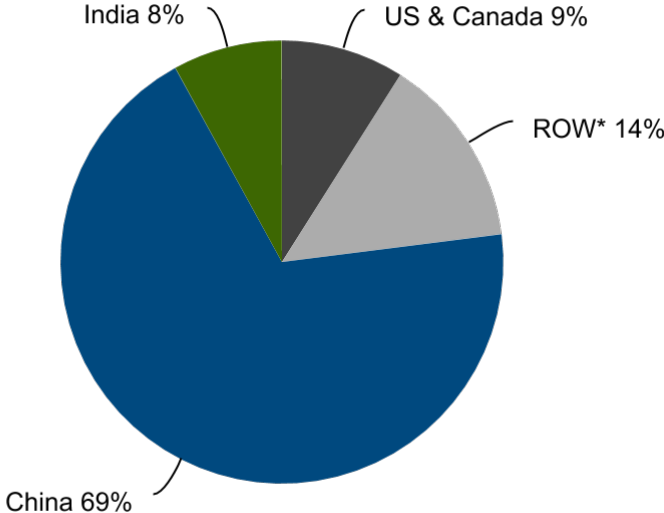
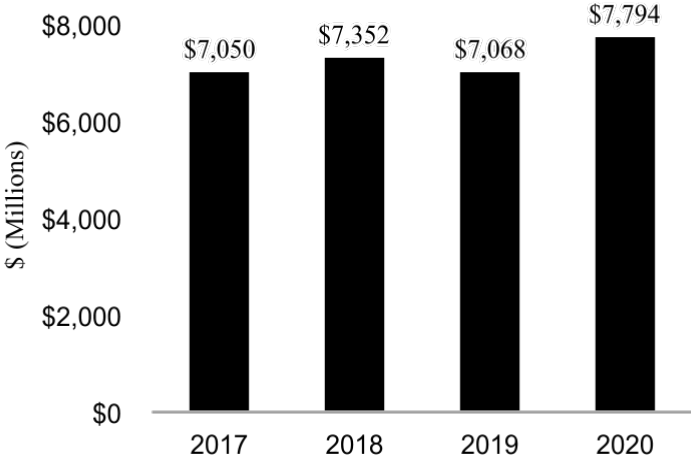
- Capitalizing on global emission regulations
- Strong geographic diversification and leadership across multiple end-markets
- Global distribution network with presence in approximately 190 countries and territories

## 2020 Revenue by Marketing Territory



# Cummins - Joint Venture Sales Unconsolidated

## 2020 Revenue



\* Rest of world

# Engine Segment - Overview

- Diesel and natural gas engines from 2.8L to 15L and 48 hp to 715 hp
- Long-term engine supply agreements with key customers to stabilize pricing and to jointly engineer better integrated vehicles to market
- Leading market share in multiple end-markets and geographies

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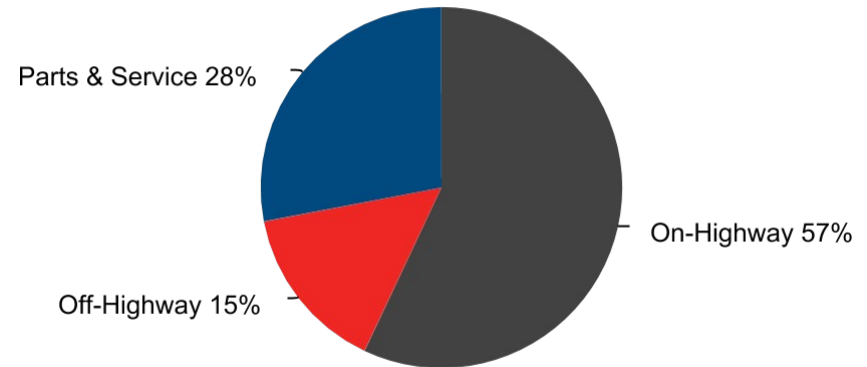
## 2020 Results

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Sales:	\$8.0 billion
EBITDA:	\$1.2 billion
EBITDA%:	15.4%

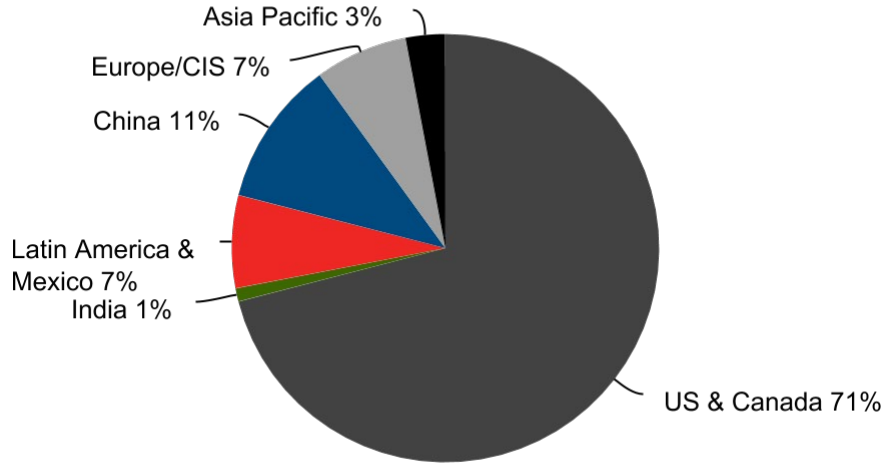
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## 2020 Revenue by Product

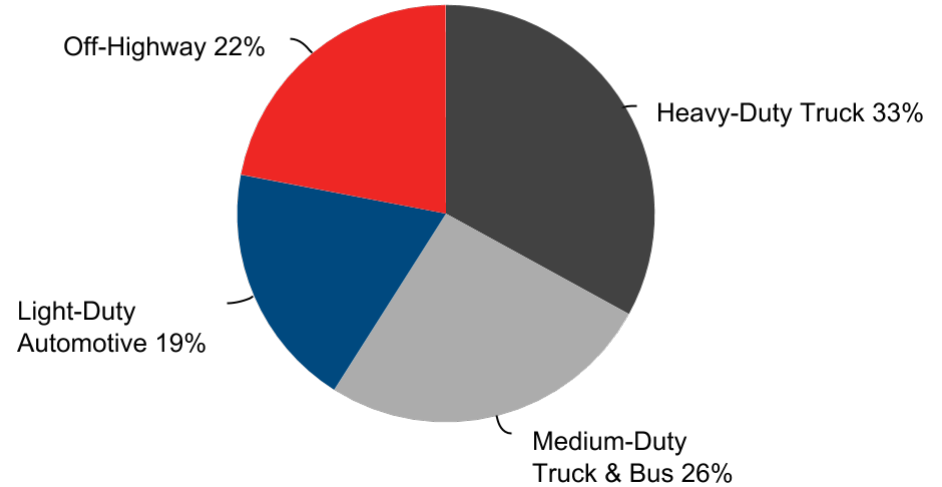


# Engine Segment - Sales Mix

## By Region



## By Application

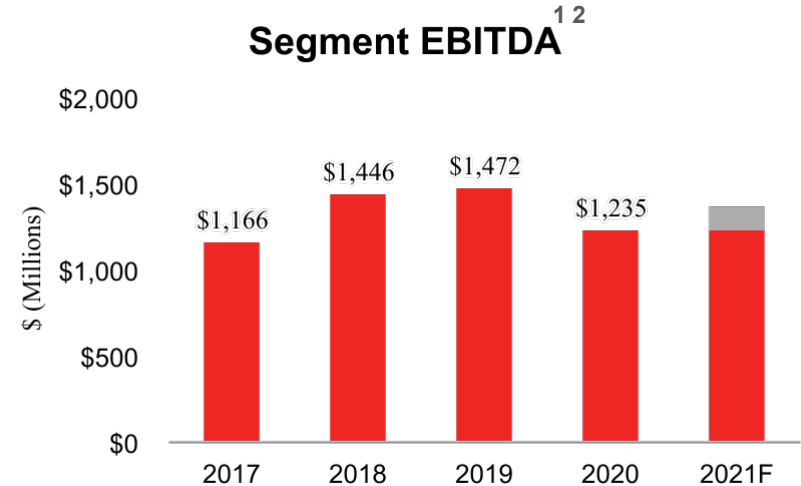
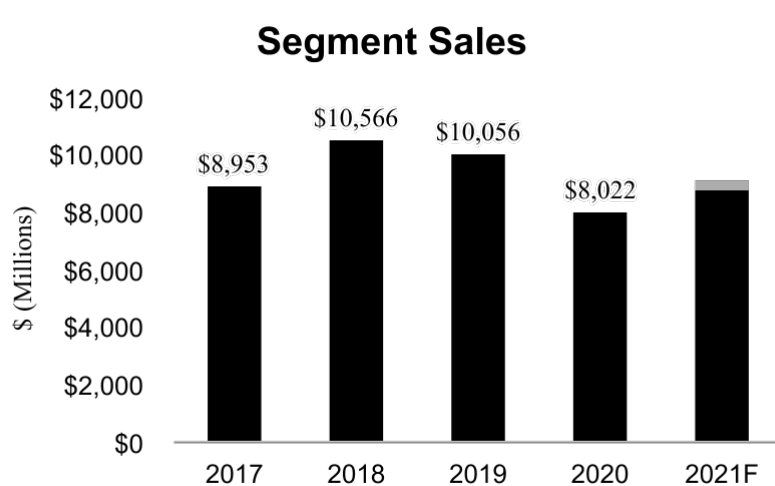


**2020 Revenue**

**\$8.0 billion**



# Engine Segment - Historical Performance

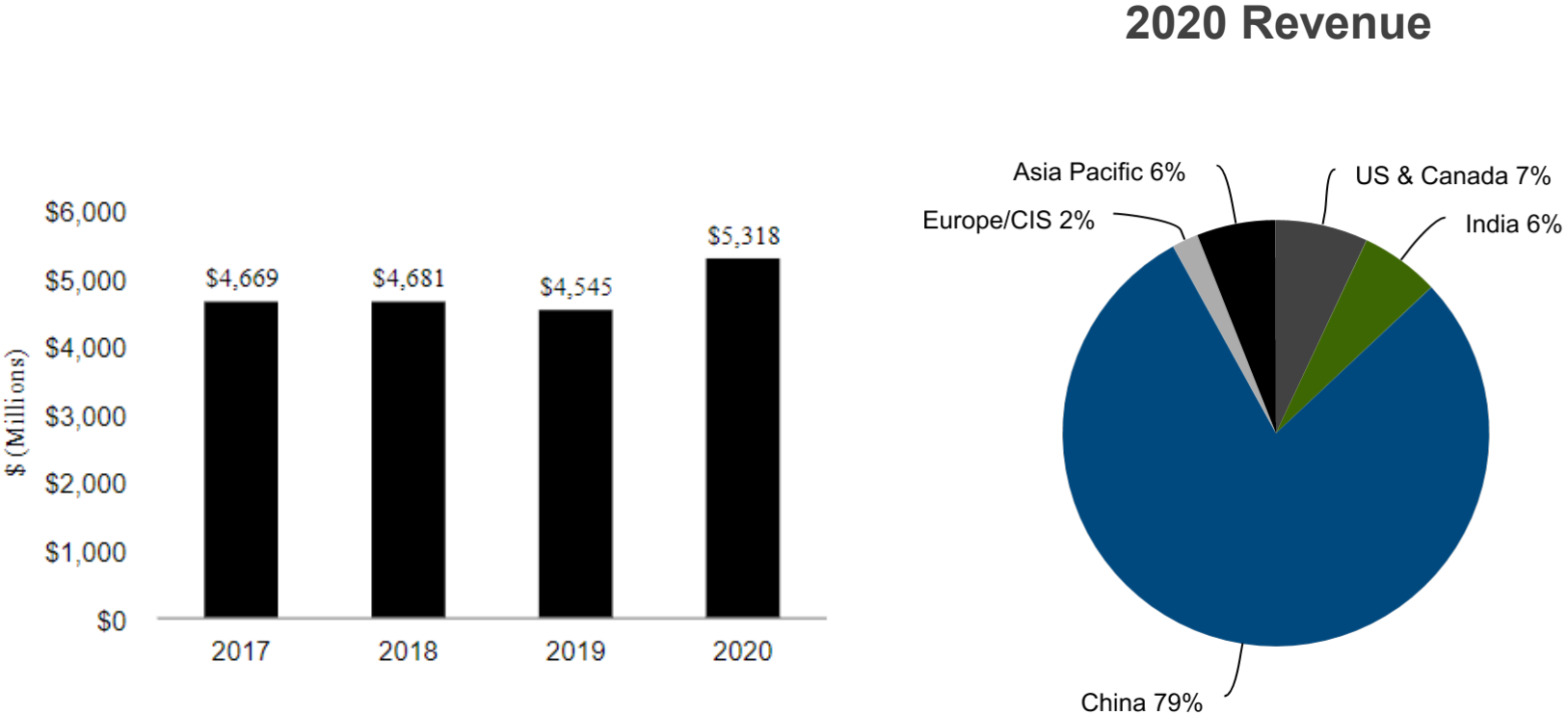


2021 Guidance	
Sales Up 10% to 14%	EBITDA 14.0% to 15.0%

<sup>1</sup> 2017 EBITDA excludes \$23 million of joint venture tax charges related to Tax Legislation.

<sup>2</sup> 2019 EBITDA excludes \$18 million of restructuring charges.

# Engine Segment - Joint Venture Sales Unconsolidated



# Distribution Segment - Overview

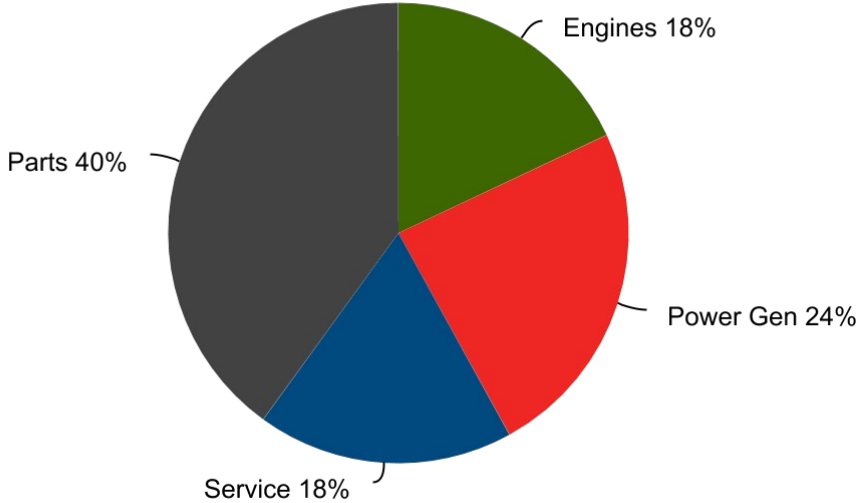
- Provide aftermarket support and increase solution-based revenue
- Increasing network capabilities in emerging markets to capture profitable growth

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2020 Results	
Sales:	\$7.1 billion
EBITDA:	\$665 million
EBITDA%:	9.3%

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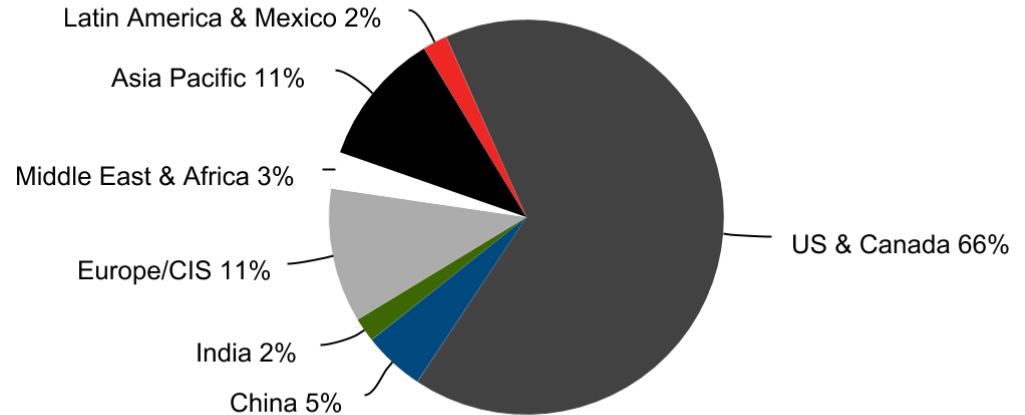
### 2020 Revenue by Product



# Distribution Segment - Sales Mix

- Key enabler for Cummins growth
- Benefiting from increased population of products in the field

By Region



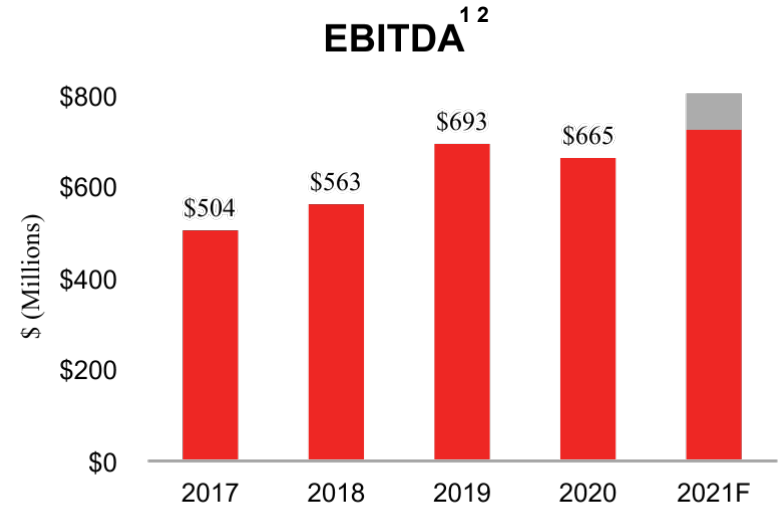
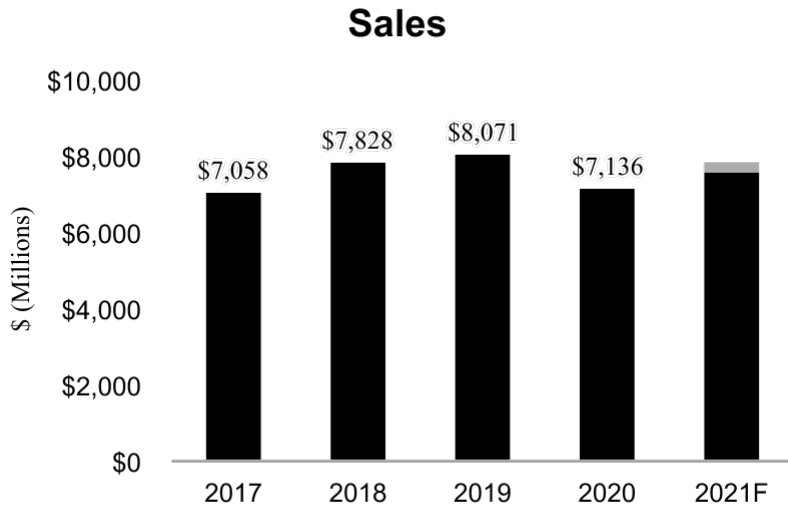
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**2020 Revenue**

**\$7.1 billion**

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# Distribution Segment - Historical Performance



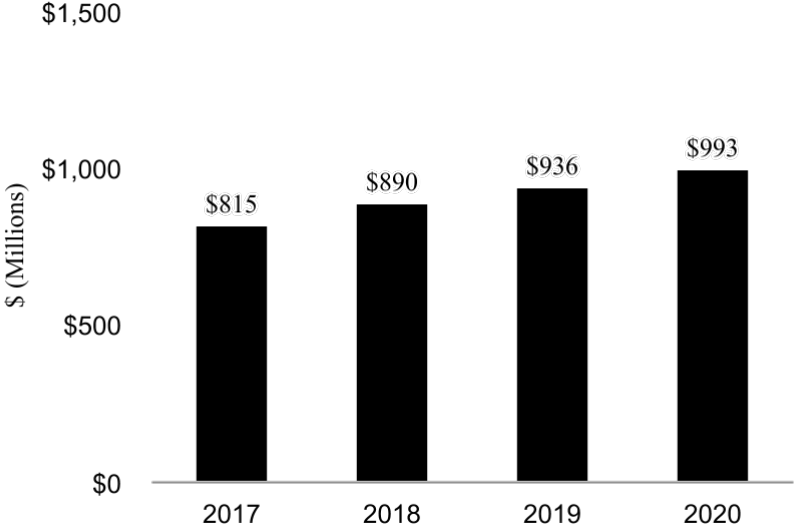
## 2021 Guidance

Sales Up 6% to 10%    EBITDA 9.6% to 10.6%

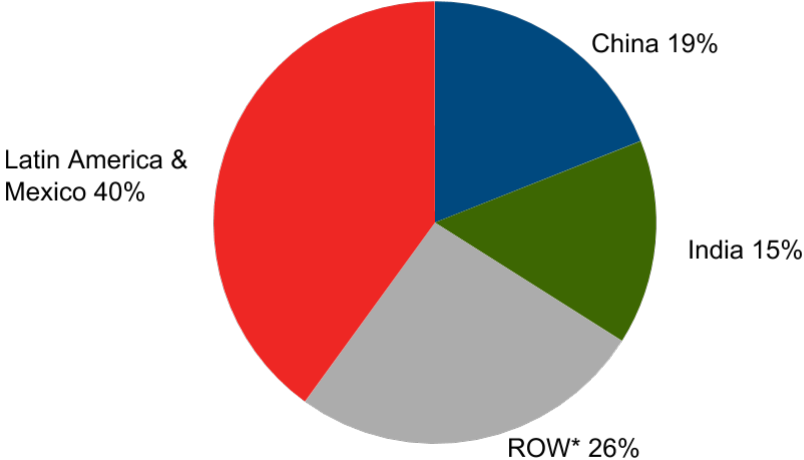
<sup>1</sup> 2017 EBITDA excludes \$4 million of joint venture tax charges related to Tax Legislation.

<sup>2</sup> 2019 EBITDA excludes \$37 million of restructuring charges.

# Distribution Segment - Joint Venture Sales Unconsolidated



### 2020 Revenue



\* Rest of World

# Components Segment - Overview

- Leading supplier of aftertreatment products for commercial vehicle applications
- Largest worldwide supplier of turbochargers from 3.8L to 25L for commercial applications
- World's leading supplier of filtration, coolant and chemical products

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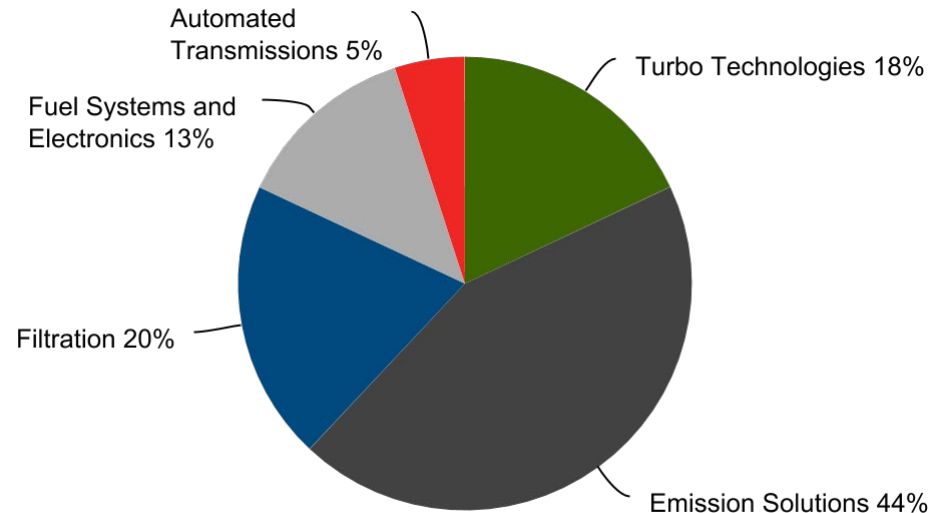
## 2020 Results

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Sales:	\$6.0 billion
EBITDA:	\$961 million
EBITDA%:	16.0%

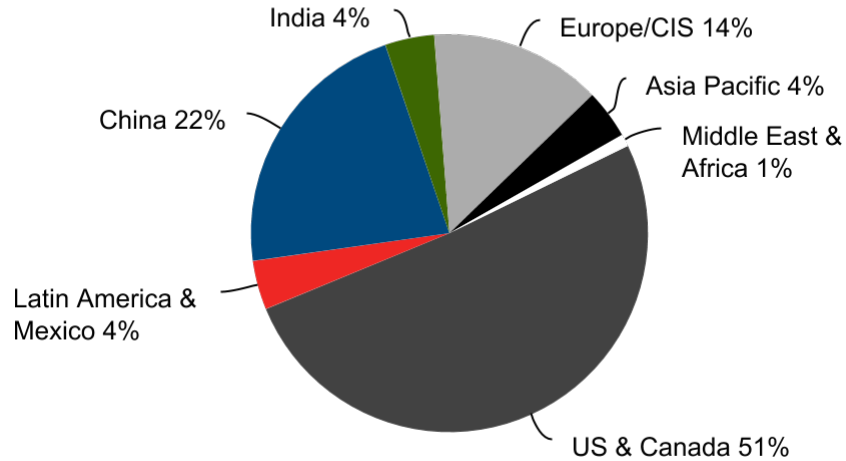
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## 2020 Revenue by Business

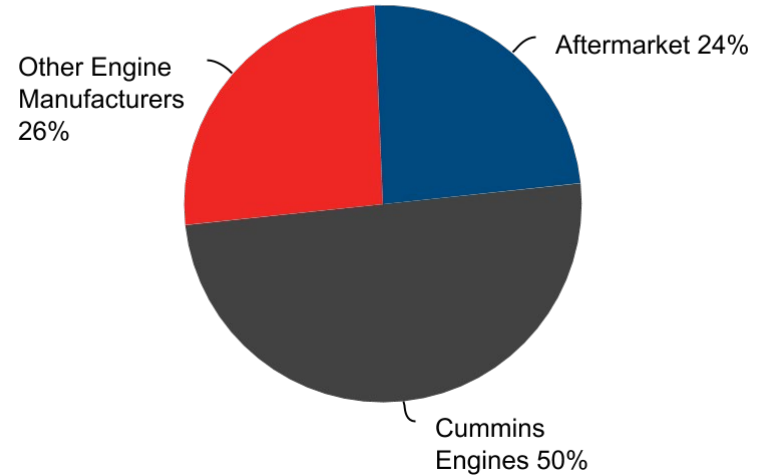


# Components Segment - Sales Mix

## By Region



## By Application



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**2020 Revenue**

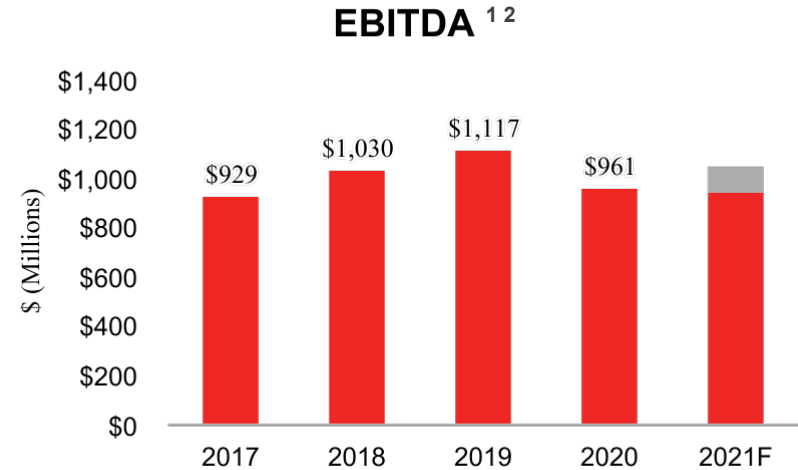
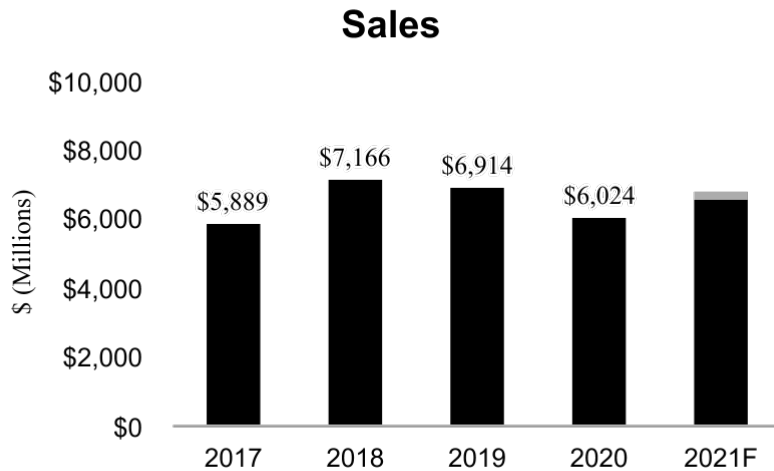
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**\$6.0 billion**

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# Components Segment - Historical Performance



## 2021 Guidance

Sales Up 9% to 13%

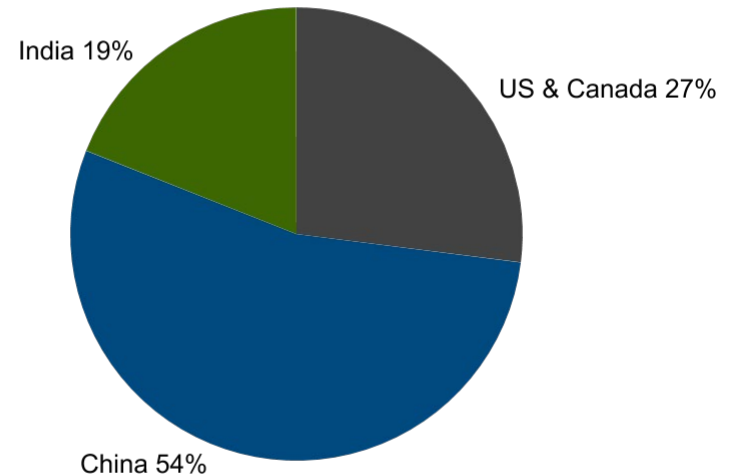
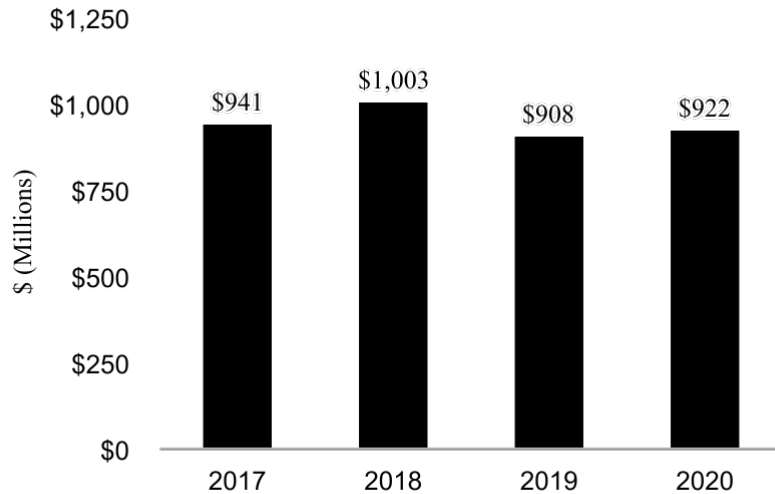
EBITDA 14.4% to 15.4%

<sup>1</sup> 2017 EBITDA excludes \$12 million of joint venture tax charges related to Tax Legislation.

<sup>2</sup> 2019 EBITDA excludes \$20 million of restructuring charges.

# Components Segment - Joint Venture Sales Unconsolidated

## 2020 Revenue



# Power Systems Segment - Overview

- Global provider of power generation systems, components and services from 2kW to 3.5 Megawatts (MW)
- Leading supplier of alternators from 3kVA to 12,000kVA
- Leading market share in multiple geographies

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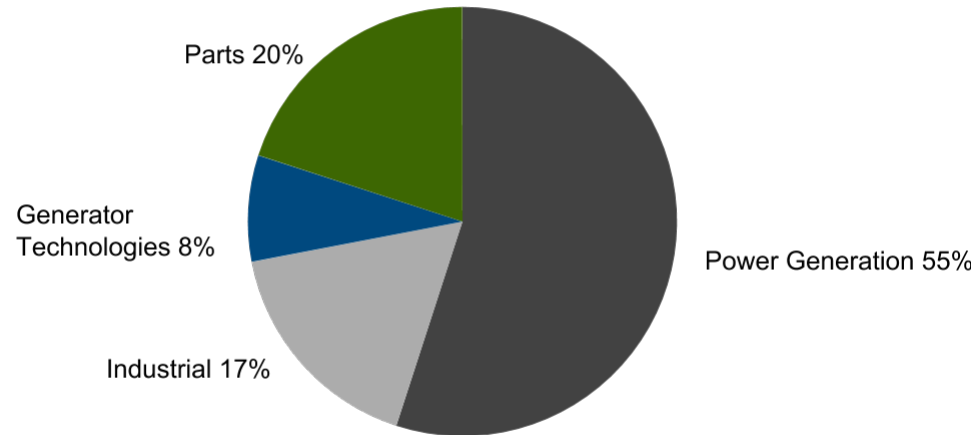
## 2020 Results

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Sales:	\$3.6 billion
EBITDA:	\$343 million
EBITDA%:	9.4%

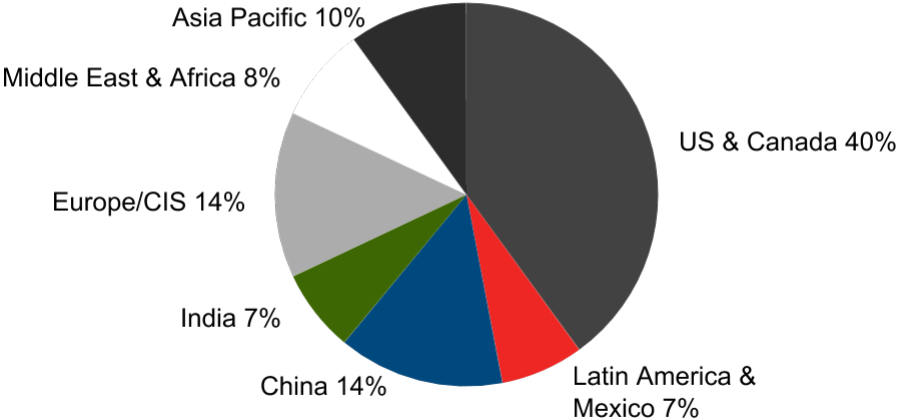
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## 2020 Revenue by Product

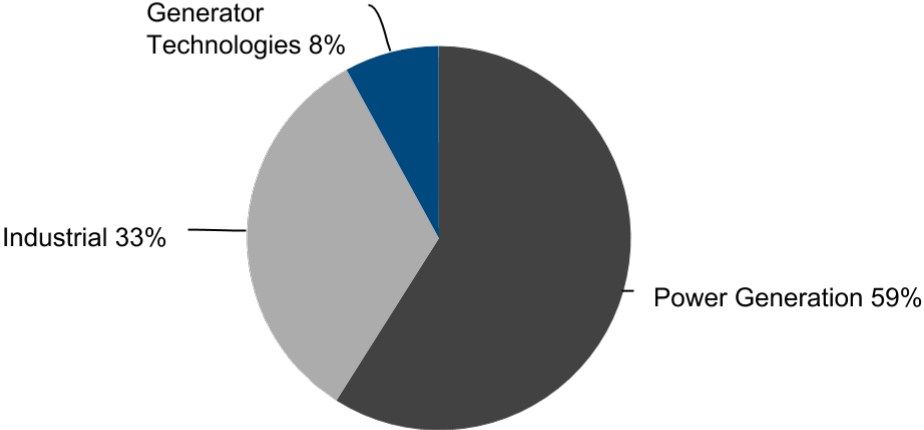


# Power Systems Segment - Sales Mix

By Region



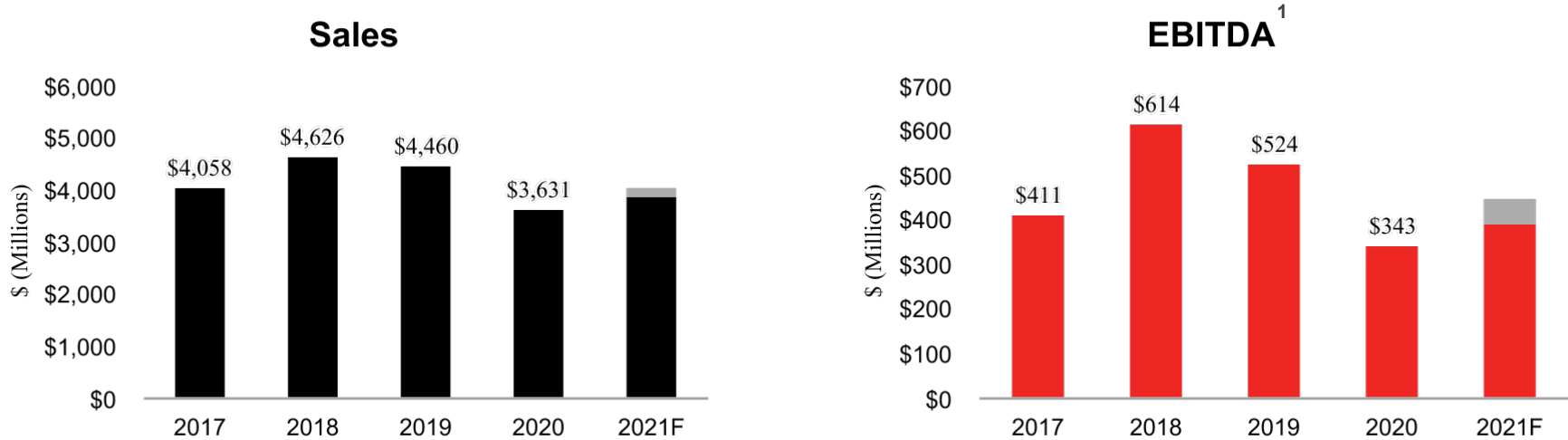
By Product Line



**2020 Revenue**

**\$3.6 billion**

# Power Systems Segment - Historical Performance



## 2021 Guidance

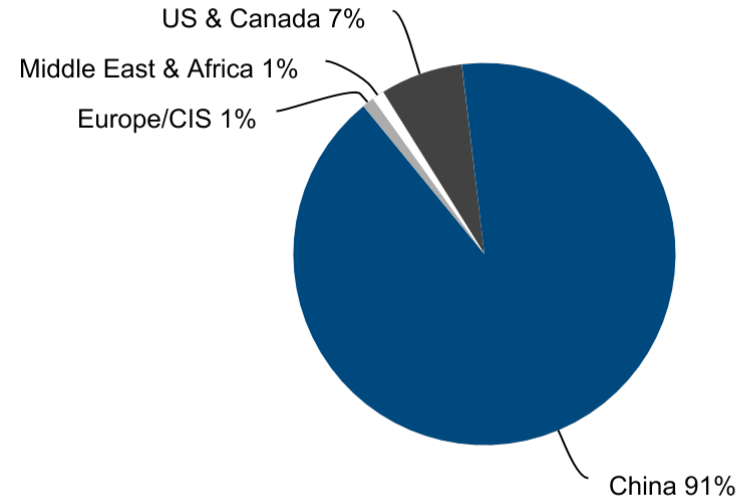
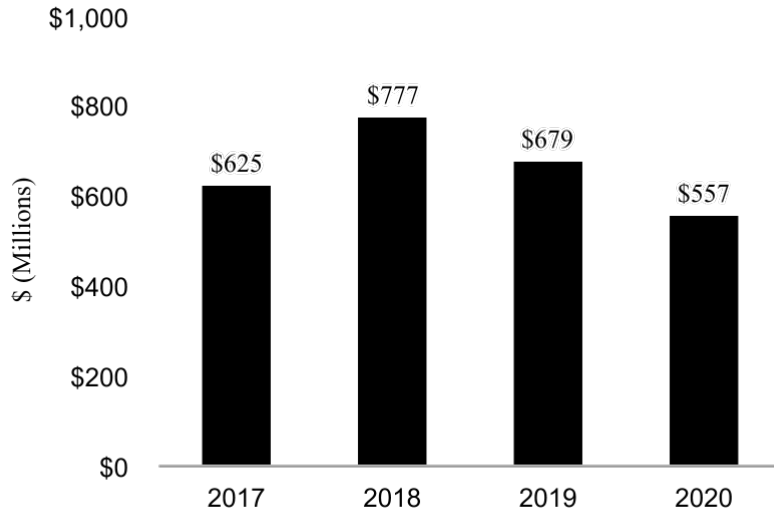
Sales Up 7% to 11%

EBITDA 10.1% to 11.1%

<sup>1</sup> 2019 EBITDA excludes \$12 million of restructuring charges.

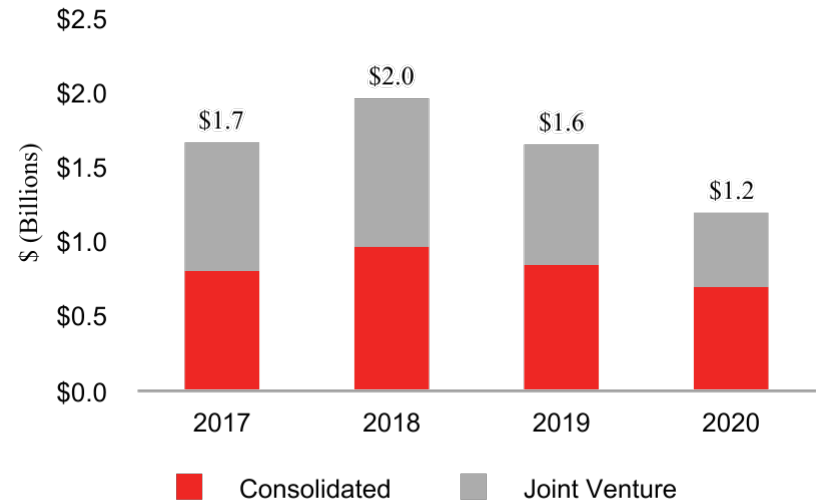
# Power Systems Segment - Joint Venture Sales Unconsolidated

## 2020 Revenue



# Emerging Market Sales - India<sup>1</sup>

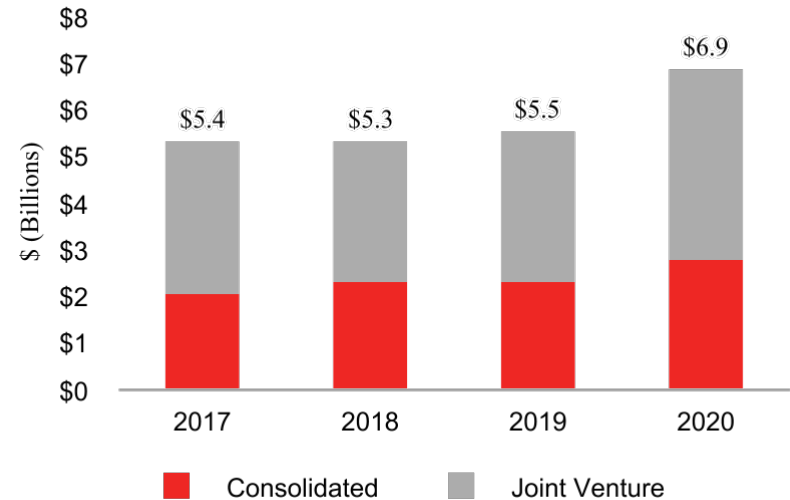
- Present in India for over 50 years
- Market leadership
- Strong OEM relationships
- Expanding our markets



<sup>1</sup> Consolidated & JV sales with eliminations

# Emerging Market Sales - China<sup>1</sup>

- Present in China for over 40 years
- Broad product portfolio for On and Off Highway
- Strong OEM partners
- Growth from new products and tightening emission standards



<sup>1</sup> Consolidated & JV sales with eliminations



# Non-GAAP Reconciliation - EBITDA

In Millions	Three Months Ended	
	31-Dec-20	31-Dec-19
Net income attributable to Cummins Inc.	\$ 501	\$ 300
Net income attributable to noncontrolling interests	9	(2)
Consolidated net income	510	298
Income tax expense	125	65
Income before taxes	635	363
Interest expense	29	22
EBIT	664	385
Depreciation and amortization	173	0
EBITDA	837	563
Restructuring charges	—	119
EBITDA excluding restructuring charges	837	682
Less: Non-segment EBITDA excluding restructuring charges	31	27
Total Segment EBITDA excluding restructuring charges	\$ 806	\$ 655

We define EBITDA as earnings before interest expense, provision for income taxes, depreciation & amortization, and non-controlling interests in earnings of consolidated subsidiaries. The table above reconciles EBITDA, a non-GAAP financial measure, to our consolidated earnings before income taxes and non-controlling interests, for each of the applicable periods. We believe EBITDA is a useful measure of our operating performance for the periods presented as it illustrates our operating performance without regard for financing methods, capital structure, income taxes, or depreciation & amortization methods. This measure is not in accordance with, or an alternative for, accounting principles generally accepted in the United States of America (GAAP) and may not be consistent with measures used by other companies. It should be considered supplemental data.

# Non-GAAP Reconciliation - EBITDA

In Millions	Years Ended	
	31-Dec-20	31-Dec-19
Net income attributable to Cummins Inc.	\$ 1,789	\$ 2,260
Net income attributable to noncontrolling interests	22	8
Consolidated net income	1,811	2,268
Income tax expense	527	566
Income before taxes	2,338	2,834
Interest expense	100	109
EBIT	2,438	2,943
Depreciation and amortization	670	0
EBITDA	3,108	3,612
Restructuring charges	—	119
EBITDA excluding restructuring charges	3,108	3,731
Less: Non-segment EBITDA excluding restructuring charges	76	73
Total Segment EBITDA excluding restructuring charges	\$ 3,032	\$ 3,658

We define EBITDA as earnings before interest expense, provision for income taxes, depreciation & amortization, and non-controlling interests in earnings of consolidated subsidiaries. The table above reconciles EBITDA, a non-GAAP financial measure, to our consolidated earnings before income taxes and non-controlling interests, for each of the applicable periods. We believe EBITDA is a useful measure of our operating performance for the periods presented as it illustrates our operating performance without regard for financing methods, capital structure, income taxes, or depreciation & amortization methods. This measure is not in accordance with, or an alternative for, accounting principles generally accepted in the United States of America (GAAP) and may not be consistent with measures used by other companies. It should be considered supplemental data.

# Non-GAAP Reconciliation - Working Capital

In Millions	Years Ended	
	31-Dec-20	31-Dec-19
Accounts and notes receivable, net	\$ 3,820	\$ 3,670
Inventories	3,425	3,486
Accounts Payable - (principally trade)	(2,820)	(2,534)
Working capital measure	\$ 4,425	\$ 4,622
Annualized Working capital measure (% of Net Sales)	22.3 %	19.6 %

A reconciliation of the calculation of working capital measure as a % of annualized net sales to our Condensed Consolidated Financial Statements is shown in the table above.

# Non-GAAP Reconciliation - Net Assets

In Millions			
	31-Dec-20	31-Dec-19	31-Dec-18
Total Assets	\$ 22,624	\$ 19,737	\$ 19,062
Less: Deferred debt costs	3	3	3
Less: Deferred tax assets	479	441	410
Less: Pension and other postretirement benefit adjustments excluded from net assets	67	67	68
Less: Liabilities deducted in arriving at net assets	8,947	8,498	7,836
Total net assets	13,128	10,728	10,745
Less: Cash, cash equivalents and marketable securities	3,862	1,470	1,525
Net assets for operating segments	\$ 9,266	\$ 9,258	\$ 9,220

A reconciliation of net assets for operating segments to total assets in our Condensed Consolidated Financial Statements is shown in the table above.

# Non-GAAP Reconciliation - Invested Capital Used for Return on Invested Capital Calculation

In Millions

	31-Dec-20	31-Dec-19	31-Dec-18
Total Equity	\$ 8,989	\$ 8,465	\$ 8,259
Less: Defined benefit postretirement plans	(735)	(734)	(671)
Equity used for return on invested capital calculation	9,724	9,199	8,930
Loans payable	169	100	54
Commercial paper	323	660	780
Current maturities of long-term debt	62	31	45
Long-term debt	3,610	1,576	1,597
Invested capital used for return on invested capital calculation	\$ 13,888	\$ 11,566	\$ 11,406

A reconciliation of invested capital used for return on invested capital calculation to total equity in our Consolidated Financial Statements is shown in the table above.

# Non-GAAP Reconciliation - Net Operating Profit After Taxes Used for Return on Invested Capital Calculation

In Millions	Years Ended	
	31-Dec-20	31-Dec-19
Net income attributable to Cummins Inc.	\$ 1,789	\$ 2,260
Net income attributable to noncontrolling interests	22	8
Consolidated net income	1,811	2,268
Income tax expense	527	566
Income before taxes	2,338	2,834
Interest expense	100	109
EBIT	2,438	2,943
Restructuring charge	—	119
EBIT excluding restructuring charge	2,438	3,062
Less: Tax effect on EBIT	549	615
Net operating profit after taxes used for return on invested capital calculation	\$ 1,889	\$ 2,447

A reconciliation of net operating profit after taxes used for return on invested capital calculation to net income attributable to Cummins Inc. in our Consolidated Financial Statements is shown in the table above.

# Net Debt to Capital Reconciliation

In Millions

	31-Dec-20	31-Dec-19
Total Debt (A)	\$ 4,164	\$ 2,367
Total Equity (B)	8,989	8,465
Total Capital (C) = (A+B)	13,153	10,832
Total Cash, Cash Equivalents & Marketable Securities (D)	3,862	1,470
Net Debt (E) = (A-D)	\$ 302	\$ 897
Total Debt to Capital % (A/C)	31.7%	21.9%
Net Debt to Capital % (E/C)	2.3%	8.3%

A reconciliation of Net Debt used for Net Debt to Capital %



**Thank you for your interest**

For additional information: Jack Kienzler– Investor Relations Executive Director  
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[www.cummins.com](http://www.cummins.com)