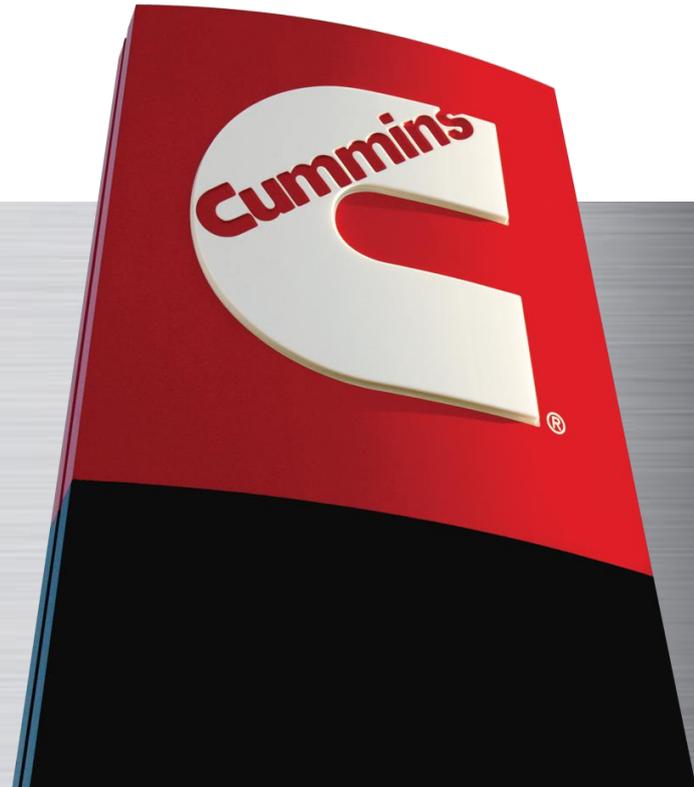


# CMI Analyst Day

November 10, 2015



# CMI Analyst Day

**Mark Smith**

Vice President - Investor Relations

November 10, 2015





# Disclosure regarding forward-looking statements

Information provided in this presentation 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, expectations, hopes, beliefs and intentions on strategies regarding the future. 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: the adoption and implementation of global emission standards; the price and availability of energy; the pace of infrastructure development; increasing global competition among our customers; general economic, business and financing conditions; governmental action; changes in our customers' business strategies; competitor pricing activity; expense volatility; labor relations; the consummation and integration of the planned acquisitions of our North American distributors; and other risks detailed from time to time in our Securities and Exchange Commission filings, particularly in the Risk Factors section of our 2014 Annual Report on Form 10-K. 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. Any or all of these factors could cause our results of operations, financial condition or liquidity for future periods to differ materially from those expressed in or implied by any forward looking statements. The forward-looking statements made herein are made only as of the date of this presentation 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 Securities and Exchange Commission, which are available at <http://www.sec.gov> or at <http://www.cummins.com> in the Investor Relations section of our website.

# Agenda

**9:00** Welcome

**9:05** Tom Linebarger, Chairman and CEO

**9:50** Rich Freeland, President and COO

**10:15** Break

**10:30** Pat Ward, Vice President and CFO

**10:50** Tom Linebarger, Chairman and CEO

**11:00** Q&A

**12:00** Lunch

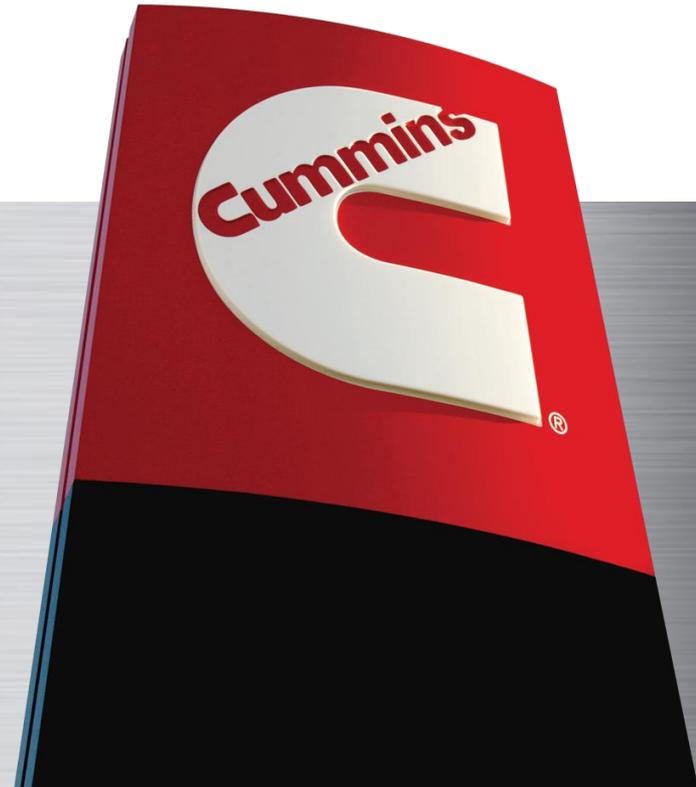


# CMI Analyst Day

**Tom Linebarger**

Chairman and Chief Executive Officer

November 10, 2015



# Agenda

- Strategy to deliver profitable growth
- Relentless focus on performance improvement
- Disciplined investment to drive strong returns

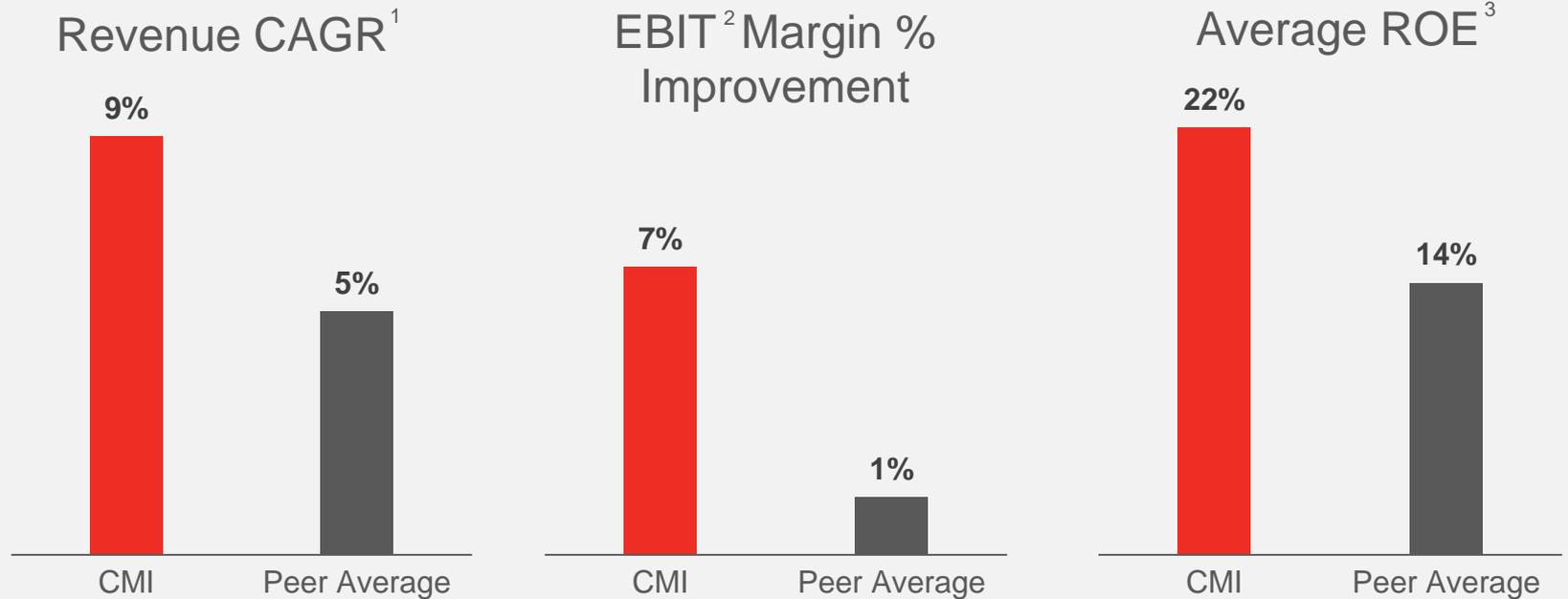
# Strong total shareholder return

| Total Shareholder Return | CMI  | Peers | S&P 500 | DJIA |
|--------------------------|------|-------|---------|------|
| Jan. 2005 to Oct. 2015   | 459% | 129%  | 72%     | 65%  |



# Driven by strong performance

From 2004 to 2014



<sup>1</sup> Compound Annual Growth Rate

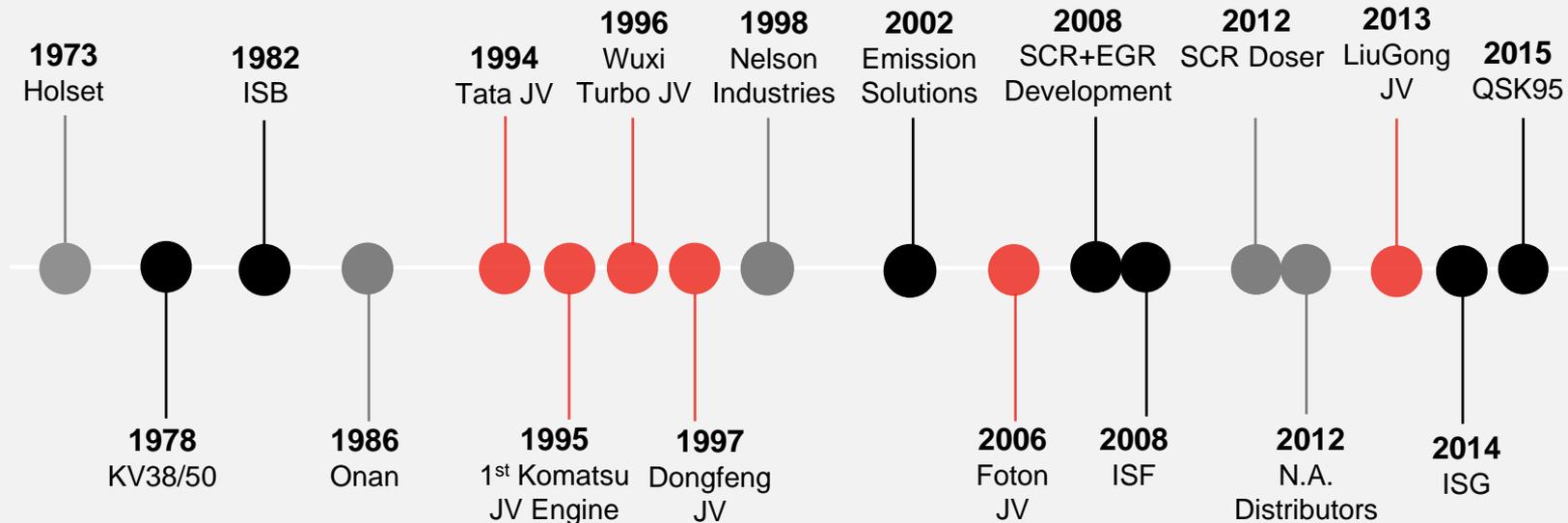
<sup>2</sup> EBIT is a non-GAAP measure which is defined as earnings before interest expense, income tax expense and noncontrolling interests in income of consolidated subsidiaries

<sup>3</sup> The return on equity calculation is a non-GAAP measure- equity excludes non-controlling interests, defined benefit postretirement plans and special items

# Driven by a clear strategy and good decisions

- Geographic expansion through partnerships
- Investment in the right technologies
- Leading products in major markets
- Global distribution

# Used a mix of organic growth, partnerships, and acquisitions



# Business conditions have changed

- Industry growth in the past four years has been below expectations
- Conditions in our core markets have changed
  - Growth in emerging markets has slowed
  - Lower investment in infrastructure and weaker commodity prices
  - Slower pace of growth in emissions – opportunity lies in emerging markets
- Cyclical weaknesses are likely to persist

# Cummins will outperform

- Manage effectively through periods of weak demand
  - Adjust cost structure quickly, in the right areas
  - Execute and operate well
  - Use the downturn to improve our business
- Capture profitable growth from new products
- Leverage and extend strong existing partnerships
- Add to existing growth platforms

# Positioned well to add growth platforms

- We have strong, defensible capabilities to leverage
- We have demonstrated success building profitable growth through organic investments, partnerships and acquisitions
- We have a capable management team and the structure to evaluate and execute investments
- We have a strong balance sheet to make investments in high return projects

# Leverage our capabilities to deliver profitable growth

Technology Leadership

Scale Advantage in Manufacturing and Supply Chain

Global Distribution

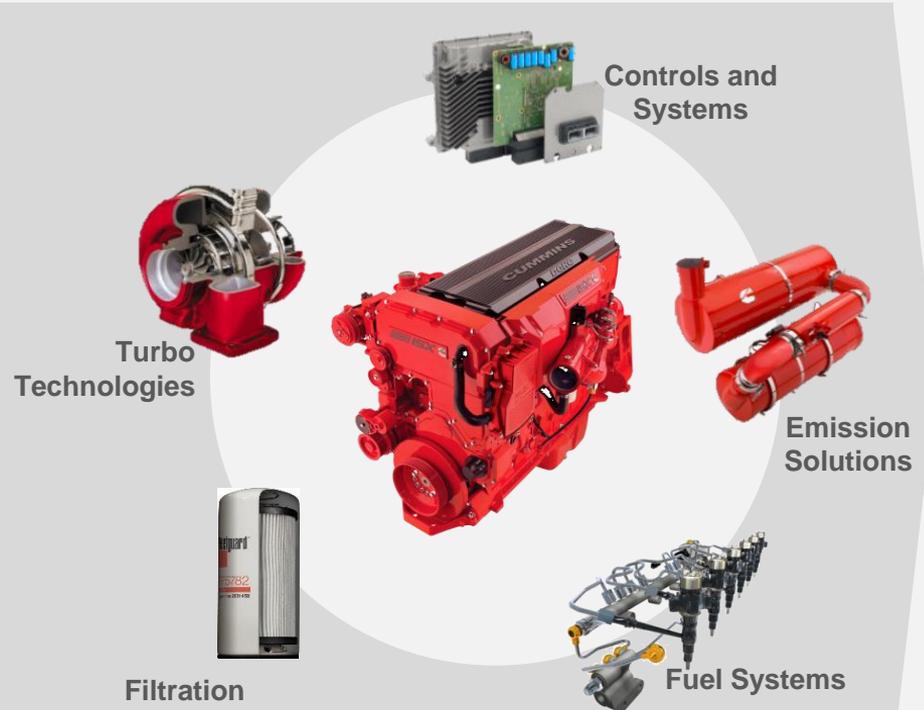
Partnerships and Customers

# Technology Leadership

# Scale Advantage in Manufacturing and Supply Chain

# Global Distribution

# Partnerships and Customers



## Engine market share \*

NA Truck MD

78%

India Truck MD+HD

42%

Global Mining

35%

NA Truck HD

34%

Global Construction

25%

China Truck MD+HD

17%

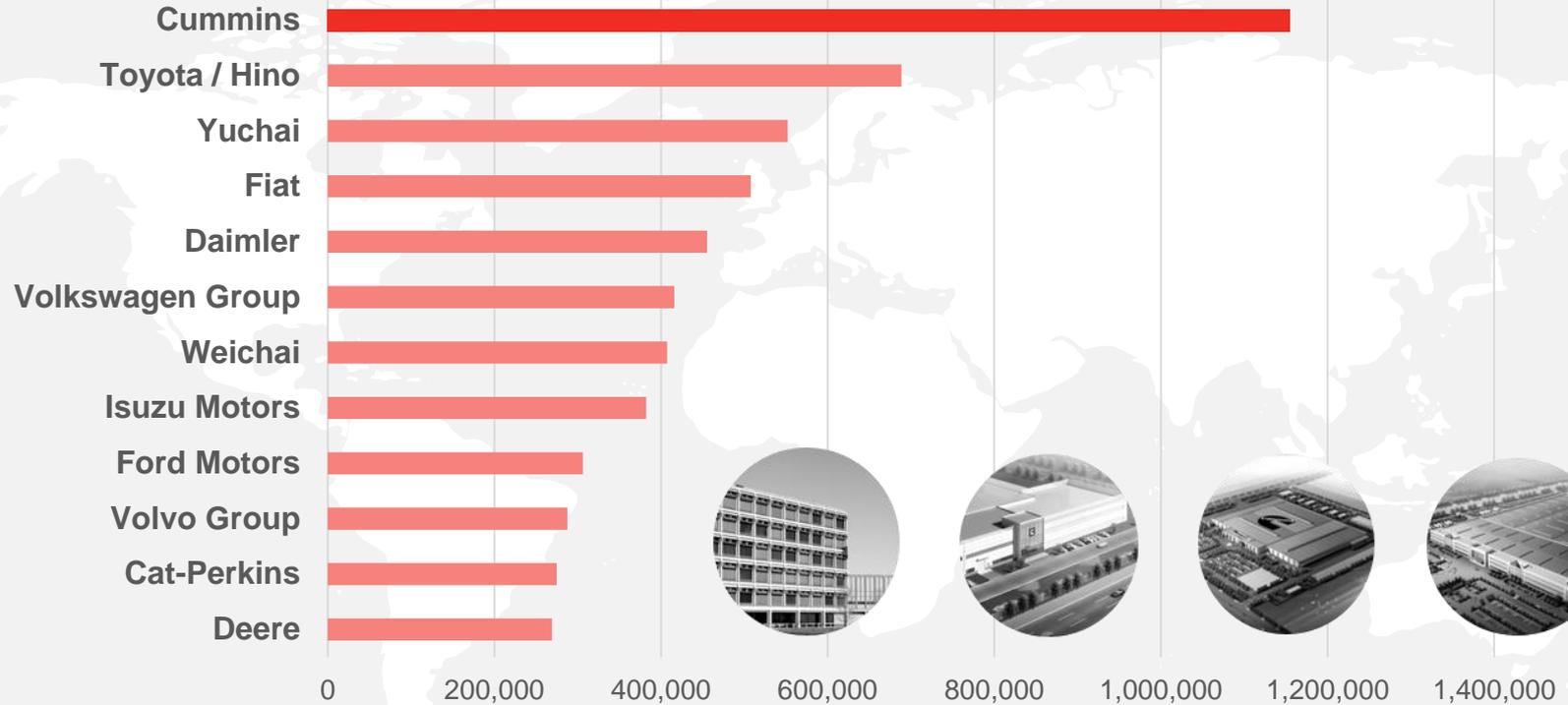
\* 2015 Estimates

Technology  
Leadership

# Scale Advantage in Manufacturing and Supply Chain

Global  
Distribution

Partnerships  
and Customers



Technology  
Leadership

Scale Advantage  
in Manufacturing  
and Supply Chain

Global  
Distribution

Partnerships  
and Customers



Technology  
Leadership

Scale Advantage  
in Manufacturing  
and Supply Chain

Global  
Distribution

Partnerships  
and Customers

**PACCAR**

**KOMATSU**



**HITACHI**  
Inspire the Next



**NAVISTAR®** **LIEBHERR**



DAIMLER



# Opportunities for partnerships and acquisitions

**1 Build on our strength in emissions control and fuel efficiency**

**2 Capitalize on our global distribution network**

**3 Increase our participation in attractive markets**

1

## Build on our strength in emissions control and fuel efficiency

- Strategic focus on components that most differentiate the power train and equipment performance
  - Fuel efficiency
  - Controls and system integration
  - Adapting technology from developed markets for developing markets

2

## Capitalize on our global distribution network

- Fully realize sales and cost synergies from global network of newly acquired distributors
- Product line extensions to other industrial and aftermarket components
- Data-enabled services to offer customers added value

3

## Increase our participation in attractive markets

- Establish global leadership position in light commercial vehicles
- Enable development of the natural gas vehicle market
- Move up the power range and strengthen market position in high-horsepower markets
  - Focus on businesses with high recurring aftermarket revenues

# Acquisitions and partnerships will be pursued with discipline

- Investment criteria
  - Drive significant sales and / or cost synergies
  - Build upon clear strategy for sustainable growth and returns
  - Leverage existing capabilities
- Discipline
  - Develop multiple strategic options
  - Proactively analyze potential targets for sources of value
  - Focus on return on investment

# Allocation of capital going forward

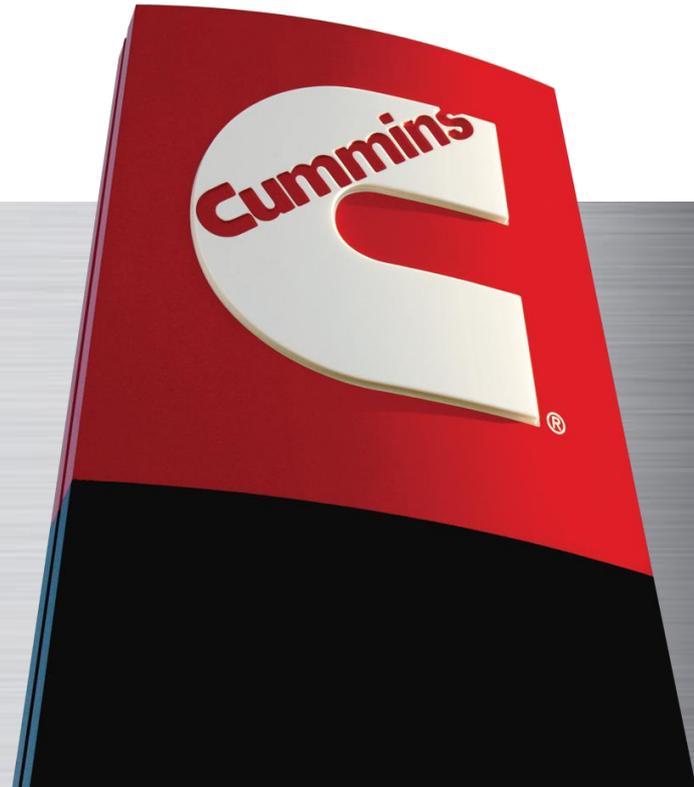
- Disciplined investment in high return businesses to outperform markets and competitors
- Strategic use of balance sheet for high return acquisitions and partnerships
- Active portfolio management
- Continue to return cash to shareholders

# CMI Analyst Day

**Rich Freeland**

President and Chief Operating Officer

November 10, 2015



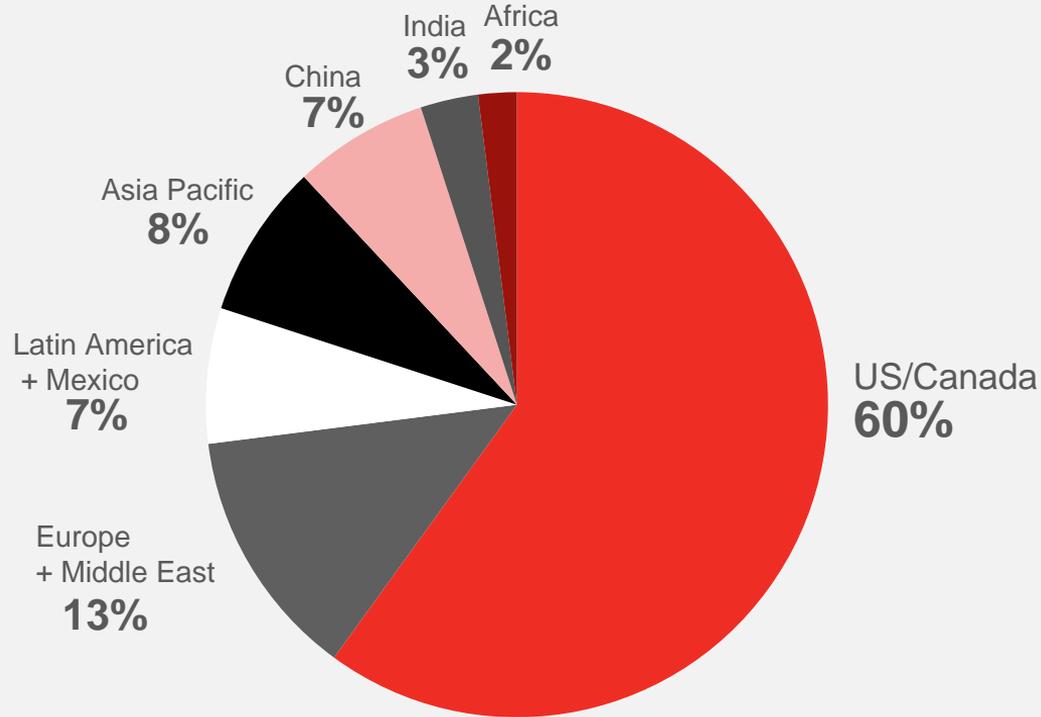
# Cummins Inc.

## Global leader

- Four strong capabilities
  - Technology Leadership
  - Scale Advantage in Manufacturing and Supply Chain
  - Global Distribution
  - Partnerships and Customers
- Long track record of performance improvement

# Cummins Inc.

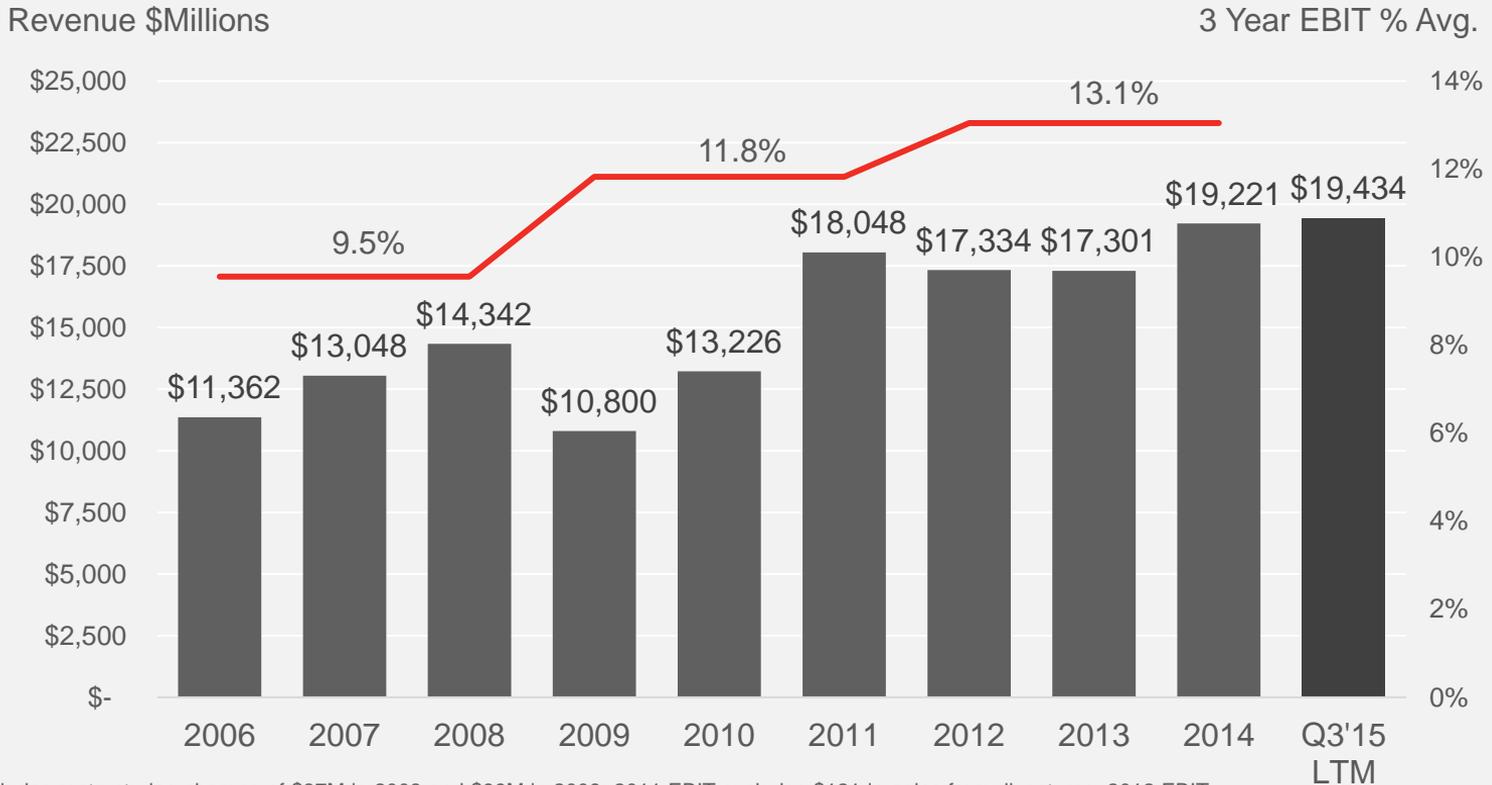
## Q3'15 LTM revenue by marketing territory



Q3'15 LTM Revenue: \$19.4 B

# Cummins Inc.

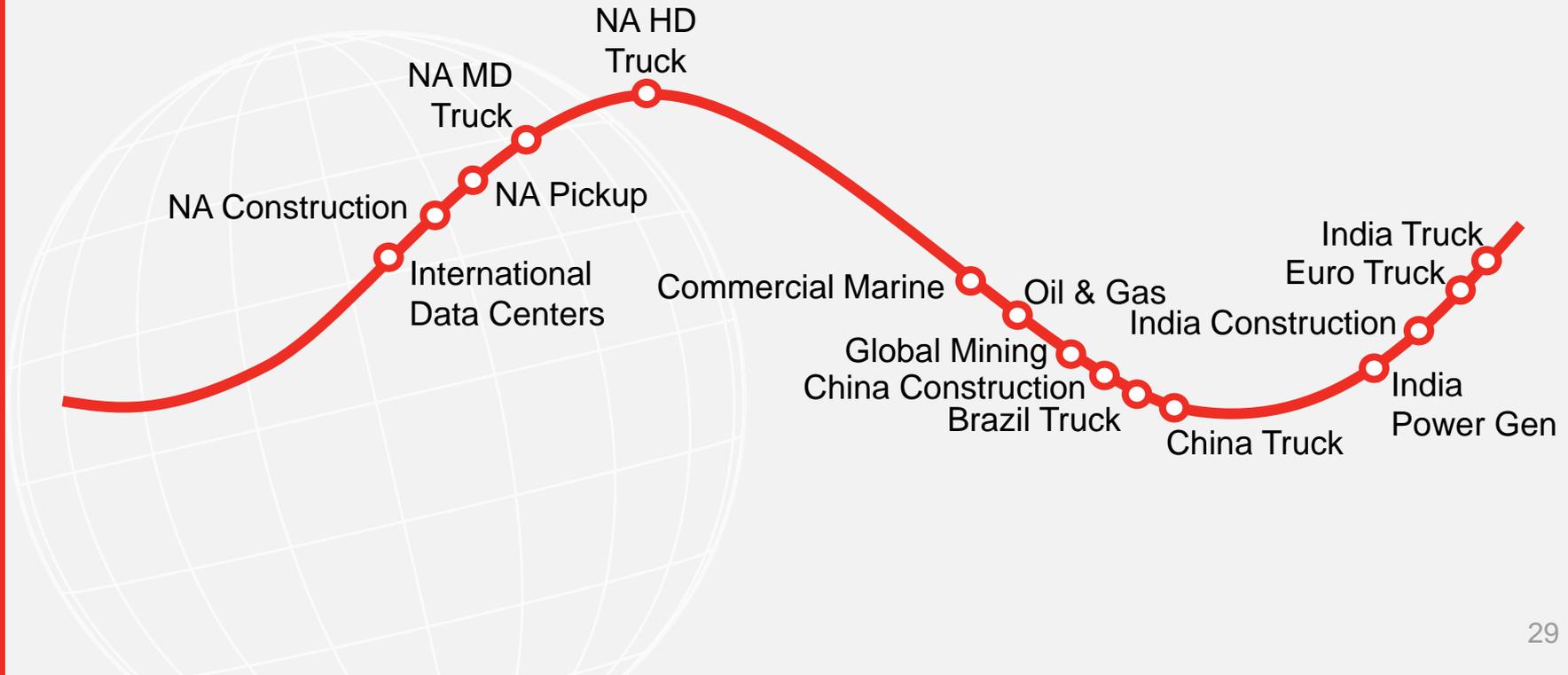
## Track record of performance improvement



EBIT excludes restructuring charges of \$37M in 2008 and \$99M in 2009. 2011 EBIT excludes \$121 in gains from divestitures. 2012 EBIT excludes \$52M in restructuring charges. 2014 EBIT excludes \$32M in one-time charges within the Power Generation segment.

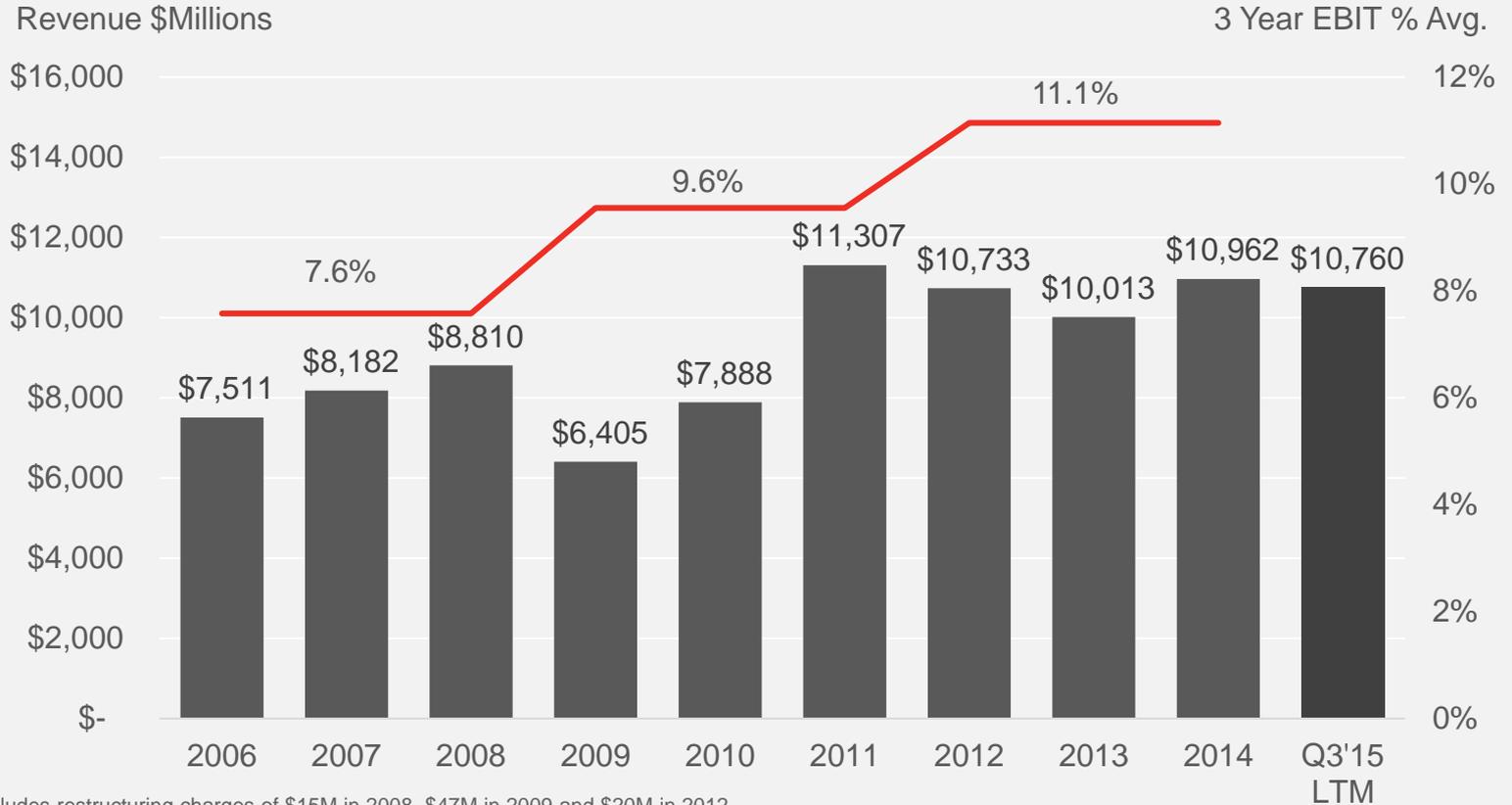
# Global markets

## On different cycles



# Engine Segment

## Historical performance

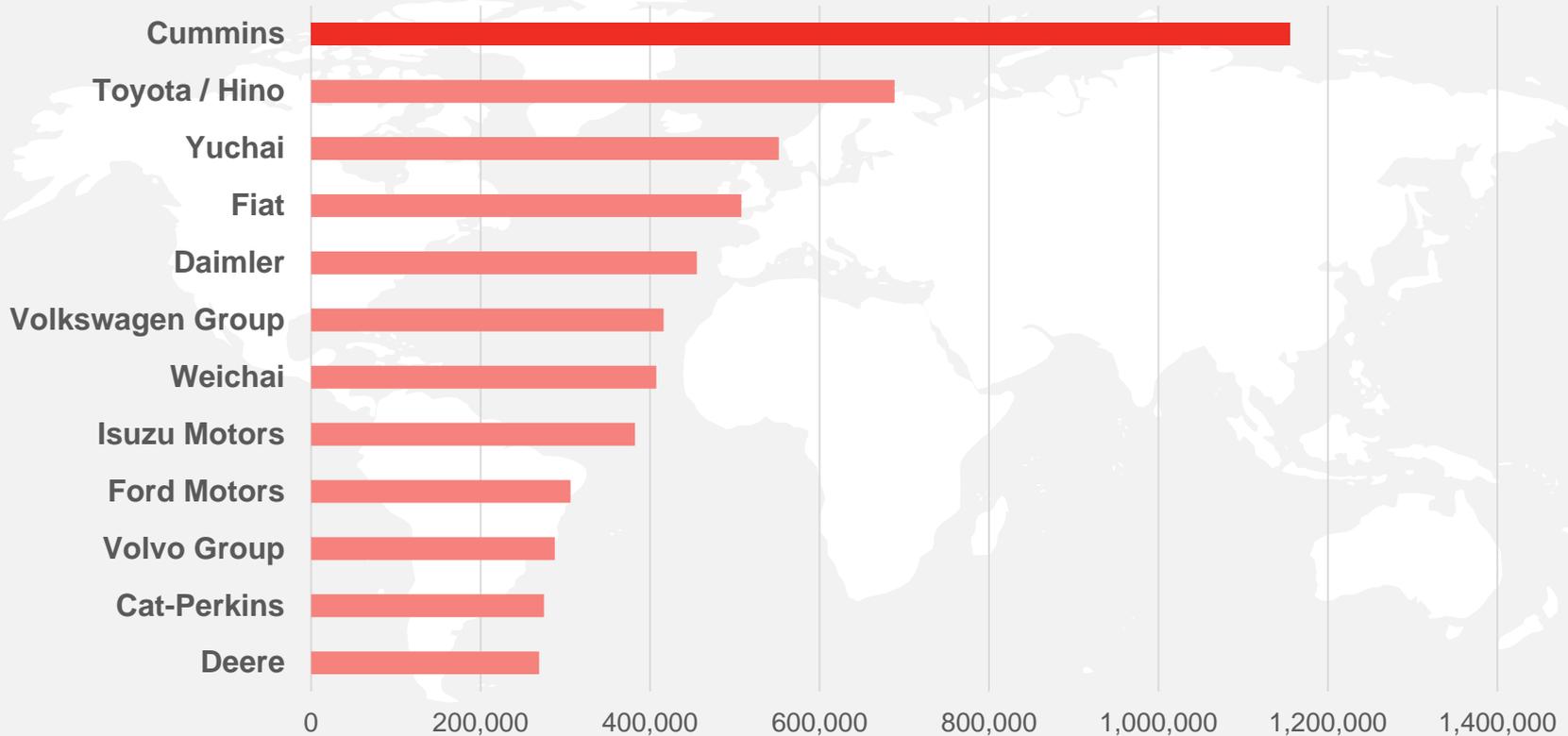


EBIT excludes restructuring charges of \$15M in 2008, \$47M in 2009 and \$20M in 2012.

# Global leader

## Scale advantage

2.8-17L Diesel Engines



# Engine business

- Key partnerships working well
  - Expanding existing relationships
  - Developing new partners
- New products launched and gaining traction
  - Gaining share in China truck
  - Growing position in off-highway markets

# New global products gaining traction

**2.8/3.8L**

On- and Off-Highway



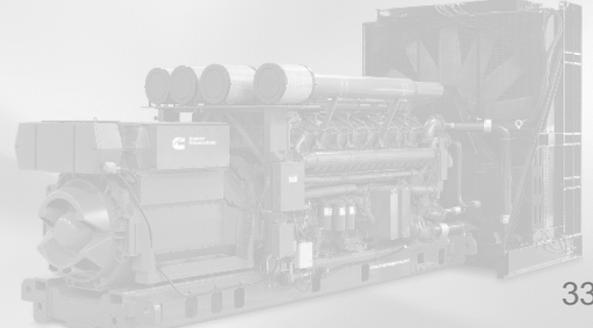
**10/12L**

On- and Off-Highway



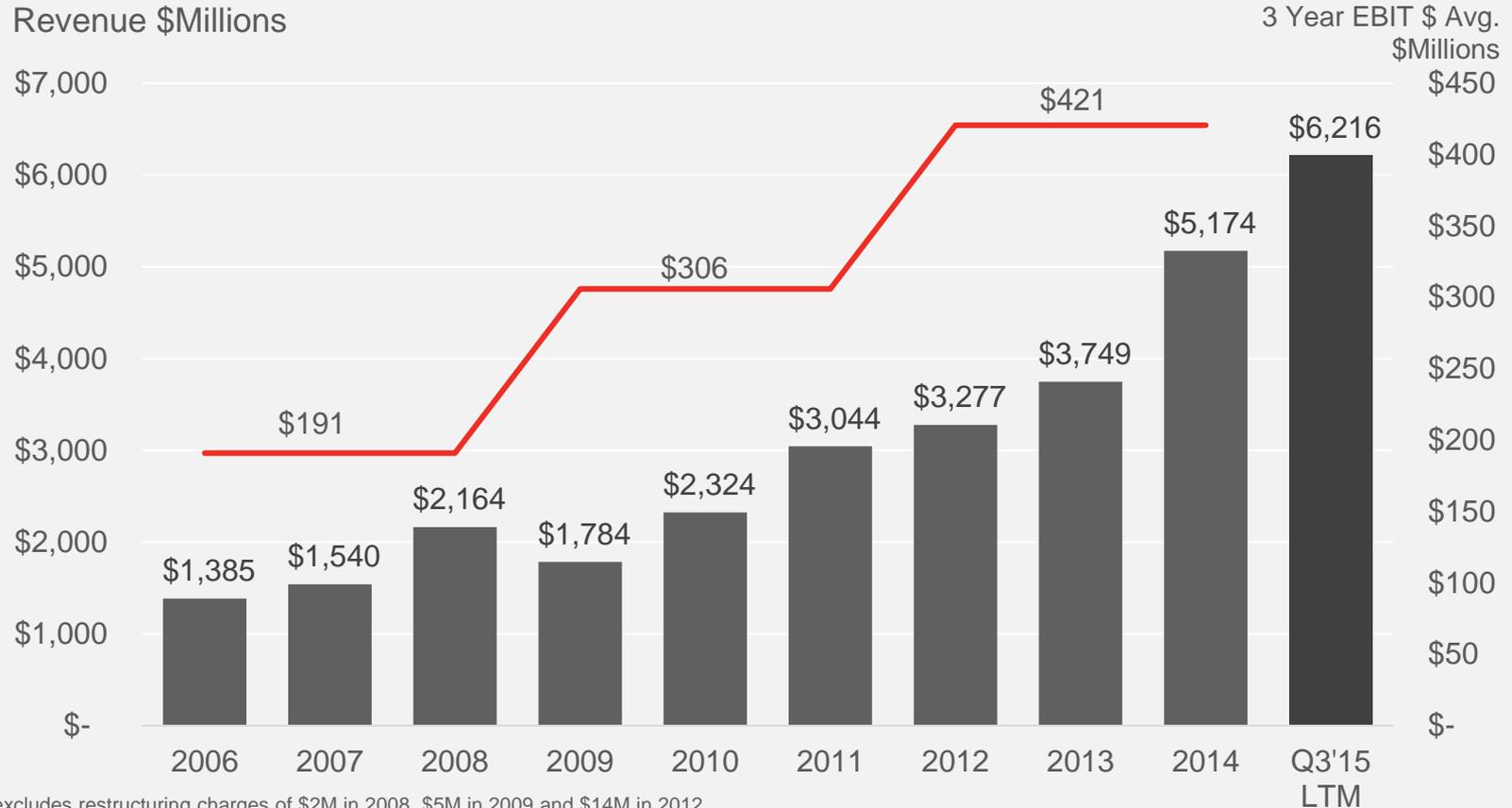
**95-120L**

Industrial, Power Gen



# Distribution Segment

## Historical performance



EBIT excludes restructuring charges of \$2M in 2008, \$5M in 2009 and \$14M in 2012.



# Acquisition of North American distributors

## Meeting targets

|              | Target from<br>2013 Analyst Day | Current estimate |
|--------------|---------------------------------|------------------|
| <b>Sales</b> | +\$1.0 billion                  | +\$1.1 billion   |
| <b>EBIT</b>  | +\$120 million                  | +\$135 million   |
| <b>EPS</b>   | +\$0.50                         | +\$0.63          |

Cumulative impact from 2013 - 2015

# North American distributors

## Capturing synergies

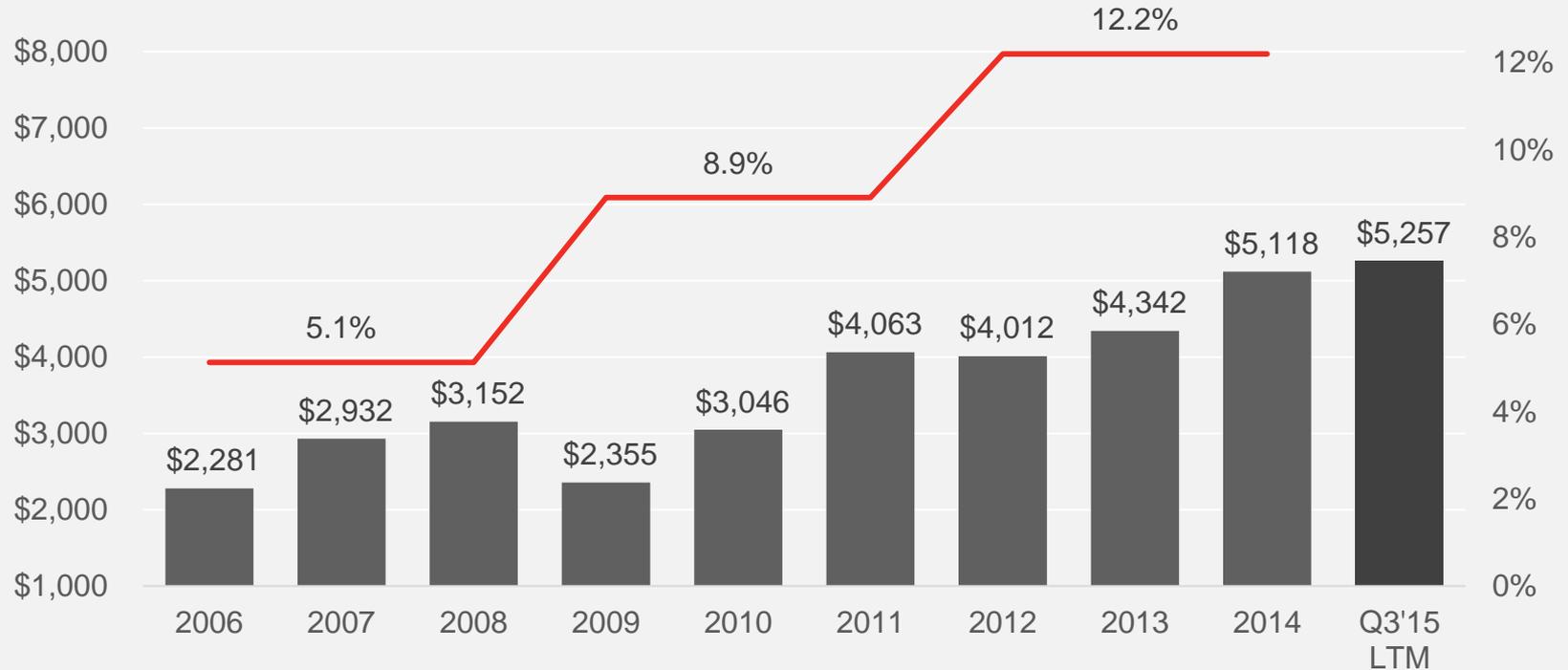
- Cost synergies
  - Consolidate back office operations and reduce overlap
  - Leverage our strength in purchasing across the network
- Sales synergies
  - System-wide focus on key end markets
  - Opportunity to sell more products through our network

# Components Segment

## Historical performance

Revenue \$Millions

3 Year EBIT % Avg.



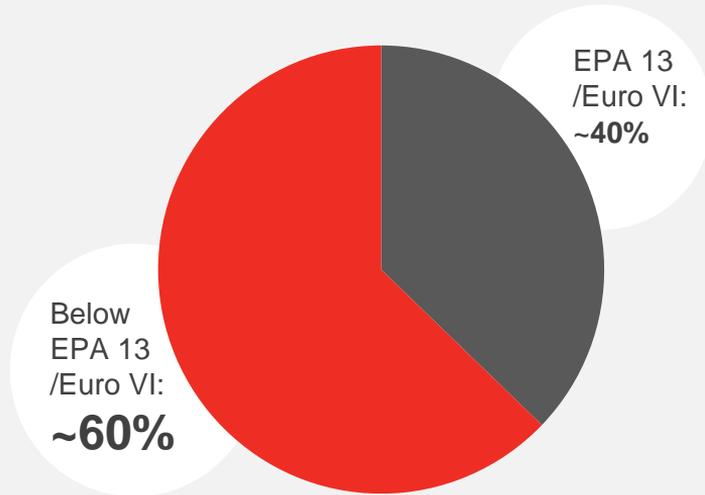
EBIT excludes restructuring charges of \$14M in 2008, \$35M in 2009 \$6M in 2012.

# Components business

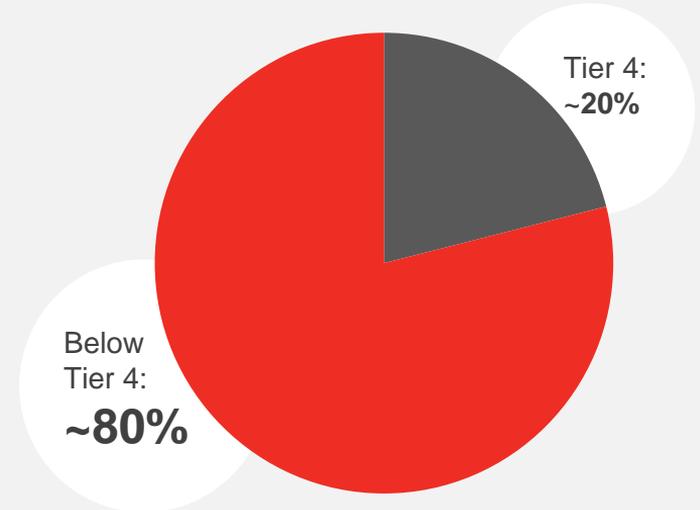
- Leading technologies for emissions, fuel economy and performance
- Proven capability to adapt advanced technology for developing markets
- Key technologies to meet future emissions regulations
  - Criteria emissions in emerging markets
  - Fuel economy regulations in developed markets

# Continuing opportunity from criteria emission regulations

Global On-Highway Engines



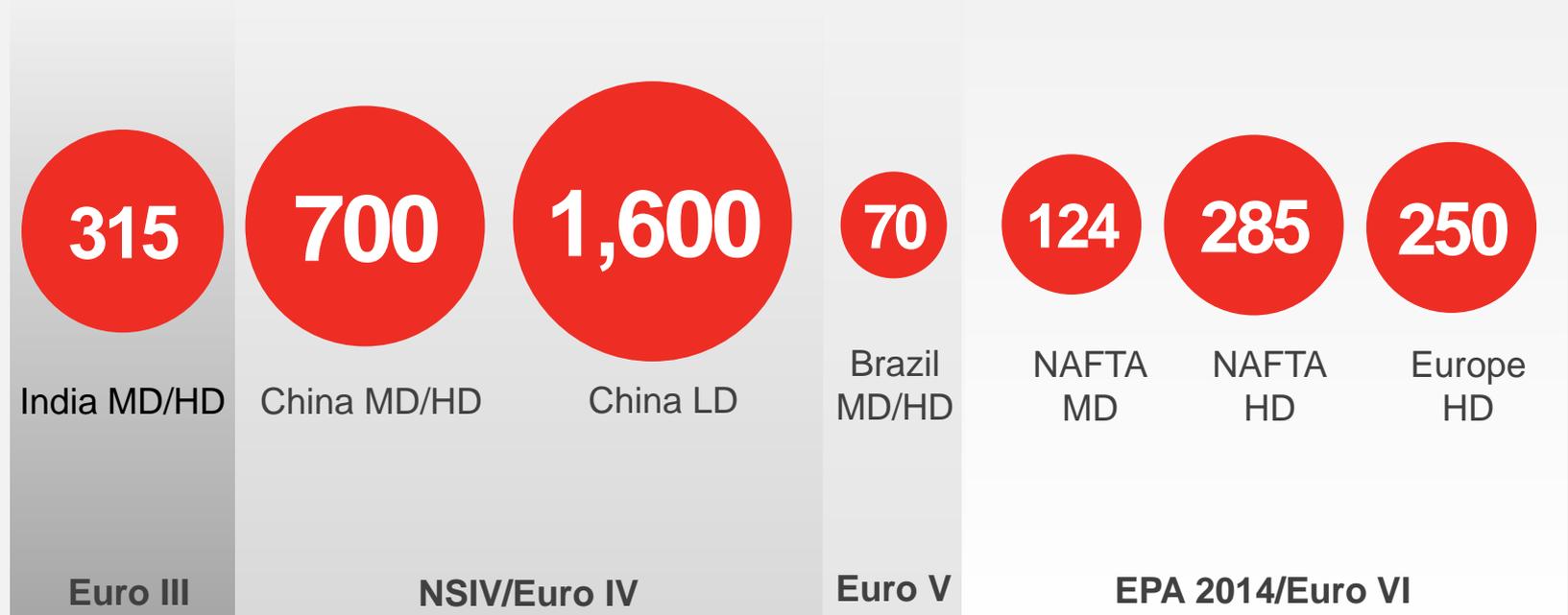
Global Off-Highway Engines



Pie charts represents proportion of CMI and Joint Venture engines at different emissions standards – 2014 production

# Global emission opportunity

Criteria emissions ←-----→ Fuel efficiency

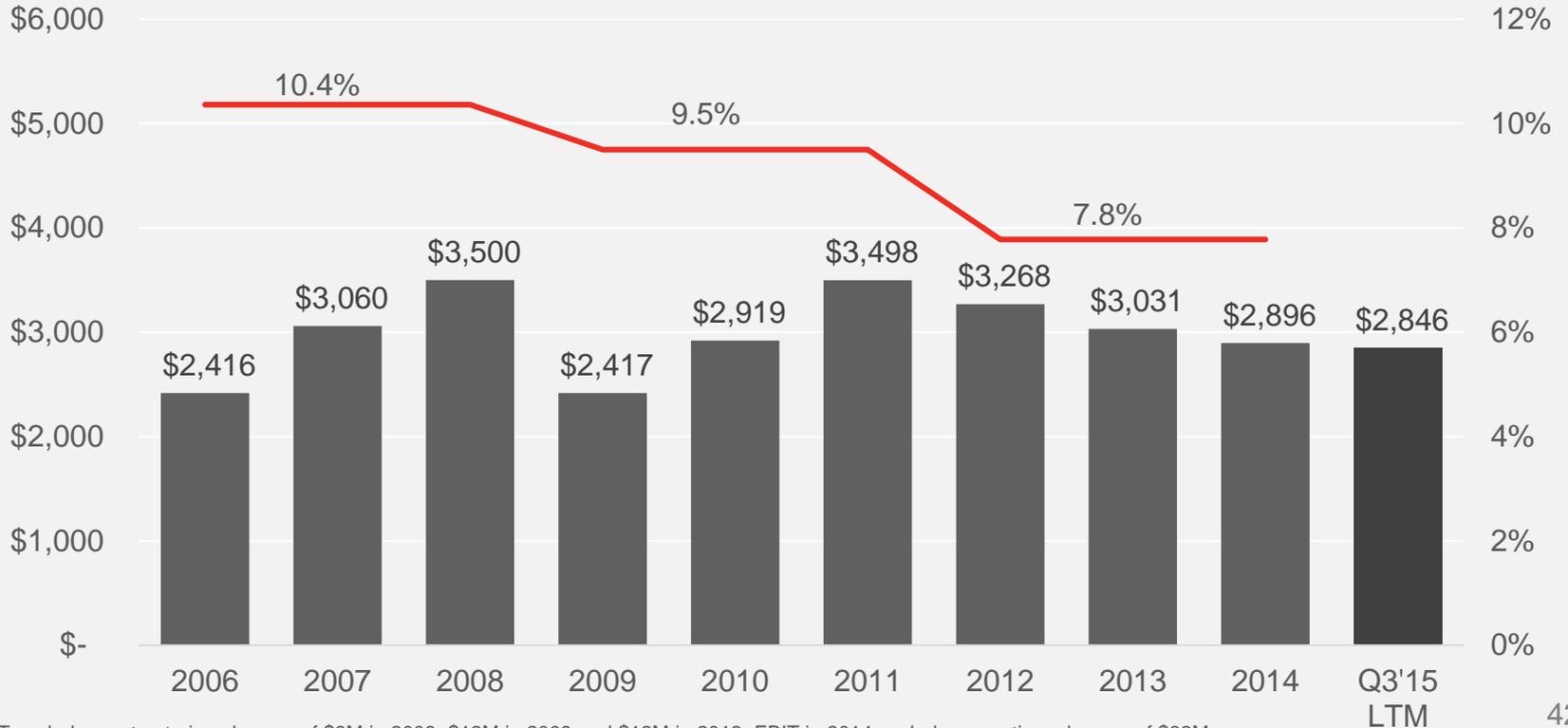


# Power Generation Segment

## Historical performance

Revenue \$Millions

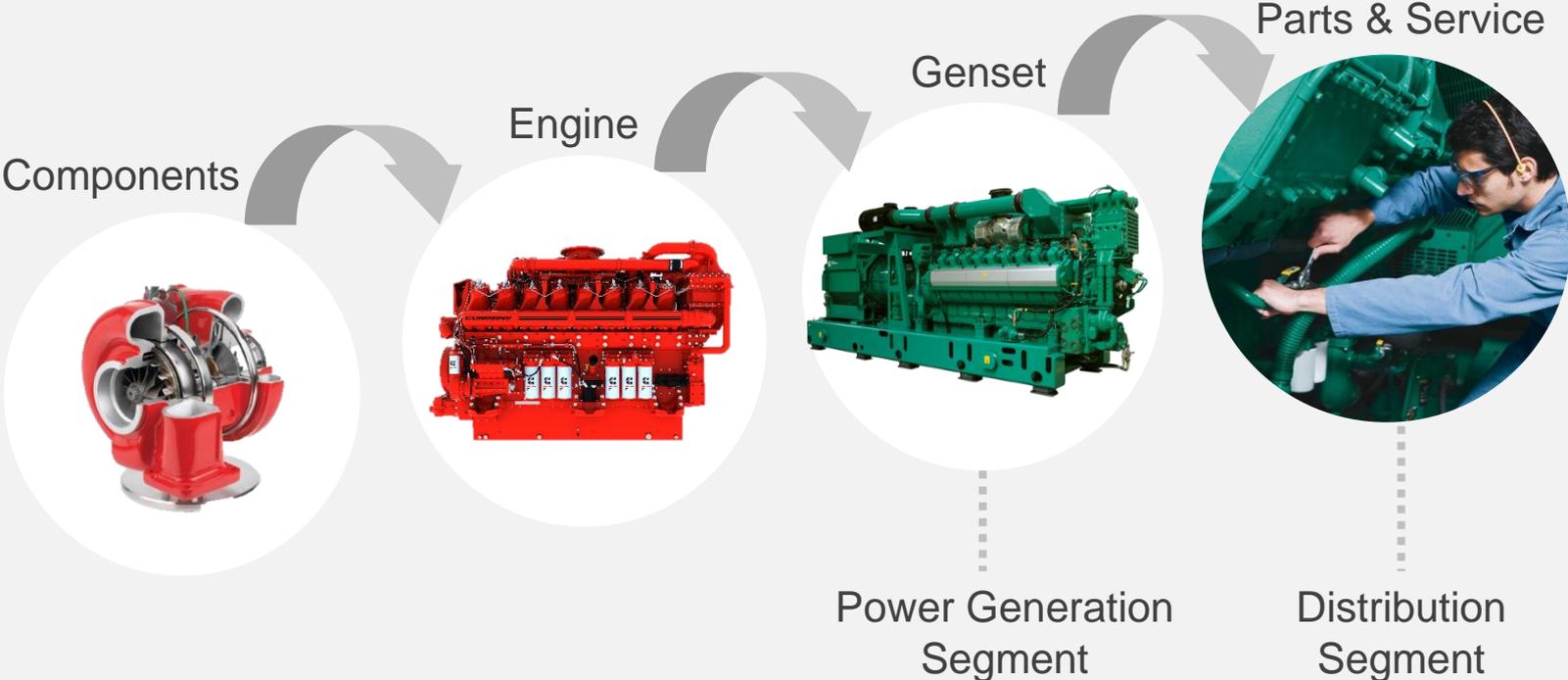
3 Year EBIT % Avg.



EBIT excludes restructuring charges of \$3M in 2008, \$12M in 2009 and \$12M in 2012. EBIT in 2014 excludes one-time charges of \$32M

# Power Generation

**Important earnings contributor across the company**



# Power Generation cost reduction

- Actions taken in 2013 and 2014
  - Exited alternator operations in Europe
  - Simplified organization structure
  - Delivered savings
- Further and deeper actions underway
  - Reduce manufacturing capacity
  - Make structural and operational improvements

# Relentless focus on cost reduction

- Operational improvements
  - Value engineering and material costs
  - Supply chain
  - Quality
- Restructuring
  - Targeted capacity reductions
  - Professional workforce actions



# CMI Analyst Day

**Pat Ward**

Vice President and

Chief Financial Officer

November 10, 2015



# Creating shareholder value through return on capital

## Disciplined Investment

- Organic growth
- Acquisitions and Partnerships

## Performance Improvement

- 20% Incremental margins
- Increase Operating Cash Flow

## Strong Cash Returns to Shareholders

- Return 50% of Operating Cash Flow

# Disciplined investment has delivered strong returns

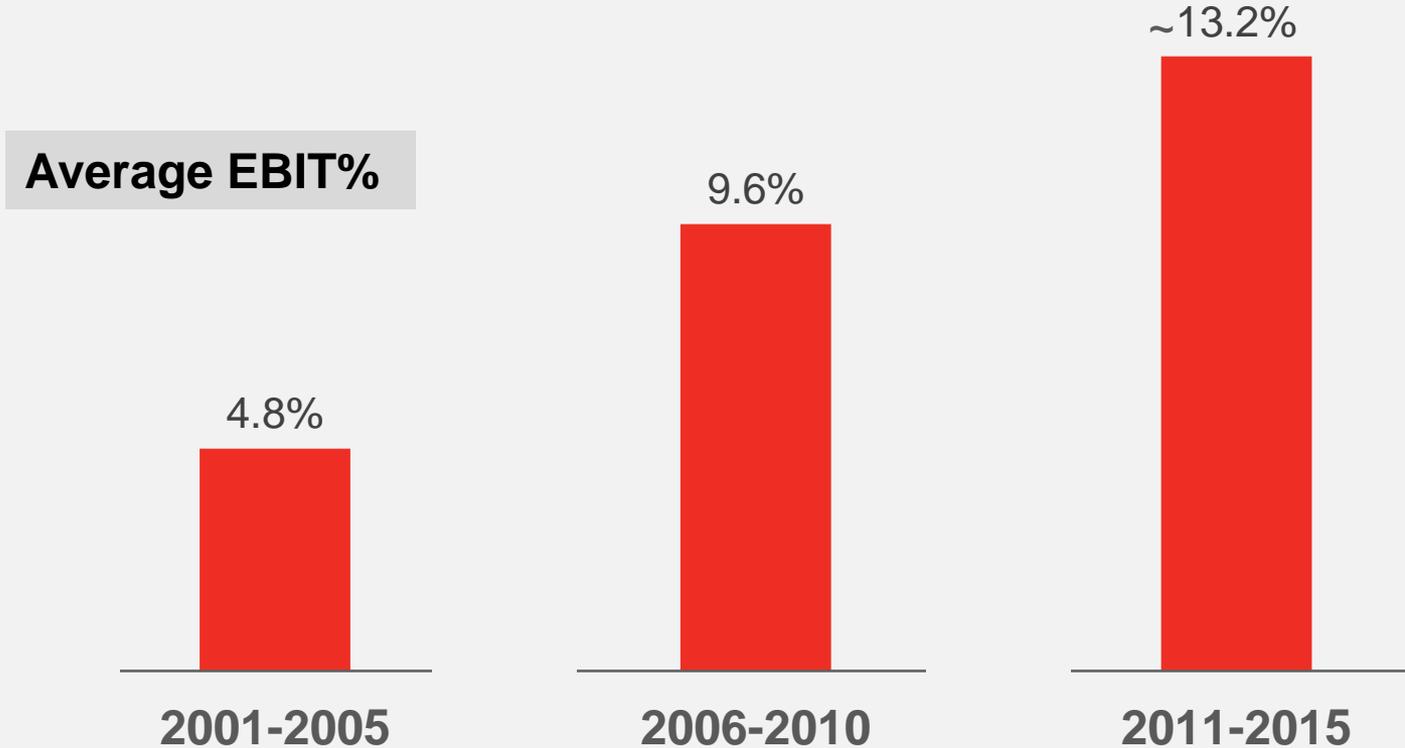
| For year ending 2014 | 5-Year average | 10-Year average |
|----------------------|----------------|-----------------|
| ROANA                | 29%            | 28%             |
| ROE                  | 23%            | 22%             |
| ROIC                 | 22%            | 20%             |

ROANA, return on average net assets, is a non-GAAP measure which is defined as earnings before interest and tax (EBIT) divided by average net assets

ROE, return on equity, is a non-GAAP measure- equity excludes non-controlling interests, defined benefit postretirement plans and special items.

ROIC, return on invested capital, is defined as net operating profit after tax divided by average total capital.

# Relentless focus on performance improvement

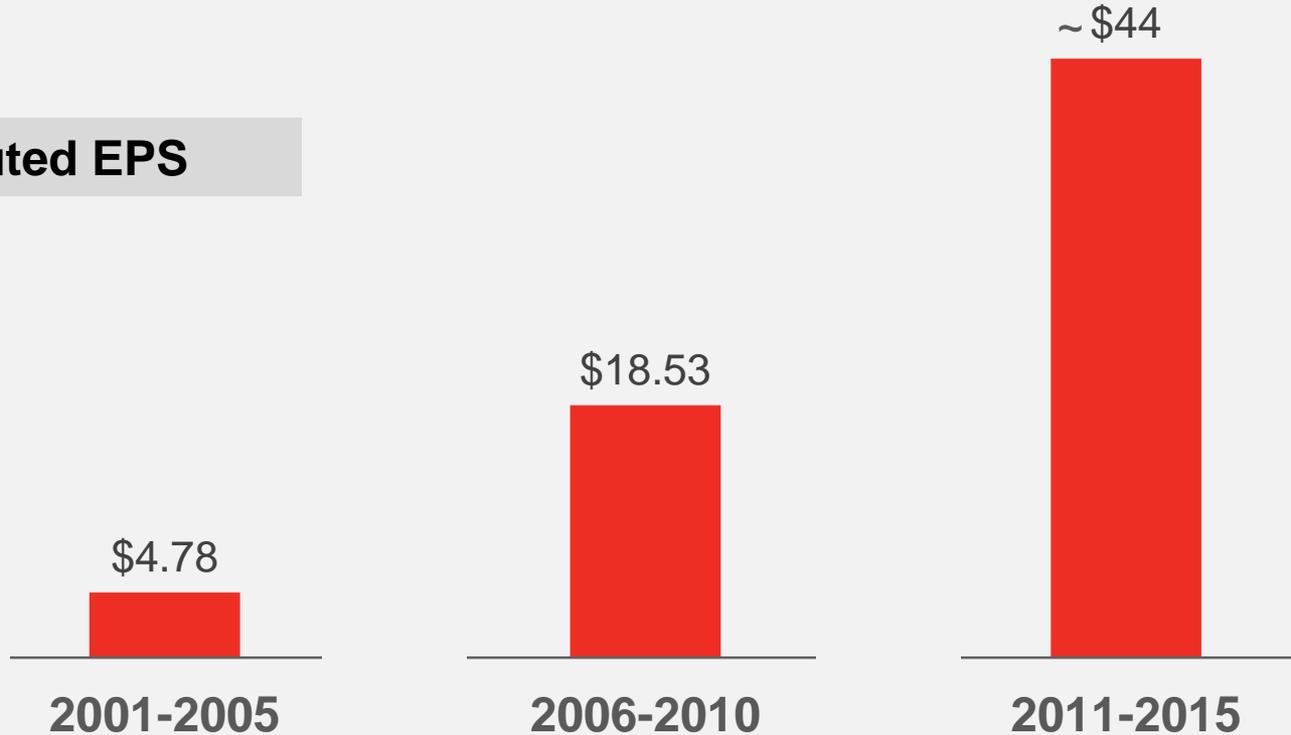


~ Includes an estimate for 2015.

EBIT excludes restructuring charges of \$37M in 2008 and \$99M in 2009. 2011 EBIT excludes \$121 in gains from divestitures. 2012 EBIT excludes \$52M in restructuring charges. 2014 EBIT excludes \$32M in one-time charges within the Power Generation segment.

# Relentless focus on performance improvement

## Diluted EPS



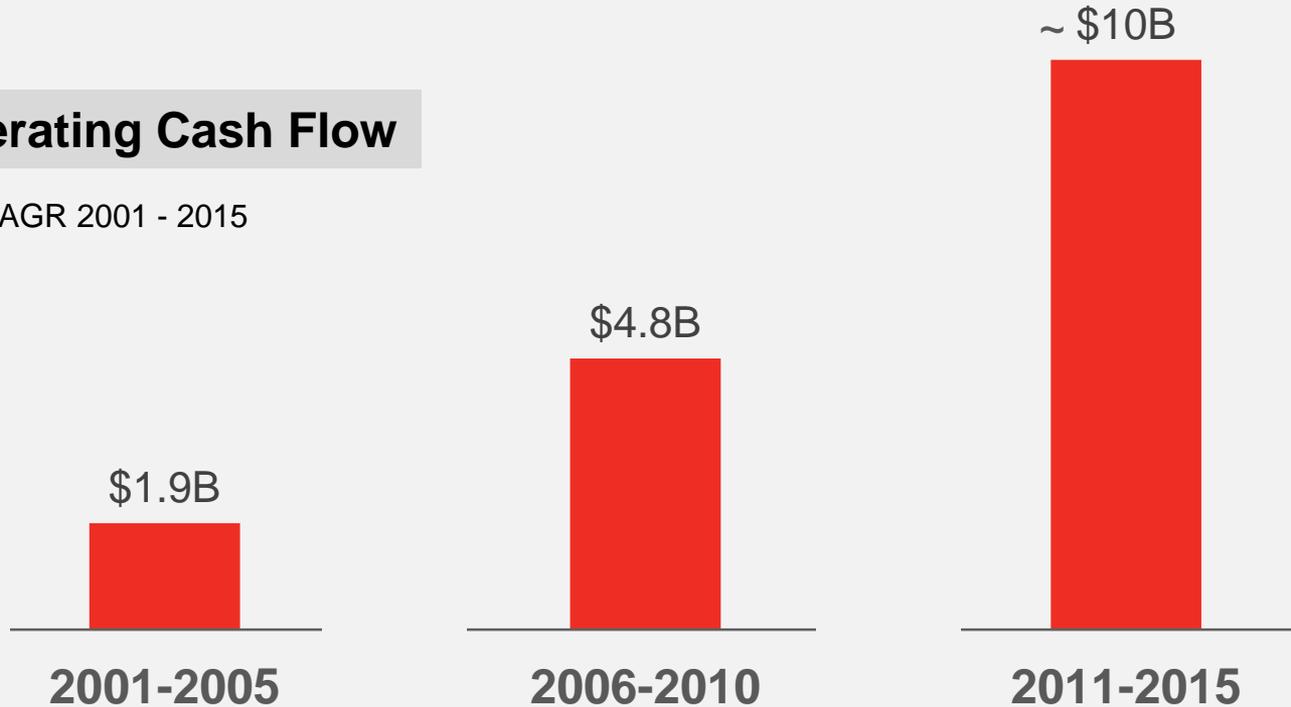
~ Includes an estimate for 2015.

Diluted Earnings Per Share amounts are adjusted for 2-1 stock splits in 2007 and 2008.

# Relentless focus on performance improvement

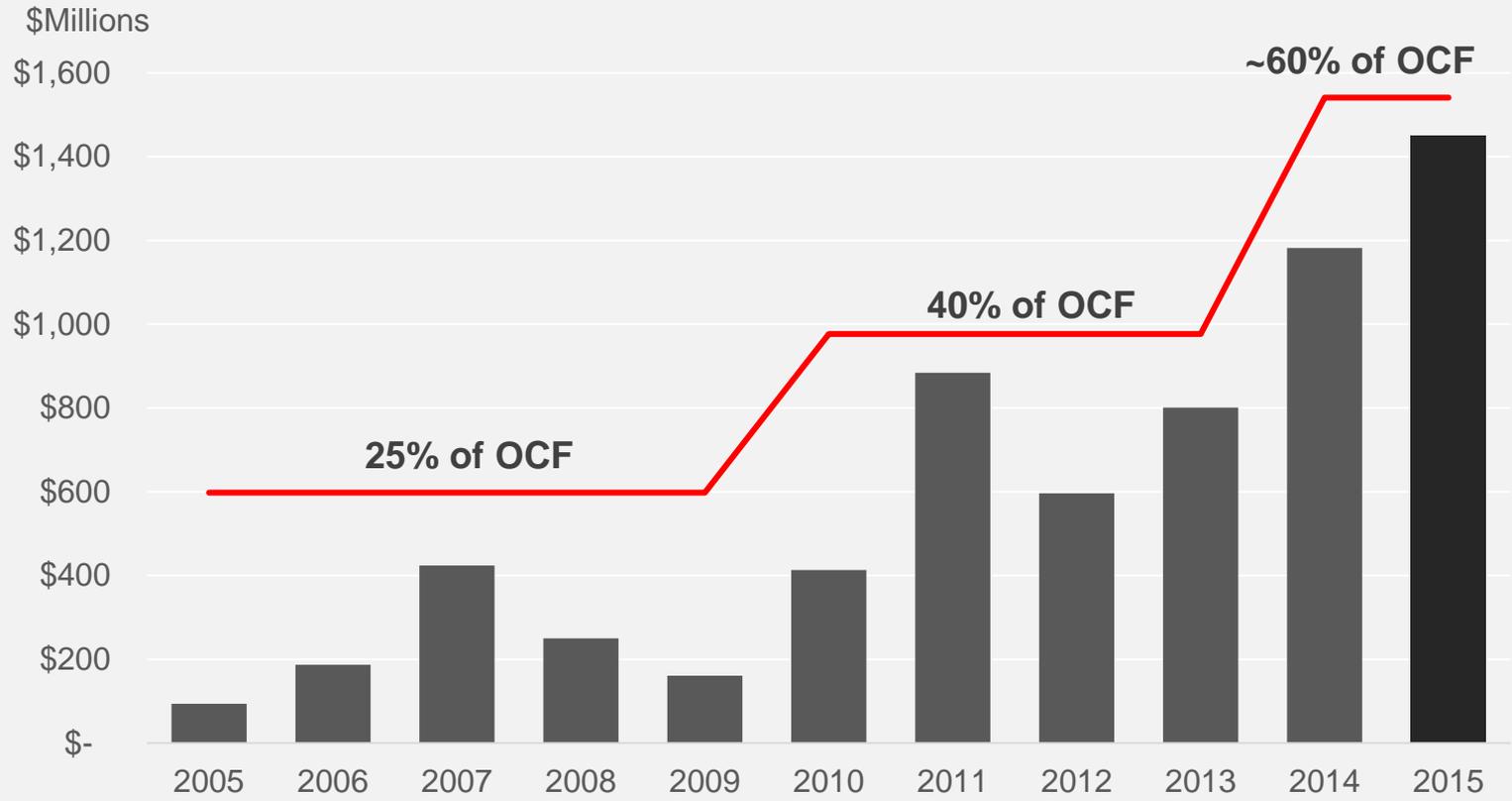
## Operating Cash Flow

20% CAGR 2001 - 2015



~ Includes an estimate for 2015.

# Increasing cash returned to shareholders

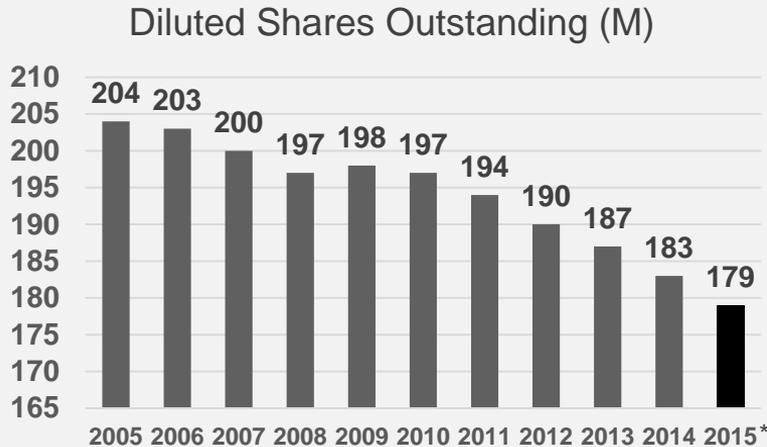


~ OCF = Operating Cash Flow  
~ Includes an estimate for 2015.

# Increasing cash returned to shareholders

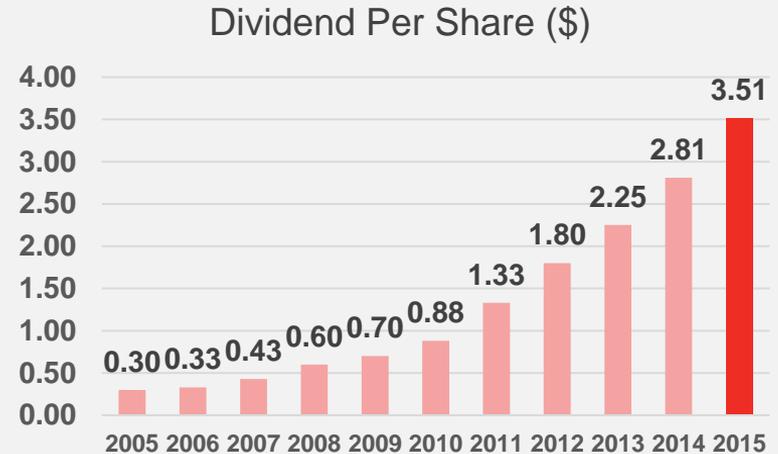
## Share Repurchase

- Reduced diluted shares by 12% since 2005



## Dividend

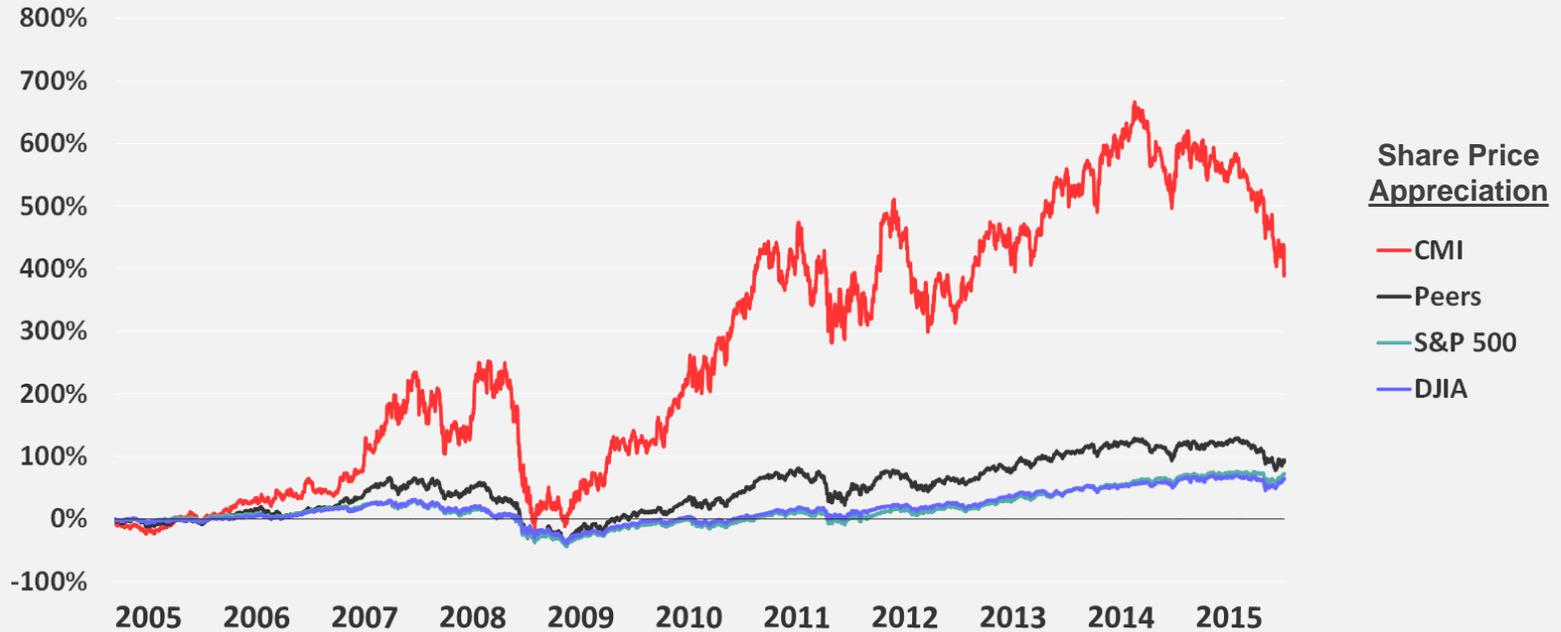
- Increased > 1,100% since 2005
- Top 5% in growth in S&P 500



\* Includes an estimate for 2015  
Diluted shares outstanding are adjusted for 2-1 stock splits in 2007 and 2008.

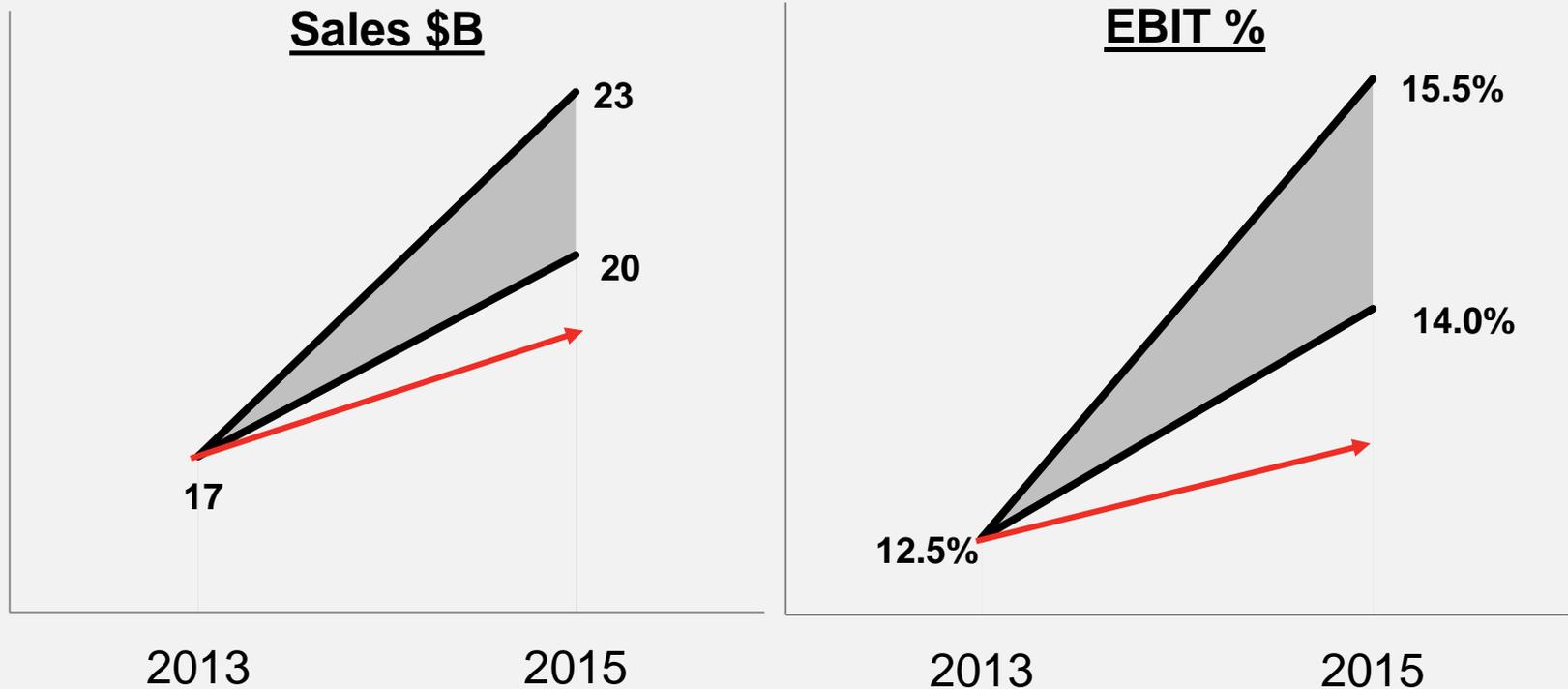
# Strong long-term shareholder returns

| Total Shareholder Return | CMI  | Peers | S&P 500 | DJIA |
|--------------------------|------|-------|---------|------|
| Jan. 2005 to Oct. 2015   | 459% | 129%  | 72%     | 65%  |



Peers Include: BorgWarner, Caterpillar, Daimler, Danaher, Deere, Donaldson, Eaton, Emerson, Honeywell, Illinois Tool Works, Ingersoll Rand, Navistar, Paccar, Parker Hannifin, Textron, W.W. Grainger, Volvo

# Improvement since 2013, but not in expected range



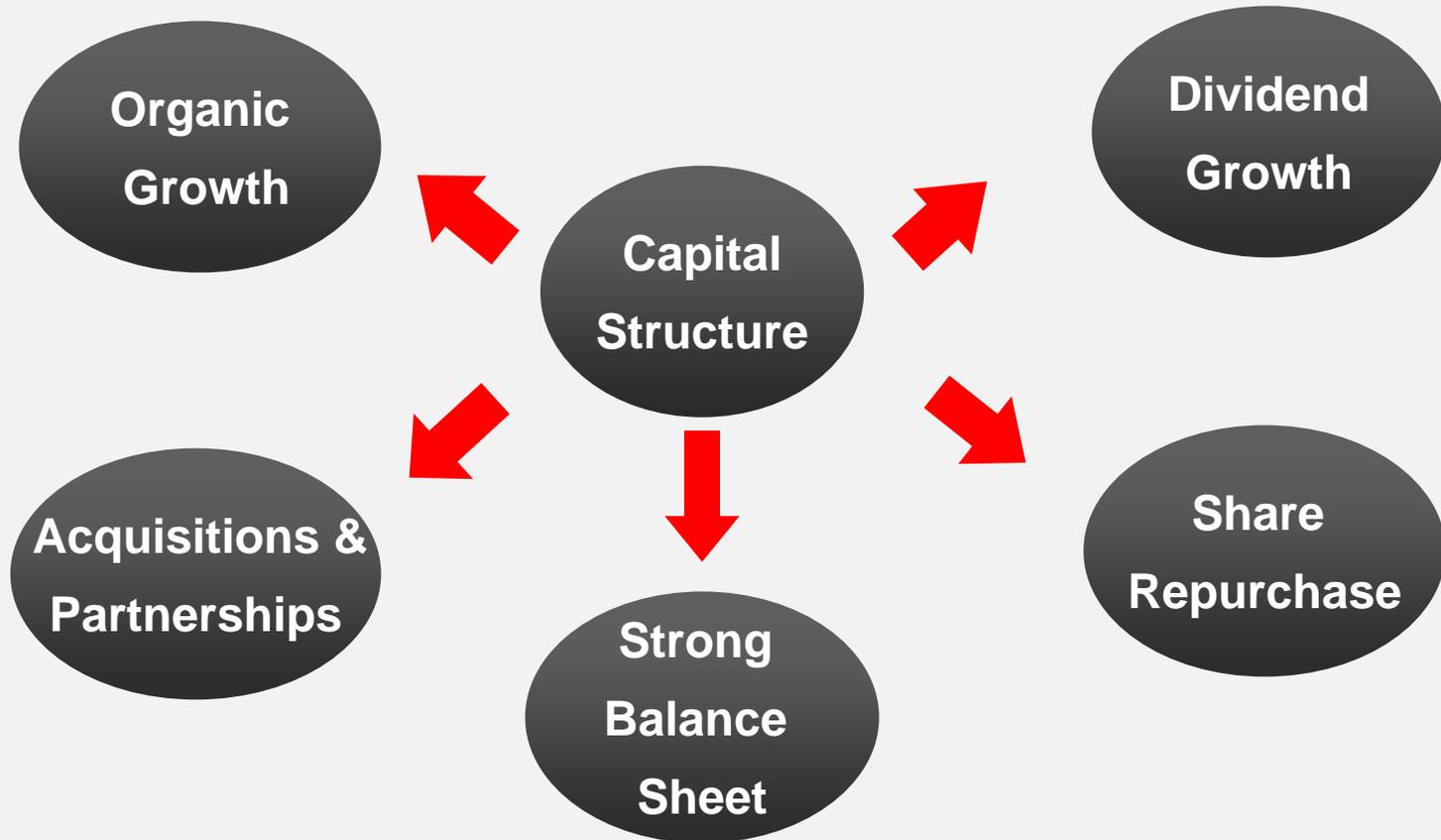
# What has changed from 2013

- Growth in emerging markets has slowed
- Lower investment in infrastructure
- Weaker commodity prices
- Declining demand in high-horsepower markets
- Strong US dollar a headwind to revenues and earnings

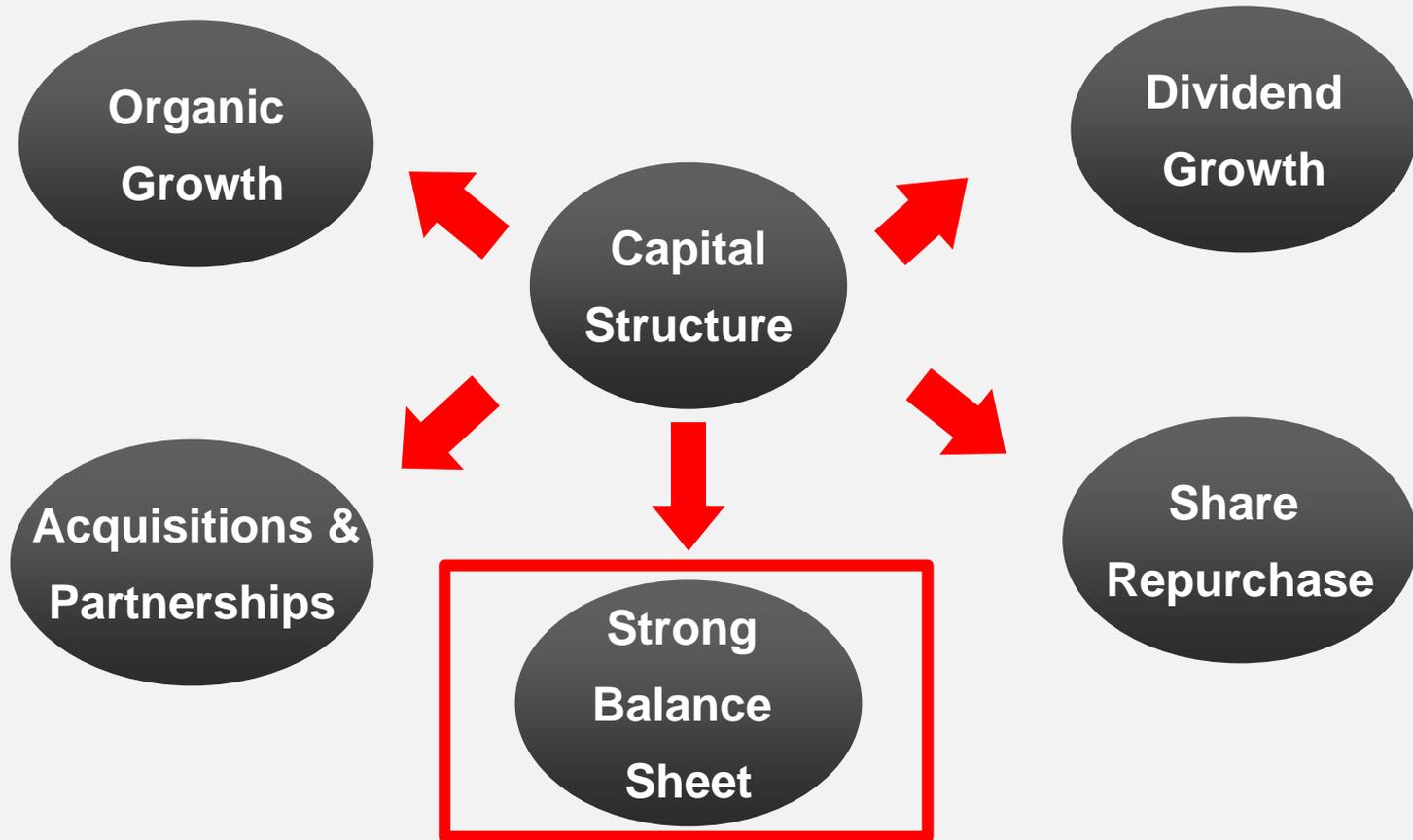
# Current environment

- Low growth
- Committed to improving operational performance
- Structural cost reduction
- Maintain key investments for profitable growth

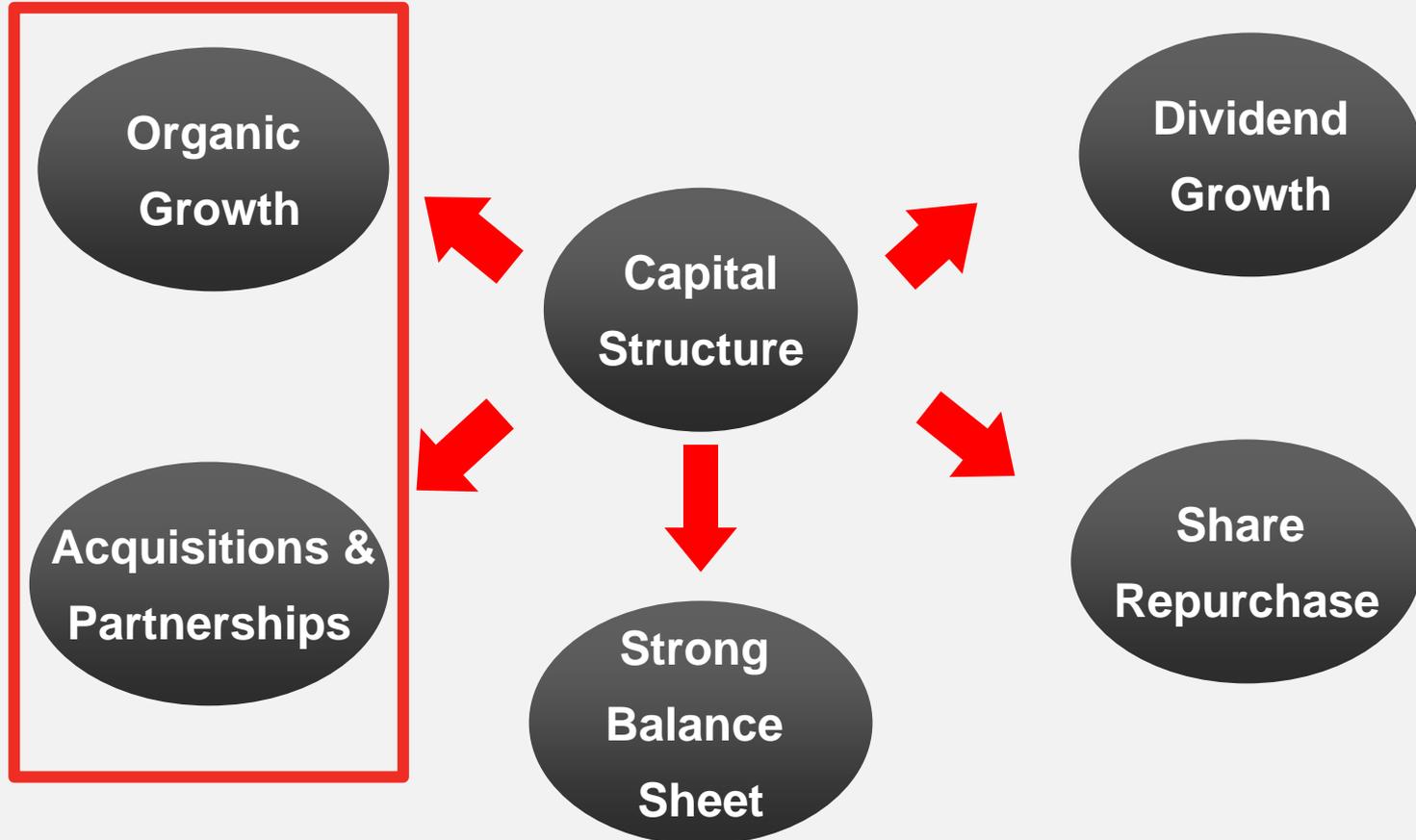
# Capital allocation plans to increase returns



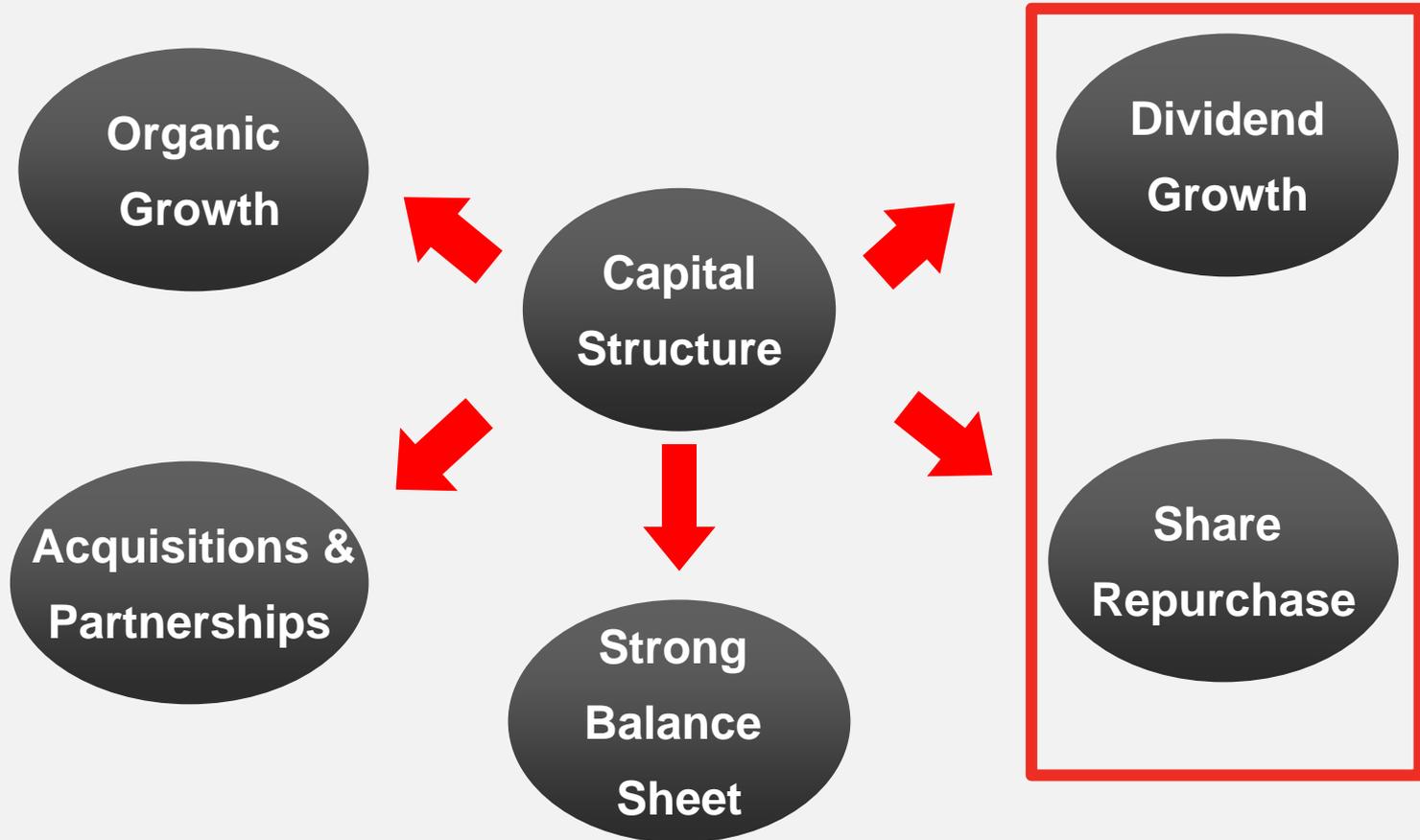
# Capital allocation plans to increase returns



# Capital allocation plans to increase returns



# Capital allocation plans to increase returns



# Focused on creating shareholder value

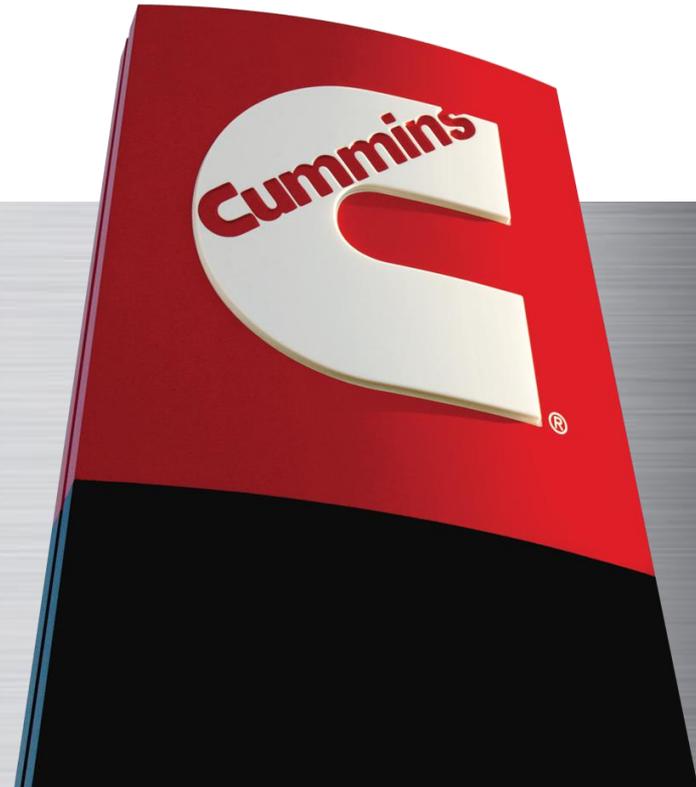
- 20% incremental EBIT margins across cycle
- Disciplined investment focused on strong returns
  - Organic investments
  - Acquisitions and Partnerships
- Return 50% of Operating Cash Flow to shareholders

# CMI Analyst Day

**Tom Linebarger**

Chairman and Chief Executive Officer

November 10, 2015



# Summary

- We remain committed to profitable growth and strong returns on capital to drive shareholder return
- We will manage our business well even in tough times to outperform the market
  - Execute restructuring and drive operational improvement
  - Capture profitable growth from new products
  - Realize synergies from distributor acquisitions
  - Expand existing partnerships

# Summary

- We will continue to seek adjacent growth through a combination of organic growth, partnerships and acquisitions
- We will leverage our strong capabilities to create value
- We will likely shift more towards acquisitions and partnerships
- We will be disciplined in all of our investments to drive strong return on capital
- We will continue to return cash to shareholders through dividends and share repurchases