



# **Third Quarter 2021 Earnings Teleconference**

**November 2, 2021**

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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: 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; policy changes in international trade; any adverse effects of the U.S. government's COVID-19 vaccine mandates; the U.K.'s exit from the European Union; changes in taxation; global legal and ethical compliance costs and risks; increasingly stringent environmental laws and regulations; future bans or limitations on the use of diesel-powered products; 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; market slowdown due to the impacts from the 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; aligning our capacity and production with our demand, including impacts of COVID-19; large truck manufacturers' and original equipment manufacturers' customers discontinuing outsourcing their engine supply needs or experiencing financial distress, particularly related to the COVID-19 pandemic, bankruptcy or change in control; a slowdown in infrastructure development and/or depressed commodity prices; failure to realize expected results from our investment in Eaton Cummins Automated Transmission Technologies joint venture; the actions of, and income from, joint ventures and other investees that we do not directly control; product recalls; the development of new technologies that reduce demand for our current products and services; lower than expected acceptance of new or existing products or services; variability in material and commodity costs; product liability claims; our sales mix of products; protection and validity of our patent and other intellectual property rights; disruptions in global credit and financial markets as the result of the COVID-19 pandemic; labor relations or work stoppages; reliance on our executive leadership team and other key personnel; climate change and global warming; 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; 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; 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; the price and availability of energy; 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 2020 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.

# **Q3 2021 Summary**

# Q3 2021 Summary

- **Third quarter revenues of \$6.0 billion**
- **GAAP<sup>1</sup> Net Income of \$534 million and Diluted EPS of \$3.69**
- **EBITDA of \$862 million or 14.4 percent of sales**
- **Full year revenues expected to be up approximately 20 percent**
- **EBITDA is expected to be approximately 15.0 percent of sales**

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

# Cummins Inc.

## Selected Financial Data - Quarter

<b>\$ MILLIONS</b>	<b>Q3 2021</b>	<b>Q3 2020</b>
Sales	5,968	5,118
Gross Margin (% of Sales)	23.7%	26.4%
SAR (% of Sales)	14.0%	14.8%
EBITDA	862	876
EBITDA (% of Sales)	14.4%	17.1%
GAAP Net Income attributable to Cummins Inc.	534	501
GAAP Net Income (% of Sales)	8.9%	9.8%
Diluted EPS	\$3.69	\$3.36
Dividend Per Share	\$1.45	\$1.31
ROANA (LTM) <sup>1</sup>	29%	26%
ROIC (LTM) <sup>1</sup>	17%	15%

<sup>1</sup> Q3 2020 ROANA and ROIC calculations exclude Q4 2019 \$119 million of restructuring charges.

# Q3 2021 Income Statement by Segment

\$M	Engine	Distribution	Components	Power Systems	New Power	Intersegment Eliminations	Total
<b>Three months ended October 3, 2021</b>							
Net Sales	2,578	1,959	1,793	1,164	23	(1,549)	5,968
<i>Sales growth vs 2020</i>	22%	14%	16%	19%	28%	23%	17%
EBITDA	391	192	253	134	(58)	(50)	862
Segment EBITDA %	15.2%	9.8%	14.1%	11.5%	NM <sup>1</sup>		14.4%
<b>Three months ended September 27, 2020</b>							
Net Sales	2,112	1,721	1,541	981	18	(1,255)	5,118
EBITDA	382	182	261	101	(40)	(10)	876
Segment EBITDA %	18.1%	10.6%	16.9%	10.3%	NM <sup>1</sup>		17.1%

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

# 2021 Guidance



# Guidance for 2021 Consolidated Results

ITEM	FULL YEAR GUIDANCE
Consolidated Revenue	Up approx. 20%
Earnings from JVs	Up 10%
EBITDA Margin	Approx. 15.0%
Depreciation & Amortization	\$650 to \$670 M
Effective Tax Rate <sup>1</sup>	21.5%
Capital Expenditures	\$725 M to \$775 M
Global Pension Funding	\$77 M
Interest Expense	\$115 M

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

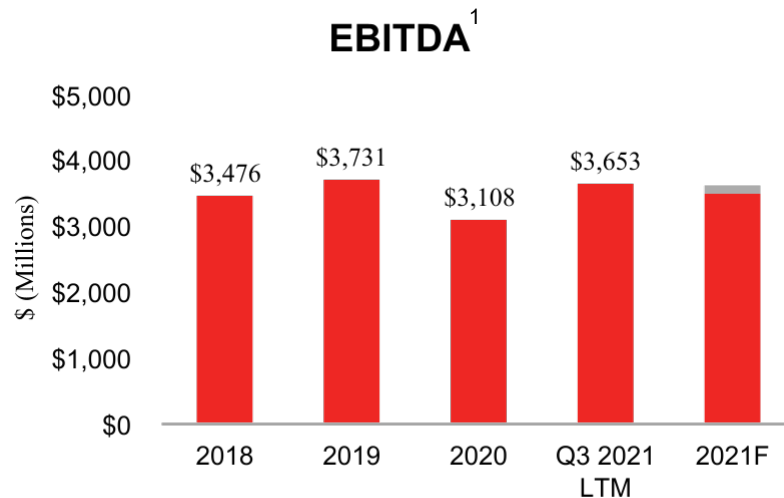
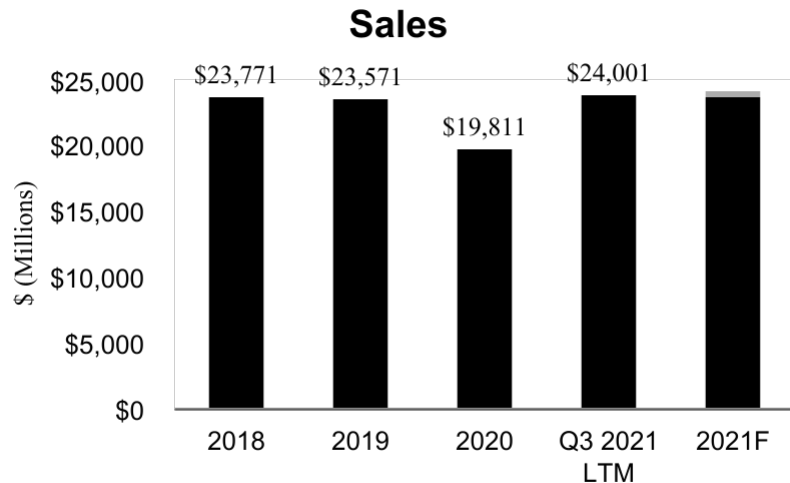
# Guidance for 2021 Segment Results

ITEM	ENGINE	DISTRIBUTION	COMPONENTS	POWER SYSTEMS	NEW POWER
Consolidated Revenue Growth	Up 23% to 25%	Up 7% to 9%	Up 27% to 29%	Up 21% to 23%	\$110M to \$130M
2021 EBITDA Margins (% of Revenue)	14.2% to 14.7%	9.2% to 9.4%	15.25% to 15.75%	11.25% to 11.75%	(\$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
Heavy Duty Truck - North America Class 8, Group 2 - Production	228K units	Up 25%
Medium Duty Truck - North America Class 6-7, and Class 8 Group 1 - Production	118K units	Up 15%
Heavy & Medium Truck - China Sales	1,650K units	Down 7%
Heavy & Medium Truck - India Sales	270K units	Up 75%
Heavy & Medium Truck - Brazil Production	146K units	Up 60%

# Cummins Inc.



## 2021 Guidance

Sales Up Approx. 20%

EBITDA Approx. 15.0%

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



# **Q3 2021 Supplemental Information**

# Engine Segment

## Selected Financial Data

- Sales increased 22% driven by higher demand for trucks in North America and construction equipment in North America, Asia Pacific and Europe.
- The decrease in EBITDA margin as a percent of sales was primarily driven by higher costs associated with global supply chain challenges and lower JV income, partially offset by the benefits of stronger volumes and lower warranty expense.

\$ MILLIONS	Q3 2021	Q3 2020	CHANGE
Sales	2,578	2,112	22%
EBITDA	391	382	2%
EBITDA (% of Sales)	15.2%	18.1%	

# Engine Segment - Sales by Market

- On-highway revenues increased due to higher demand in North America truck markets.
- Off-highway revenues increased due to higher demand in construction markets.

\$ MILLIONS	Q3 2021	Q3 2020	CHANGE
Heavy-Duty Truck	861	694	24%
Medium-Duty Truck & Bus	713	492	45%
Light-Duty Automotive	515	522	(1)%
<b>On-Highway</b>	2,089	1,708	22%
<b>Off-Highway</b>	489	404	21%
<b>Total Sales</b>	2,578	2,112	22%

# Distribution Segment

## Selected Financial Data

- Sales increased due to stronger demand for both whole goods and aftermarket parts and service.
- EBITDA margin as a percent of sales decreased primarily due to supply chain constraints and parts shortages.

\$ MILLIONS	Q3 2021	Q3 2020	CHANGE
Sales	1,959	1,721	14%
EBITDA	192	182	5%
EBITDA (% of Sales)	9.8%	10.6%	



# Components Segment Selected Financial Data

- Sales increased 16% driven by stronger demand for trucks in North America.
- EBITDA margin as a percent of sales decreased due to higher freight and material costs and higher warranty expense.

\$ MILLIONS	Q3 2021	Q3 2020	CHANGE
Sales	1,793	1,541	16%
EBITDA	253	261	(3)%
EBITDA (% of Sales)	14.1%	16.9%	

# Power Systems Segment

## Selected Financial Data

- Sales increased due to stronger global demand for power generation and mining equipment.
- The increase in EBITDA percent was due to the benefits of higher volumes and lower product coverage costs, partially offset by elevated supply chain costs.

\$ MILLIONS	Q3 2021	Q3 2020	CHANGE
Sales	1,164	981	19%
EBITDA	134	101	33%
EBITDA (% of Sales)	11.5%	10.3%	

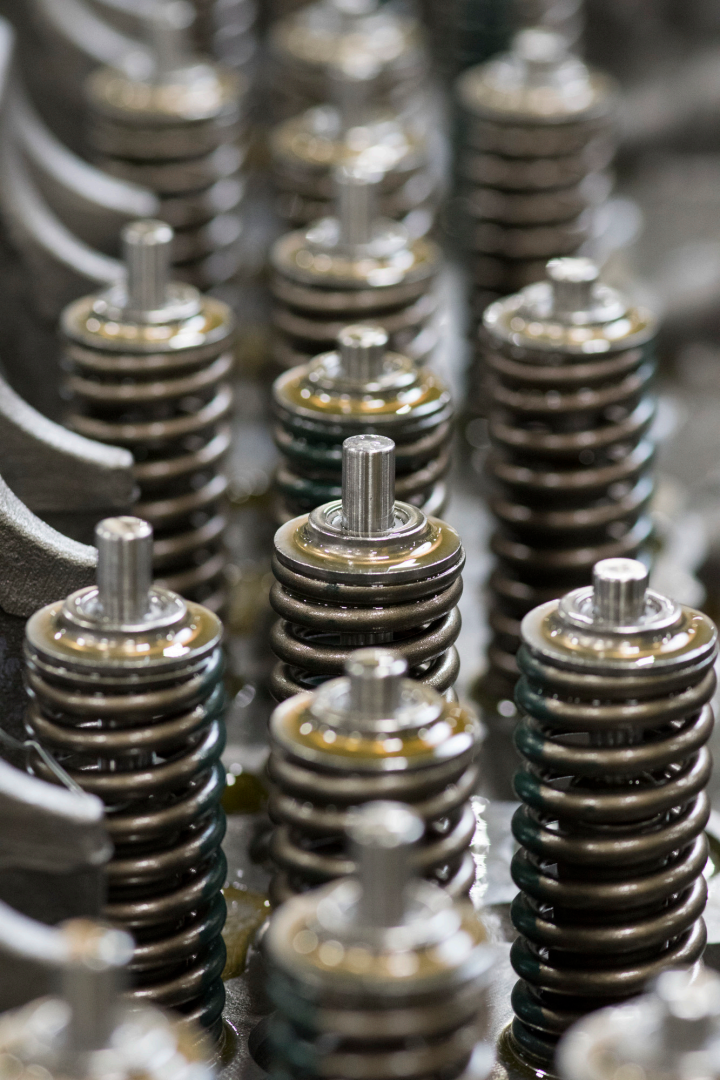
# New Power Segment

## Selected Financial Data

- EBITDA losses were \$58 million for the quarter in line with our expectations as we continue to invest in new products and scale up ahead of widespread adoption of the new technologies.

\$ MILLIONS	Q3 2021	Q3 2020	CHANGE
Sales	23	18	28%
EBITDA	(58)	(40)	(45)%
EBITDA (% of Sales)	NM <sup>1</sup>	NM <sup>1</sup>	

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



## Joint Venture Income - Quarter

\$ MILLIONS	Q3 2021	Q3 2020
Engine	61	74
Distribution	15	13
Components	10	13
Power Systems	11	—
New Power	(3)	(2)
Total JV Income	94	98



## Cash Flow - Quarter

\$ MILLIONS	Q3 2021	Q3 2020
Operating Cash Flow	569	1,223
Capital Expenditures	150	116
Working Capital Measure	5,264	4,501
Working Capital Measure (% of Net Sales)	22.1%	22%
Total Debt to Capital %	30.5%	32.2%
Net Debt to Capital %	7.1%	6.3%



# Appendix



# Cummins Inc.

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

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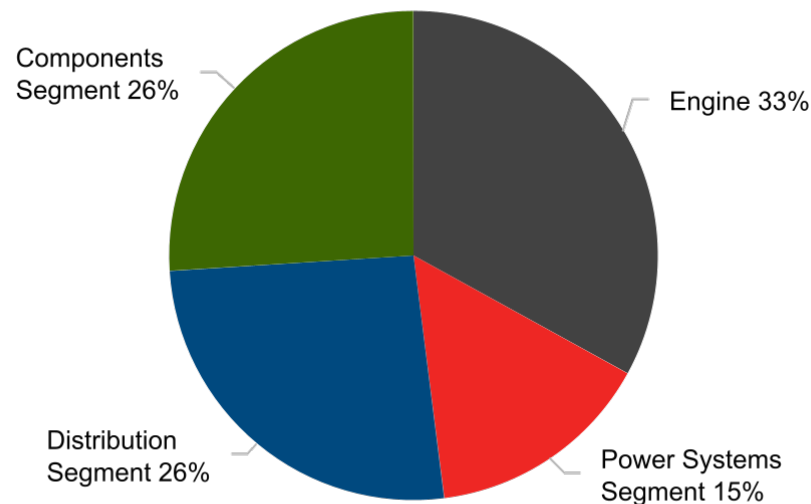
## Q3 2021 LTM Results

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Sales:	\$24 billion
EBITDA:	\$3.7 billion
EBITDA%:	15.2%

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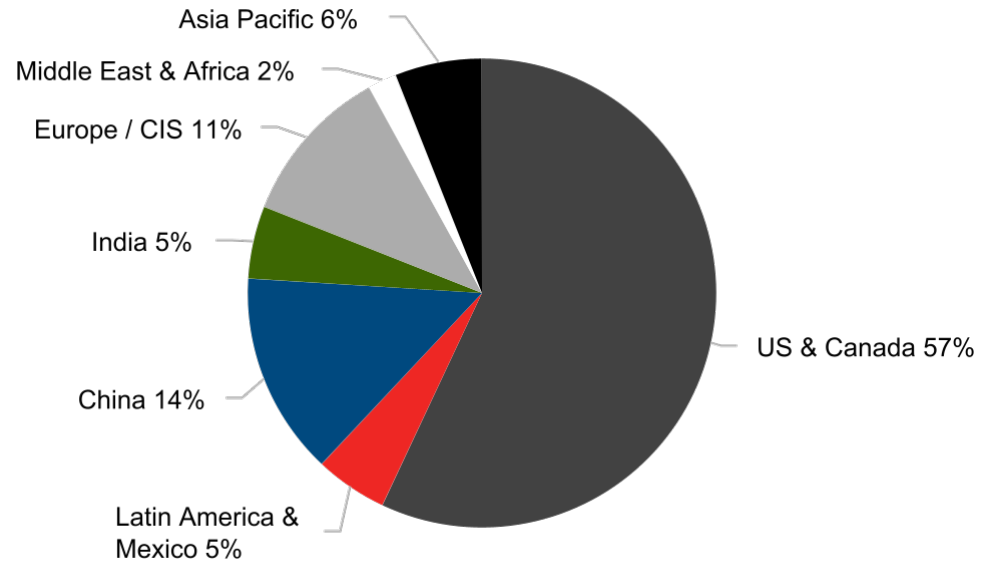
## Q3 2021 LTM Revenue by Segment



# Cummins Inc.

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

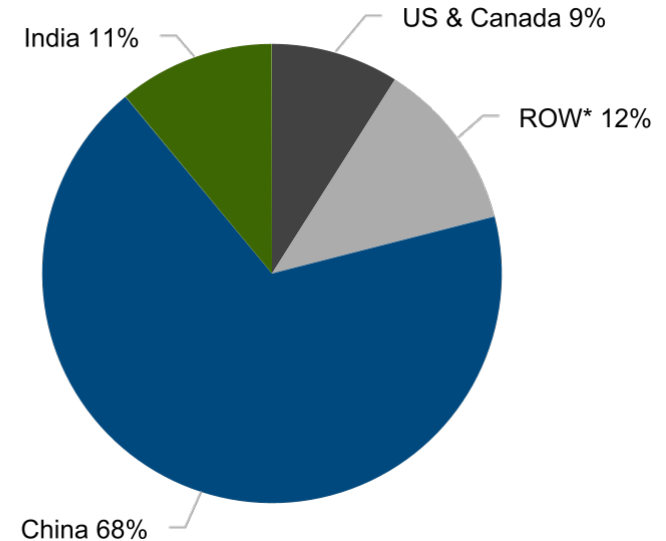
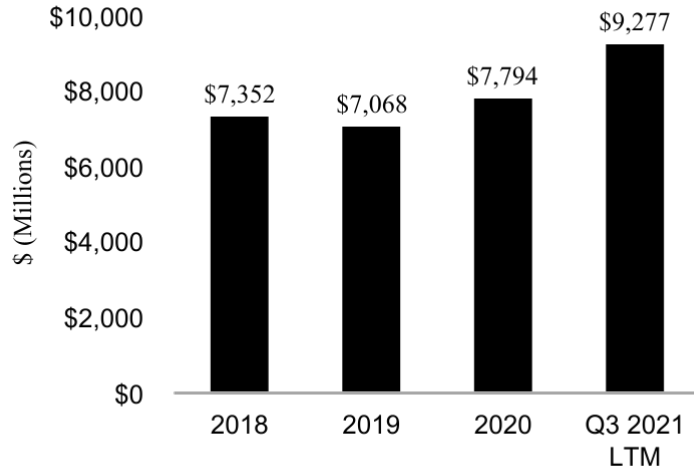
## Q3 2021 LTM Revenue by Marketing Territory





# Cummins - Joint Venture Sales Unconsolidated

## Q3 2021 LTM 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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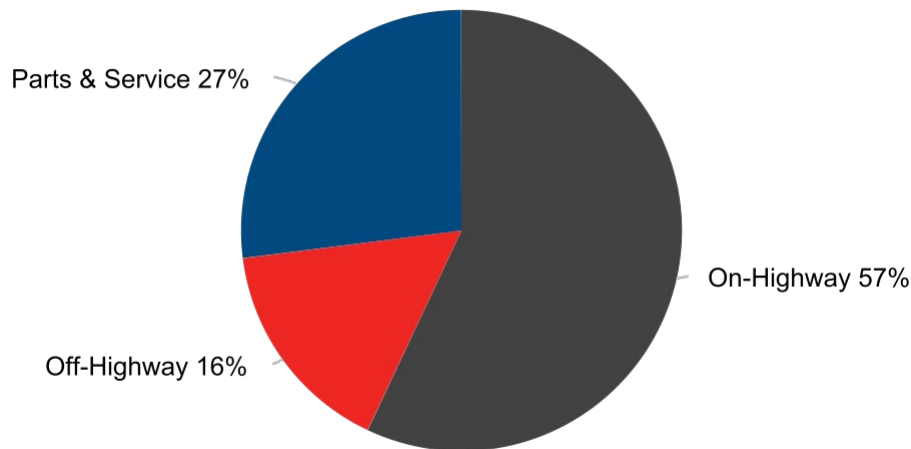
## Q3 2021 LTM Results

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Sales:	\$9.9 billion
EBITDA:	\$1.5 billion
EBITDA%:	15.1%

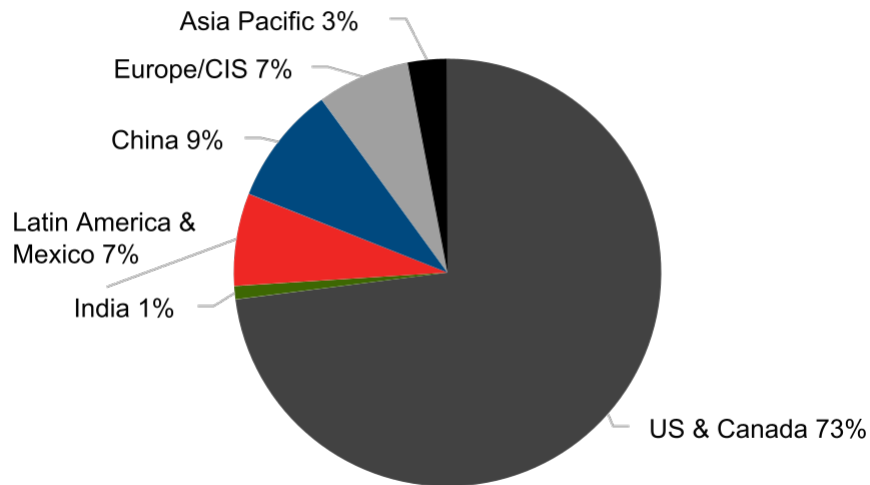
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## Q3 2021 LTM Revenue by Product

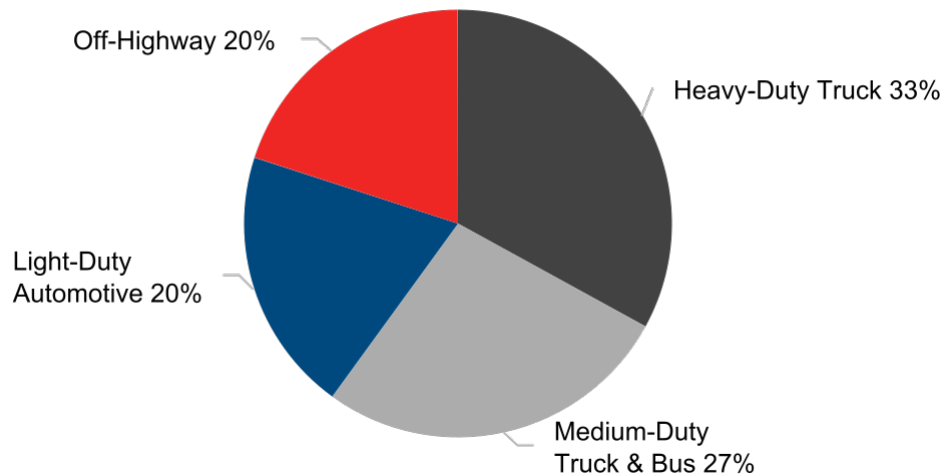


# Engine Segment - Sales Mix

## By Region



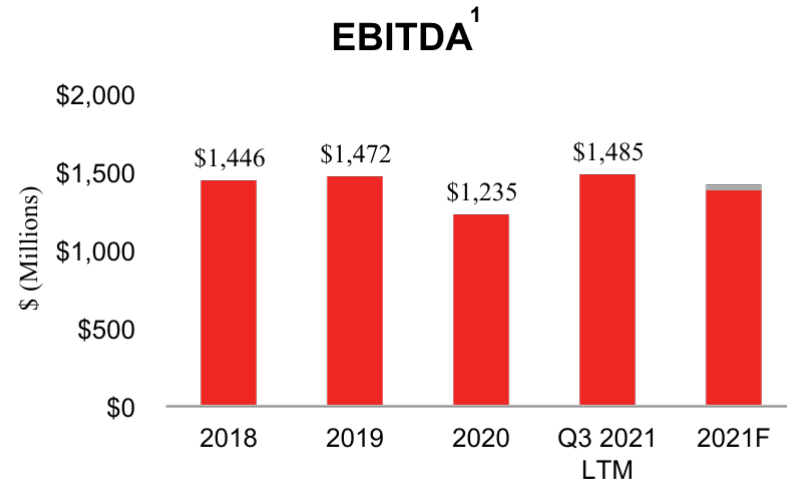
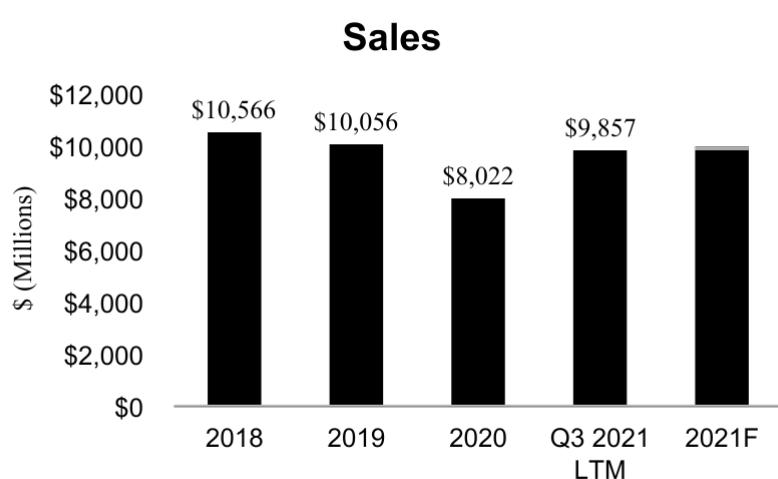
## By Application



**Q3 2021 LTM Revenue**

**\$9.9 billion**

# Engine Segment - Historical Performance



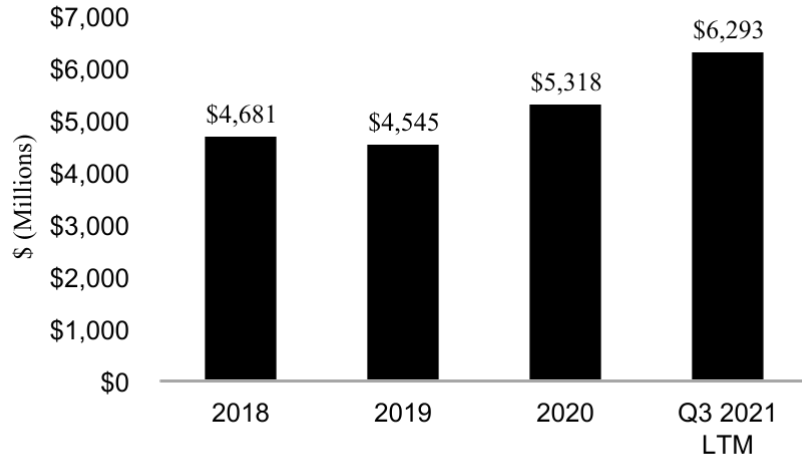
## 2021 Guidance

Sales Up 23% to 25%

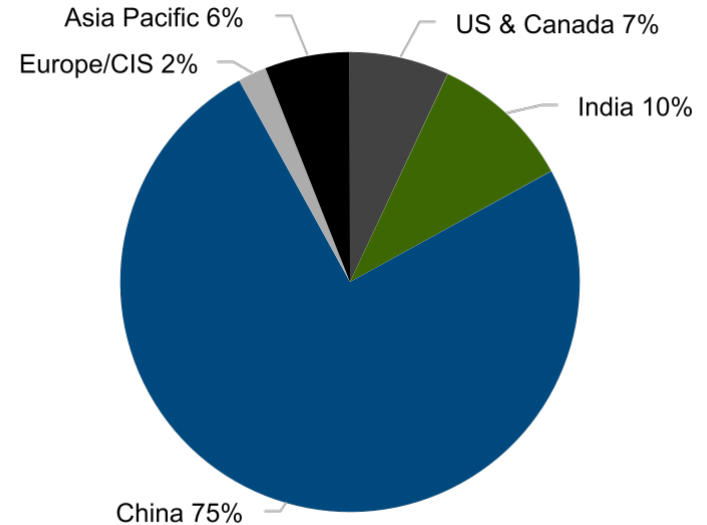
EBITDA 14.2% to 14.7%

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

# Engine Segment - Joint Venture Sales Unconsolidated



## Q3 2021 LTM Revenue



# 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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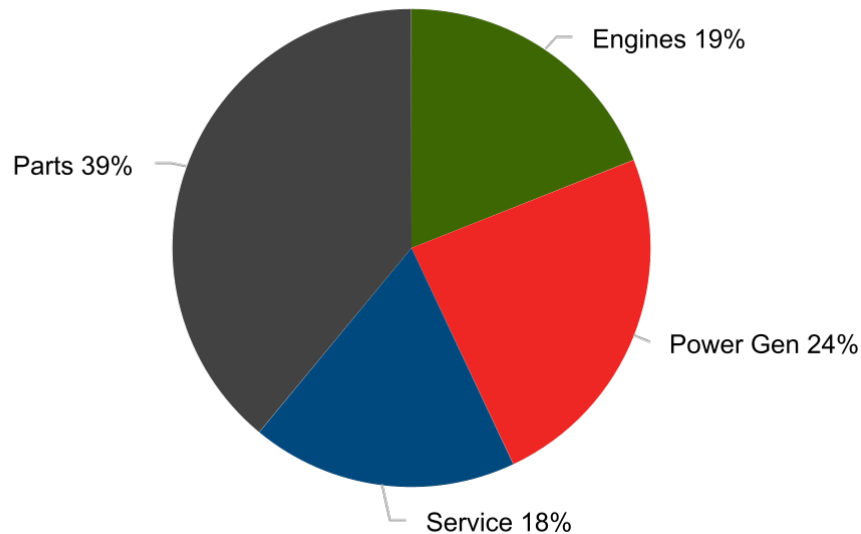
## Q3 2021 LTM Results

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Sales:	\$7.7 billion
EBITDA:	\$718 million
EBITDA%:	9.3%

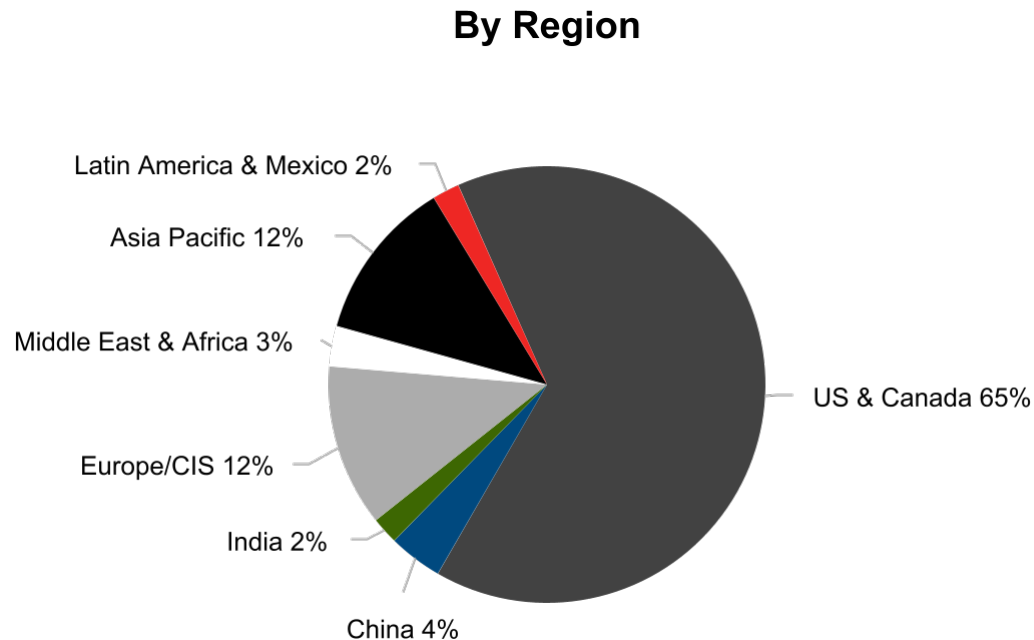
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## Q3 2021 LTM Revenue by Product



# Distribution Segment - Sales Mix

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



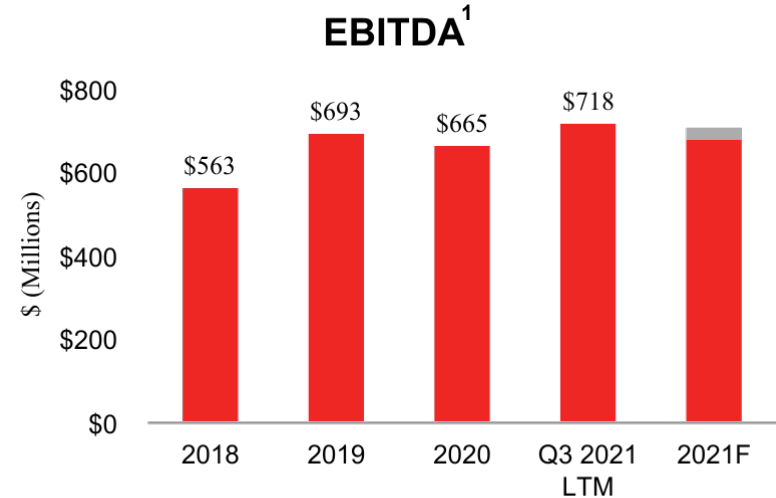
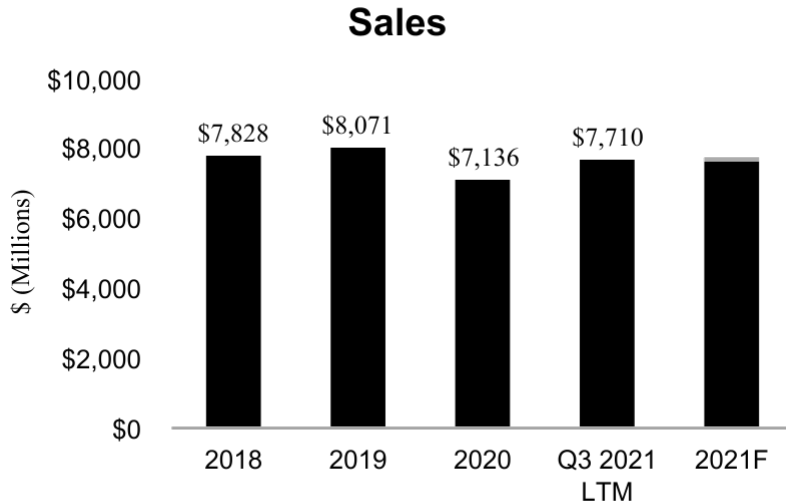
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**Q3 2021 LTM Revenue**

**\$7.7 billion**

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# Distribution Segment - Historical Performance



## 2021 Guidance

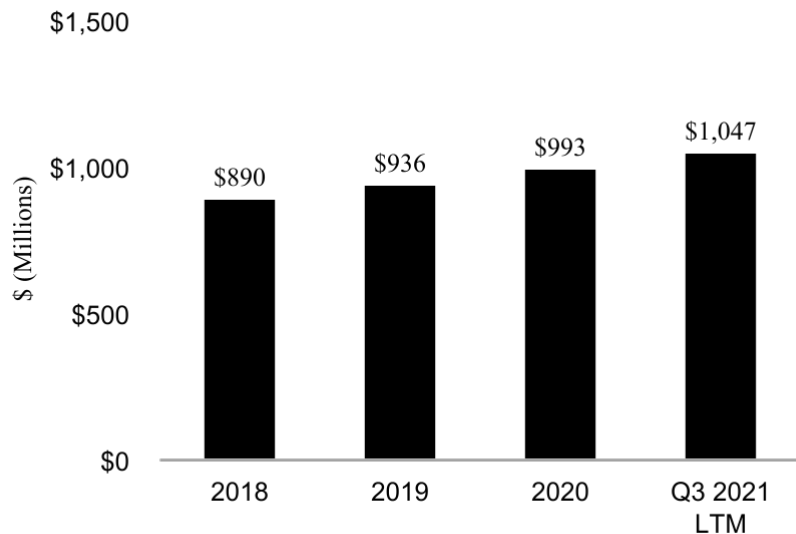
Sales Up 7% to 9%

EBITDA 9.2% to 9.4%

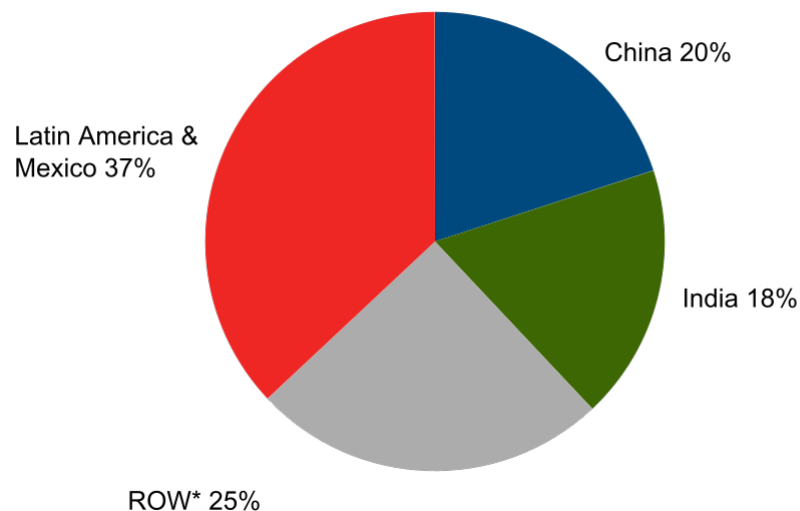
<sup>1</sup> 2019 EBITDA excludes \$37 million of restructuring charges.



# Distribution Segment - Joint Venture Sales Unconsolidated



## Q3 2021 LTM 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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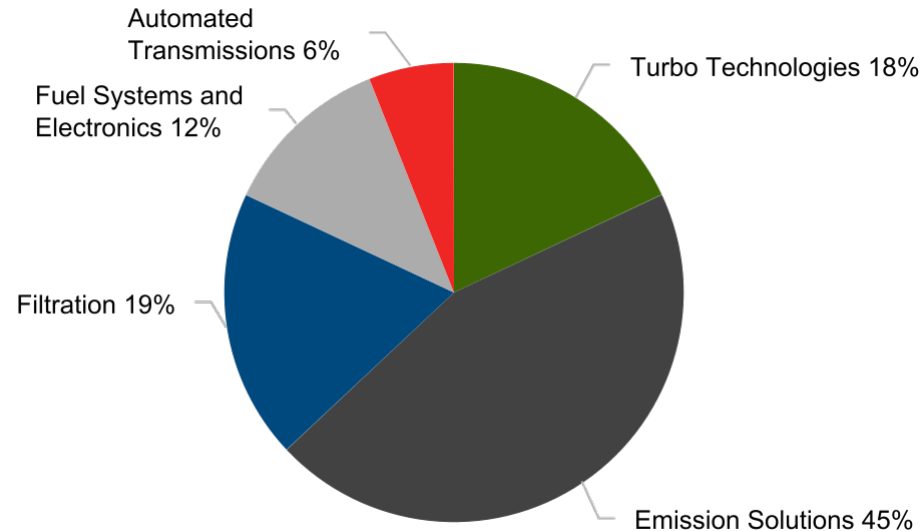
## Q3 2021 LTM Results

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Sales:	\$7.8 billion
EBITDA:	\$1.3 billion
EBITDA%:	16.2%

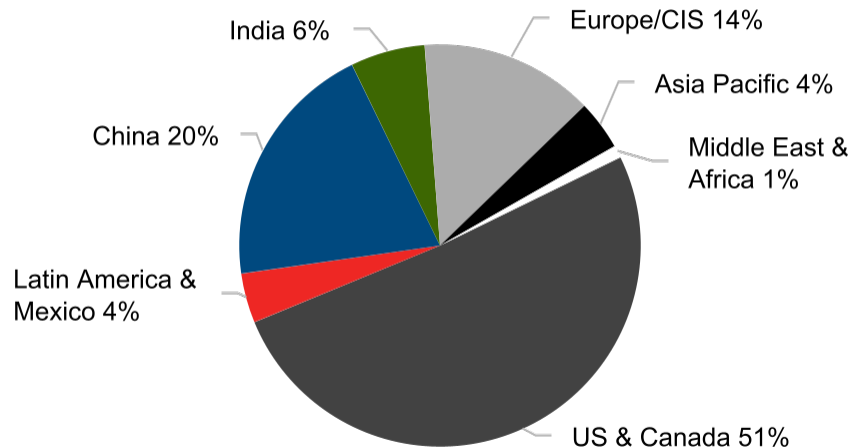
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## Q3 2021 LTM Revenue by Business

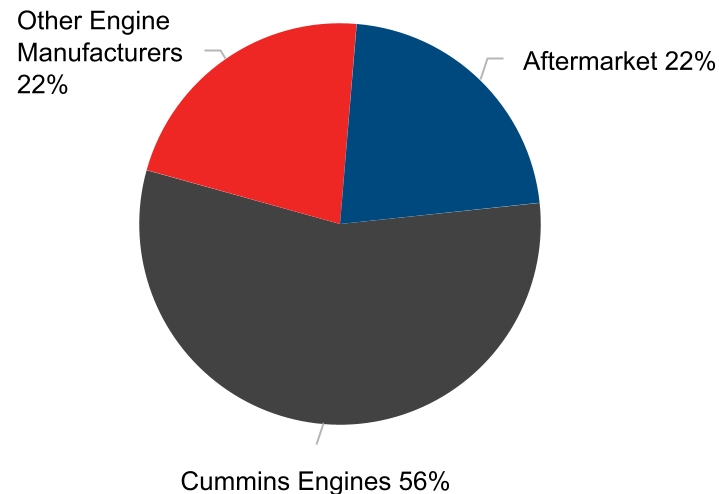


# Components Segment - Sales Mix

## By Region



## By Application



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**Q3 2021 LTM Revenue**

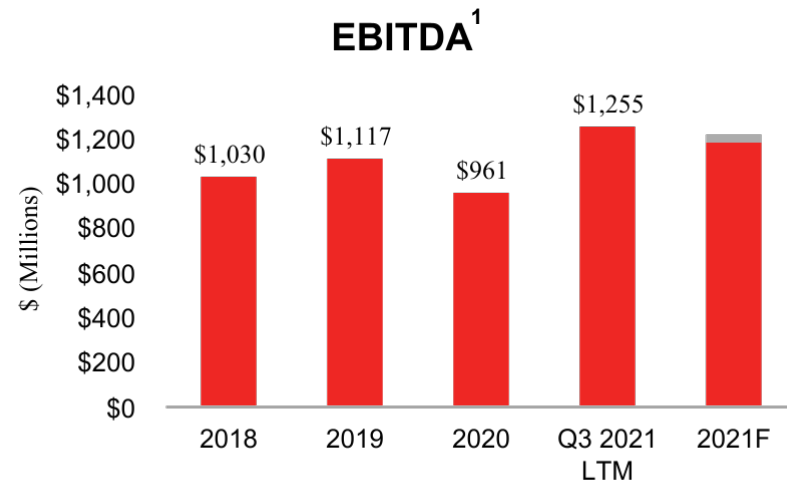
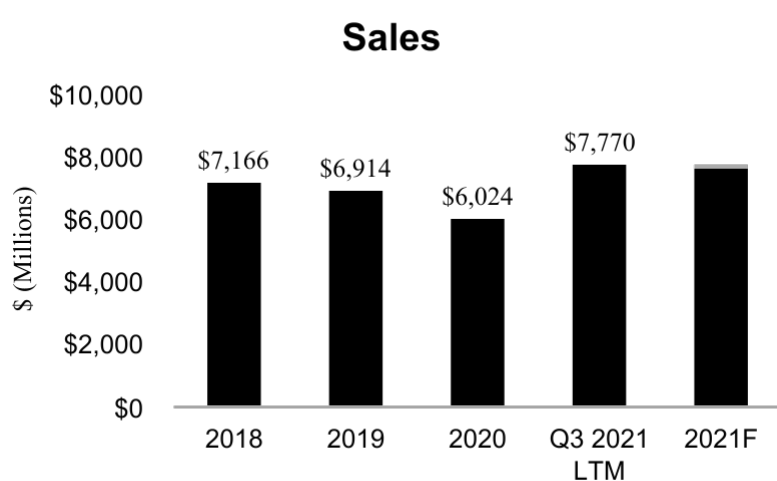
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**\$7.8 billion**

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# Components Segment - Historical Performance



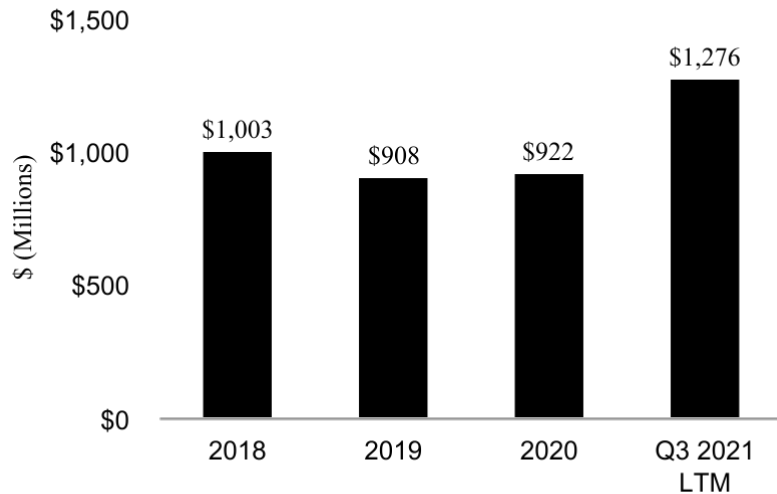
## 2021 Guidance

Sales Up 27% to 29%

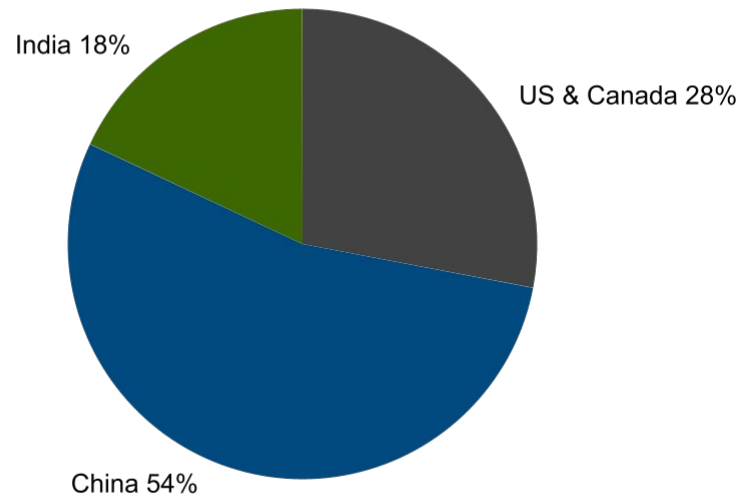
EBITDA 15.25% to 15.75%

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

# Components Segment - Joint Venture Sales Unconsolidated



## Q3 2021 LTM 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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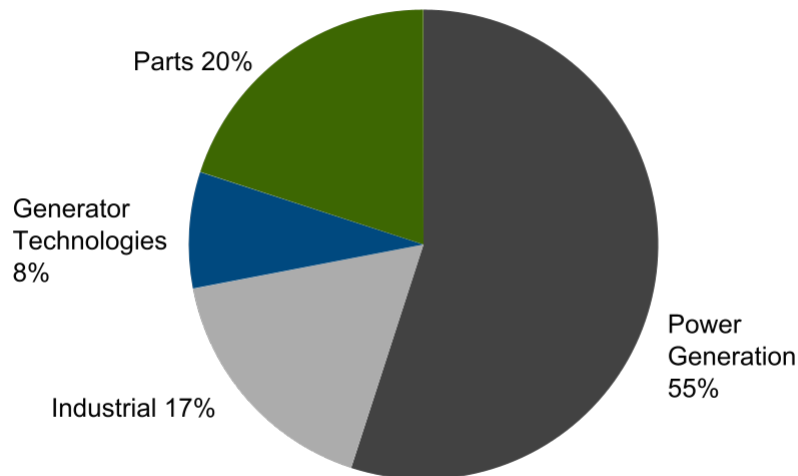
## Q3 2021 LTM Results

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Sales:	\$4.3 billion
EBITDA:	\$473 million
EBITDA%:	11.0%

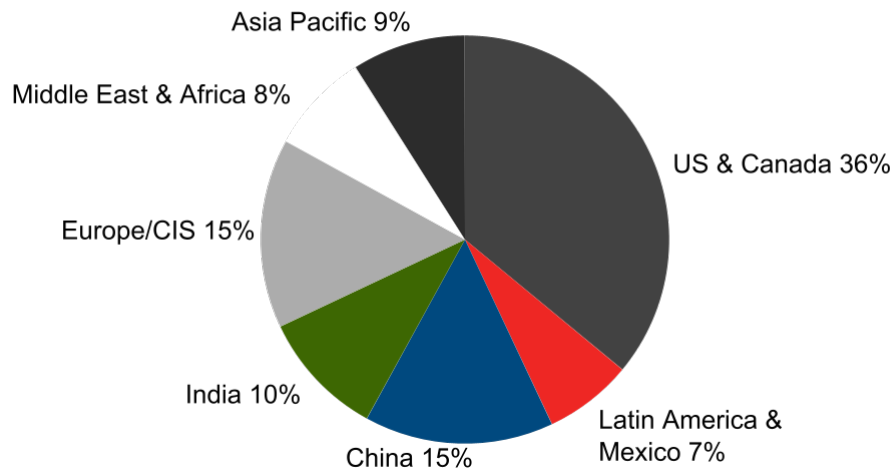
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## Q3 2021 LTM Revenue by Product

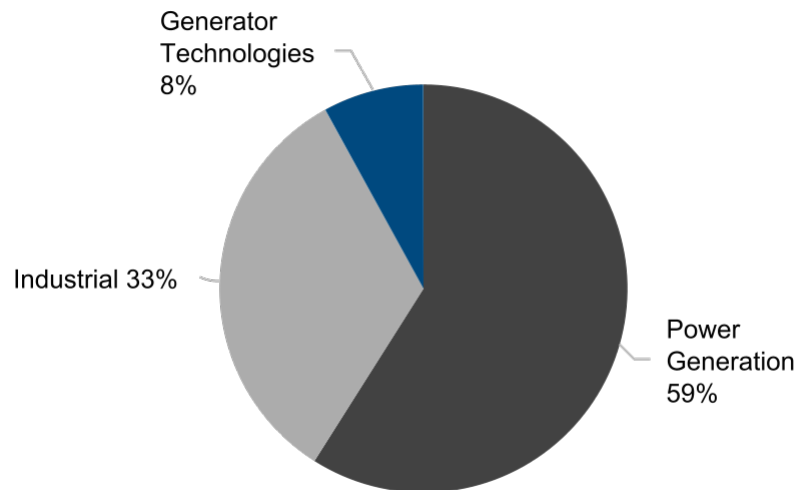


# Power Systems Segment - Sales Mix

## By Region



## By Product Line



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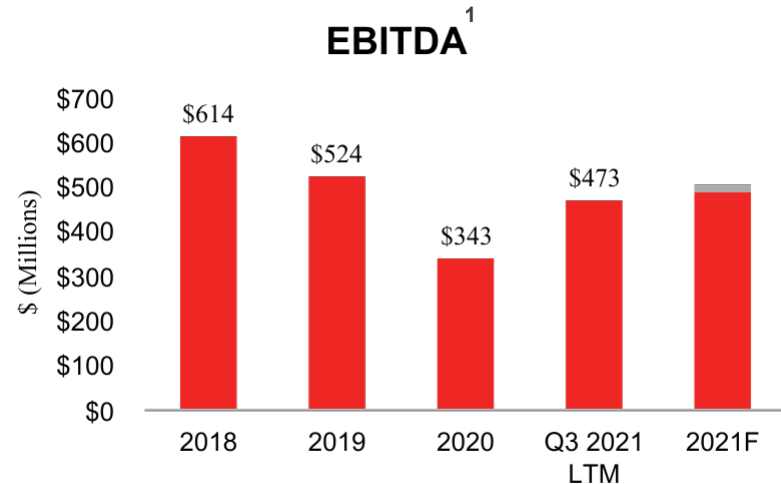
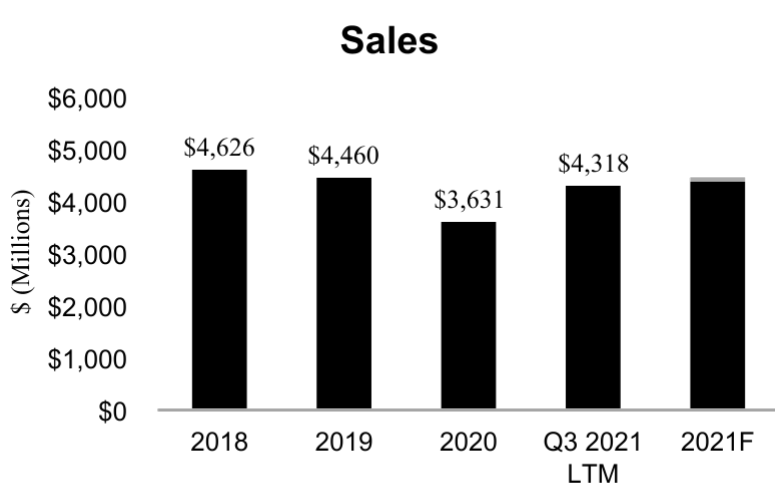
**Q3 2021 LTM Revenue**

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**\$4.3 billion**

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# Power Systems Segment - Historical Performance



## 2021 Guidance

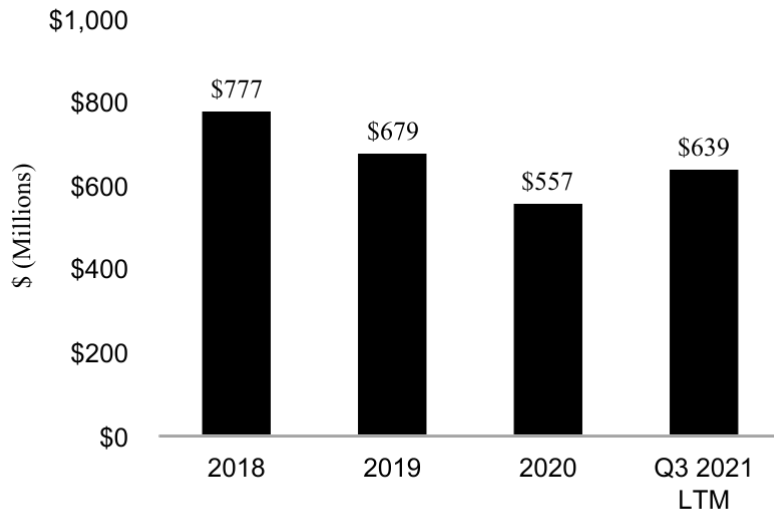
Sales Up 21% to 23%

EBITDA 11.25% to 11.75%

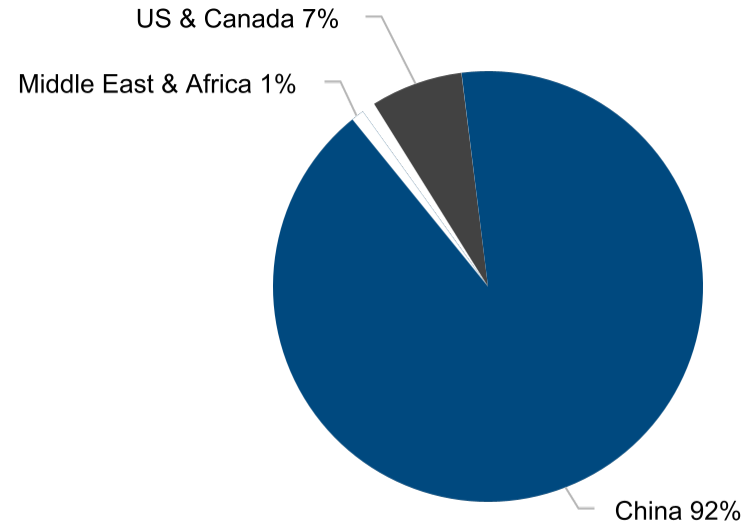
<sup>1</sup> 2019 EBITDA excludes \$12 million of restructuring charges.



# Power Systems Segment - Joint Venture Sales Unconsolidated

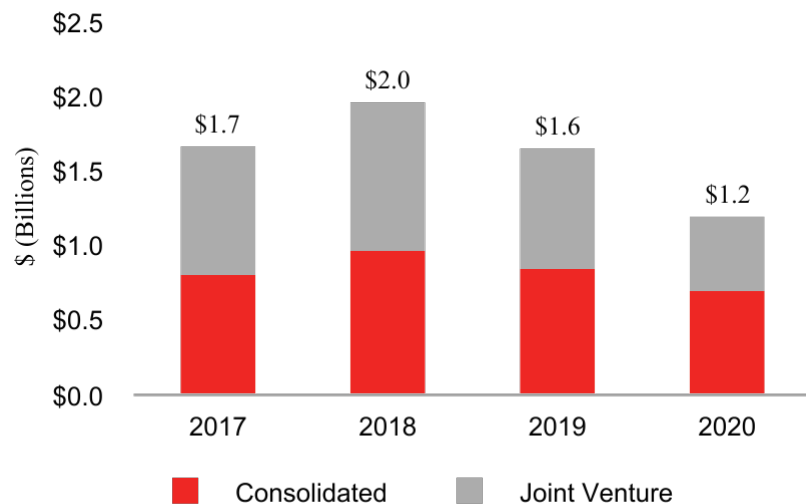


## Q3 2021 LTM Revenue



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

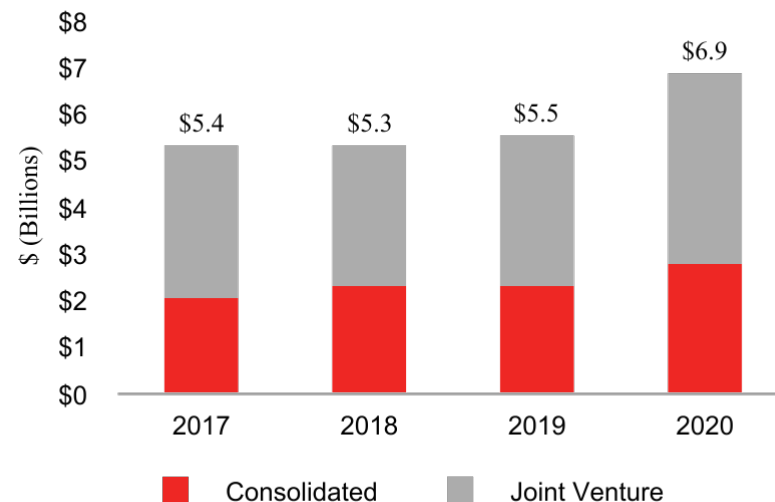
- Present in India for over 50 years
- Market leadership
- Strong OEM relationships
- Expanding our markets



<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

	Three Months Ended	
In Millions	03-Oct-21	27-Sep-20
Net income attributable to Cummins Inc.	\$ 534	\$ 501
Net income attributable to noncontrolling interests	7	3
Consolidated net income	541	504
Income tax expense	134	182
Income before taxes	675	686
Interest expense	28	25
EBIT	703	711
Depreciation and amortization	159	165
EBITDA	862	876
Less: Non-segment EBITDA	(50)	(10)
Total Segment EBITDA	\$ 912	\$ 886

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 (LTM)

	Twelve Months Ended	
In Millions	03-Oct-21	27-Sep-20
Net income attributable to Cummins Inc.	\$ 2,238	\$ 1,588
Net income attributable to noncontrolling interests	36	11
Consolidated net income	2,274	1,599
Income tax expense	598	467
Income before taxes	2,872	2,066
Interest expense	114	93
EBIT	2,986	2,159
Depreciation and amortization	667	675
EBITDA	3,653	2,834
Restructuring charges	—	119
EBITDA excluding restructuring charges	3,653	2,953
Less: Non-segment EBITDA excluding restructuring charges	(58)	72
Total Segment EBITDA excluding restructuring charges	\$ 3,711	\$ 2,881

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

	Three Months Ended	
In Millions	03-Oct-21	27-Sep-20
Accounts and notes receivable, net	\$ 4,152	\$ 3,628
Inventories	4,322	3,470
Accounts Payable - (principally trade)	(3,210)	(2,597)
Working capital measure	\$ 5,264	\$ 4,501
Annualized Working capital measure (% of Net Sales)	22.1 %	22.0 %

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			
	03-Oct-21	27-Sep-20	29-Sep-19
Total Assets	\$ 23,063	\$ 21,568	\$ 20,346
Less: Deferred debt costs	3	3	3
Less: Deferred tax assets	411	457	435
Less: Pension and other postretirement benefit adjustments excluded from net assets	177	101	111
Less: Liabilities deducted in arriving at net assets	9,639	8,212	8,343
Total net assets	12,833	12,795	11,454
Less: Cash, cash equivalents and marketable securities	3,018	3,312	1,863
Net assets for operating segments	\$ 9,815	\$ 9,483	\$ 9,591

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

	03-Oct-21	27-Sep-20	29-Sep-19
Total Equity	\$ 9,003	\$ 8,641	\$ 8,753
Less: Defined benefit postretirement plans	(672)	(699)	(669)
Equity used for return on invested capital calculation	9,675	9,340	9,422
Loans payable	85	129	103
Commercial paper	200	316	902
Current maturities of long-term debt	55	58	37
Long-term debt	3,602	3,609	1,619
Invested capital used for return on invested capital calculation	\$ 13,617	\$ 13,452	\$ 12,083

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



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

	<u>Twelve Months Ended</u>	
In Millions	03-Oct-21	27-Sep-20
Net income attributable to Cummins Inc.	\$ 2,238	\$ 1,588
Net income attributable to noncontrolling interests	36	11
Consolidated net income	2,274	1,599
Income tax expense	598	467
Income before taxes	2,872	2,066
Interest expense	114	93
EBIT	2,986	2,159
Restructuring charge	—	119
EBIT excluding restructuring charge	2,986	2,278
Less: Tax effect on EBIT	621	517
Net operating profit after taxes used for return on invested capital calculation	\$ 2,365	\$ 1,761

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

# Net Debt to Capital Reconciliation

In Millions		
	03-Oct-21	27-Sep-20
Total Debt (A)	\$ 3,942	\$ 4,112
Total Equity (B)	9,003	8,641
Total Capital (C) = (A+B)	12,945	12,753
Total Cash, Cash Equivalents & Marketable Securities (D)	3,018	3,312
Net Debt (E) = (A-D)	\$ 924	\$ 800
Total Debt to Capital % (A/C)	30.5 %	32.2 %
Net Debt to Capital % (E/C)	7.1 %	6.3 %

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



**Thank you for your interest**

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