

Cummins Inc.

S&P Recommendation **STRONG BUY** ★★★★★

Price
\$94.69 (as of Jun 15, 2012)

12-Mo. Target Price
\$152.00

Investment Style
Large-Cap Value

GICS Sector Industrials
Sub-Industry Construction & Farm Machinery & Heavy Trucks

Summary This leading manufacturer of truck engines also makes stand-by power equipment and industrial filters.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	\$129.51–79.53	S&P Oper. EPS 2012E	10.86	Market Capitalization(B)	\$18.198	Beta	1.99
Trailing 12-Month EPS	\$10.18	S&P Oper. EPS 2013E	12.13	Yield (%)	1.69	S&P 3-Yr. Proj. EPS CAGR(%)	30
Trailing 12-Month P/E	9.3	P/E on S&P Oper. EPS 2012E	8.7	Dividend Rate/Share	\$1.60	S&P Credit Rating	A
\$10K Invested 5 Yrs Ago	\$20,905	Common Shares Outstg. (M)	192.2	Institutional Ownership (%)	86		

Price Performance



Qualitative Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment reflects the highly cyclical nature of the North America medium (class 5-7) and heavy-duty (class 8) truck markets and significant pension and post-retirement benefit obligations, offset by a geographically diverse mix of business and the low leverage of CMI's balance sheet.

Quantitative Evaluations

S&P Quality Ranking **A-**

D	C	B-	B	B+	A-	A	A+
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Relative Strength Rank **WEAK**

LOWEST = 1	23	HIGHEST = 99
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Revenue/Earnings Data

Revenue (Million \$)

	1Q	2Q	3Q	4Q	Year
2012	4,472	--	--	--	--
2011	3,860	4,641	4,626	4,921	18,048
2010	2,478	3,208	3,401	4,139	13,226
2009	2,439	2,431	2,530	3,400	10,800
2008	3,474	3,887	3,693	3,288	14,342
2007	2,817	3,343	3,372	3,516	13,048

Earnings Per Share (\$)

	2012	2011	2010	2009	2008	2007
	2.38	E2.72	E2.81	E2.95	E10.86	
	1.75	2.60	2.35	2.86	9.55	
	0.75	1.25	1.44	1.84	5.28	
	0.04	0.28	0.48	1.36	2.16	
	0.97	1.49	1.17	0.45	4.08	
	0.71	1.06	0.92	1.00	3.70	

Fiscal year ended Dec. 31. Next earnings report expected: NA. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.400	07/12	08/18	08/22	09/01/11
0.400	10/17	11/17	11/21	12/01/11
0.400	02/14	02/22	02/24	03/01/12
0.400	05/08	05/16	05/18	06/01/12

Dividends have been paid since 1948. Source: Company reports.

Analysis prepared by Equity Analyst **Jim Corridore** on May 02, 2012, when the stock traded at **\$112.49**.

Highlights

- ▶ We expect revenues to rise about 14% in 2012 after a 36% increase in 2011. North American truck engine sales should continue to pick up in 2012 on pent-up demand and as customers become more comfortable with new engines being sold to meet more stringent EPA emissions rules. We project strong growth in engine sales in India, China and Brazil, fueled by GDP growth and infrastructure projects in those regions. We expect improvement in North American class 8 truck demand in 2012, due to an aging national truck fleet and an improving U.S. economy.
- ▶ We look for EBIT margins of 14.5% for 2012, in line with guidance, versus 14.2% in 2011 and 12.2% in 2010. We expect CMI to benefit from cost reductions and strong improvements in productivity at several of its plants. We also expect top-line growth to aid EBIT margins on fixed cost leverage and better capacity utilization.
- ▶ We estimate that operating EPS will improve to \$10.86 in 2012, which would represent 20% growth over 2011 operating EPS of \$9.07, and comparing favorably to 2010 EPS of \$5.28.

Investment Rationale/Risk

- ▶ For the long term, with over 50% of its sales derived from outside North America, we believe CMI should benefit from its leading-edge technology in truck engines, helping it gain market share in emerging market countries and infrastructure-related power generation equipment. We think CMI will continue to use technology and its strong balance sheet to increase market share. Although the pace of the economic recovery may have slowed, we still expect improving investor sentiment on signs of stronger economic growth.
- ▶ Risks to our recommendation and target price include weaker-than-projected demand in the truck manufacturing and/or power generation markets; slower-than-anticipated economic growth and/or industrial production; adverse forex volatility; and lower-than-estimated savings from expense reduction initiatives.
- ▶ Our 12-month target price of \$152 values the shares at 14X our 2012 EPS estimate of \$10.86, in the middle of CMI's five-year historical P/E range of 4.3X-23.9X. We think we are still in the early stages of a new earnings upcycle that we expect to last for several years.

Cummins Inc.**Business Summary** May 02, 2012

CORPORATE OVERVIEW. This global equipment company makes and services diesel and natural gas engines, electric power generation systems and engine-related component products.

Cummins (CMI), founded in 1919, has long-standing relationships with many of the customers it serves, including Chrysler LLC, Daimler AG, Volvo AB, PACCAR Inc., International Truck and Engine Corp. (a unit of Navistar), CNH Global N.V., Komatsu, Scania AB, Ford Motor Corp., and Volkswagen. CMI has over 600 company-owned and independent distributor locations and about 6,500 dealer locations in over 190 countries and territories. CMI's key markets are the on-highway, construction, and general industrial markets.

The company believes that its competitive strengths include a group of leading brand names, alliances it has established with customers and partners, its global presence (international sales accounted for 59% of total sales in 2011), and its leading technology. In particular, Cummins' technology addresses the reduction of diesel engine emissions. CMI's engines met the EPA's heavy-duty on-highway emission standards that went into effect in January 2010.

The engine segment (53% of sales in 2011) manufactures and markets a broad range of diesel and natural-gas powered engines under the Cummins brand name for the heavy- and medium-duty truck, bus, recreational vehicle (RV), light-duty automotive, agricultural, construction, mining, marine, oil and gas, rail and governmental equipment markets. CMI manufactures engines with displacements from 1.4 to 91 liters and horsepower ranging from 31 to 3,500. In addition, it provides new parts and service, as well as remanufactured parts and engines, through its extensive distribution network.

Business lines within the engine segment include heavy-duty truck, medium-duty truck and bus, light-duty automotive and RV, and industrial.

The power generation segment (14% of 2011 sales) designs and makes most of the components that make up power generation systems, including engines, controls, alternators, transfer switches, and switchgear. Products meet customer needs for standby power, distributed generation power, as well as auxiliary power needs in specialty mobile applications. Distributed generation power solutions are provided to customers with less reliable electrical power infrastructure, typically in developing countries.

The components segment (16% of 2011 sales) produces filters, fuel systems, aftermarket systems, intake and exhaust systems, and is the largest worldwide supplier of turbochargers for commercial applications. Components manufactures filtration and exhaust systems for on and off-highway heavy-duty equipment and is a supplier of filtration products for industrial and passenger car applications.

The distribution segment (17% of 2011 sales) consists of 17 company-owned and 15 joint venture distributors that distribute the full-range of CMI's products and services to end-users at about 300 locations in over 70 countries.

CORPORATE STRATEGY. The company follows five key business principles in executing its business strategy: being a low-cost producer in as many of its markets as possible (six sigma, global sourcing, technical productivity); expanding into related markets (for example, CMI's expansion into the light-duty engine market); creating greater shareholder value (measured using return on equity); leveraging complementary businesses (shared technology, common channels and distribution, shared customers and partners, corporate brand image); and creating the right environment for success.

IMPACT OF MAJOR DEVELOPMENTS. In 2009, Caterpillar (CAT 111, Buy) exited the on-highway truck engine market to focus on off-highway heavy-duty trucks. Since Caterpillar is a key competitor of CMI in the on-highway truck engine market, we view the move as positive for CMI, and we believe it validates our view of CMI's technological lead in the on-highway engine market.

FINANCIAL TRENDS. In the 10 years through 2011 revenues grew at a compound annual growth rate (CAGR) of 11.9%, EBIT at 47% and net income at 37%. In 2011, revenues increased 36%, EBIT rose 65%, and net income increased 78%. For 2012, CMI has announced a target of 10% revenue growth with a 14.5%-15% EBIT margin.

Corporate Information

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Officers

Chrmn & CEO
N.T. Linebarger

CTO
J.C. Wall

CFO
P.J. Ward

Chief Acctg Officer & Cntrl
M.L. Hunt

Chief Admin Officer & Secy
M.M. Rose

Board Members

R. J. Bernhard
F. R. Chang-Diaz
S. B. Dobbs
R. K. Herdman
A. M. Herman
N. T. Linebarger
W. I. Miller, II
G. R. Nelson
C. Ware

Domicile
Indiana

Founded
1919

Employees
43,900

Stockholders
3,831

Cummins Inc.

Quantitative Evaluations

S&P Fair Value Rank	3+	1	2	3	4	5
		LOWEST				HIGHEST
Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).						

Fair Value Calculation	\$94.00	Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that CMI is fairly valued
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Investability Quotient Percentile		99
	LOWEST = 1	HIGHEST = 100
CMI scored higher than 99% of all companies for which an S&P Report is available.		

Volatility	LOW	AVERAGE	HIGH
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Technical Evaluation	BEARISH	Since April, 2012, the technical indicators for CMI have been BEARISH.
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Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE
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Expanded Ratio Analysis

	2011	2010	2009	2008
Price/Sales	0.94	1.64	0.84	0.37
Price/EBITDA	7.01	13.81	10.22	3.80
Price/Pretax Income	6.38	13.41	14.17	4.20
P/E Ratio	8.76	20.85	21.18	6.56
Avg. Diluted Shares Outstg (M)	193.6	197.1	197.7	196.5

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	36.46	9.33	6.10	11.40
Net Income	87.12	42.63	16.70	36.81

Ratio Analysis (Annual Avg.)

	2011	2010	2009	2008
Net Margin (%)	10.78	7.54	6.77	5.63
% LT Debt to Capitalization	9.64	11.91	12.80	22.73
Return on Equity (%)	38.30	25.05	24.58	23.13

Company Financials Fiscal Year Ended Dec. 31

Per Share Data (\$)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Tangible Book Value	25.90	20.85	16.04	13.48	14.20	11.12	7.56	5.18	2.79	2.42
Cash Flow	11.73	6.90	3.80	5.44	5.15	4.96	4.54	3.38	1.75	1.79
Earnings	9.55	5.28	2.16	4.08	3.70	3.55	2.75	1.85	0.34	0.52
S&P Core Earnings	9.03	5.15	2.21	3.20	3.73	3.62	2.85	2.00	0.40	-0.39
Dividends	1.33	0.87	0.70	0.60	0.43	0.33	0.30	0.30	0.30	0.30
Payout Ratio	14%	17%	32%	15%	12%	9%	11%	16%	88%	58%
Prices:High	121.49	111.87	51.65	75.98	71.73	34.80	23.47	21.17	13.08	12.57
Prices:Low	79.53	44.84	18.34	17.70	28.16	22.17	15.90	12.03	5.43	4.90
P/E Ratio:High	13	21	24	19	19	10	9	11	38	24
P/E Ratio:Low	8	9	8	4	8	6	6	7	16	10

Income Statement Analysis (Million \$)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenue	18,048	13,226	10,800	14,342	13,048	11,362	9,918	8,438	6,296	5,853
Operating Income	2,431	1,571	887	1,382	1,221	1,287	1,058	696	316	327
Depreciation	325	320	326	314	290	296	295	272	223	219
Interest Expense	44.0	40.0	35.0	60.0	59.0	96.0	109	113	101	82.0
Pretax Income	2,671	1,617	640	1,251	1,169	1,083	798	432	80.0	57.0
Effective Tax Rate	27.1%	29.5%	24.4%	30.9%	32.6%	29.9%	27.1%	13.0%	15.0%	NM
Net Income	1,946	1,040	428	801	739	715	550	350	54.0	79.0
S&P Core Earnings	1,746	1,016	438	631	744	729	570	380	62.8	-61.4

Balance Sheet & Other Financial Data (Million \$)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Cash	1,761	1,362	1,120	503	697	935	840	690	195	298
Current Assets	7,091	6,289	5,003	4,713	4,815	4,488	3,916	3,273	2,130	1,982
Total Assets	11,668	10,402	8,816	8,491	8,195	7,465	6,885	6,527	5,126	4,837
Current Liabilities	3,657	3,260	2,432	2,639	2,711	2,399	2,218	2,197	1,391	1,329
Long Term Debt	658	709	637	629	555	647	1,213	1,299	1,380	1,290
Common Equity	5,492	4,670	3,773	3,277	3,409	2,802	1,864	2,802	949	841
Total Capital	6,828	5,705	4,657	4,139	4,257	3,703	3,302	4,309	2,452	2,223
Capital Expenditures	622	364	310	543	353	249	186	151	111	90.0
Cash Flow	2,271	1,360	752	1,069	1,029	1,011	845	622	277	298
Current Ratio	1.9	1.9	2.1	1.8	1.8	1.9	1.8	1.5	1.5	1.5
% Long Term Debt of Capitalization	9.6	12.4	13.7	15.1	13.0	17.5	36.7	30.1	56.3	58.0
% Net Income of Revenue	10.8	7.9	4.0	5.6	5.7	6.3	5.5	4.1	0.9	1.3
% Return on Assets	17.6	10.8	4.9	9.6	9.4	10.0	8.2	6.0	1.1	1.7
% Return on Equity	38.3	24.6	12.2	24.0	23.8	30.6	33.7	14.9	6.0	8.7

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Cummins Inc.

Sub-Industry Outlook

Our fundamental outlook for the construction & farm machinery & heavy trucks sub-industry is positive. An improving global economy has been assisting many areas of the group since 2010, and we see this trend continuing in 2012.

Demand for construction equipment has risen sharply over the past two years, after a long stretch of weakness. According to a study by KHL Group, a leading supplier of construction information, sales of construction equipment by the world's 50 largest manufacturers grew by 25% in 2011, to \$182 billion, surpassing the prior record of \$168 billion in 2008 by eight percent. We believe this robust revival has mostly reflected significant demand in nonresidential markets, on a substantial level of construction projects in emerging markets, particularly for infrastructure, and the need to replace very old equipment in mature economies. We expect these trends to continue over the coming year.

According to the USDA, farm income -- the primary driver for sales of agricultural equipment -- will likely fall by 6.5% to \$91.7 billion in 2012, following two straight years of very strong growth. The USDA is forecasting a fractional rise in cash receipts for the year, but sees higher production expenses hurting the bottom line of farms, particularly in the areas of feed and labor, and marketing, storage and transportation costs. However, despite the USDA's forecast of moderating farm results in 2012, we expect ongoing gains in demand for agricultural equipment for the year. We base that forecast on our belief that strong levels of farm income over the past few years and still-favorable farm markets will lead to ongoing capital equipment purchases in the sector.

After three straight years of sharp declines in heavy

truck sales in North America, increased freight demand and an aging truck fleet have been reviving demand for truck purchases since 2010. With sales of trucks rising on a year-to-year basis in each month from February 2010 through April 2012, unit shipments of heavy trucks were ahead by 21% in 2010 and 58% in 2011, and another 42% in the first four months of 2012. Economic uncertainties remain, and prebuying for tax purposes and pre-stocking have recently led to slower order trends, but we see the overall upturn continuing and expect strong gains in truck sales in 2012.

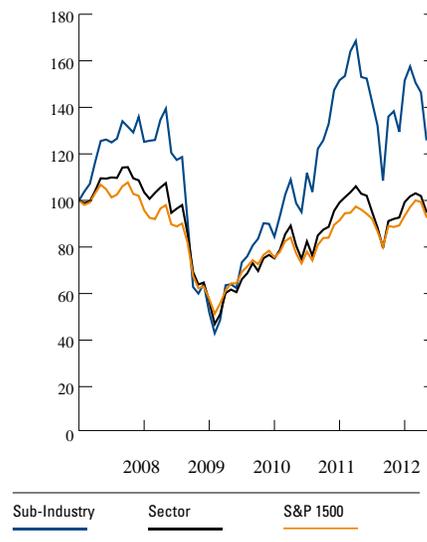
Year to date through May 18, the S&P Construction & Farm Machinery & Trucks Index fell 2.3% versus a 3.0% advance for the S&P 1500 Index.

--Michael Jaffe

Stock Performance

GICS Sector: Industrials
Sub-Industry: Construction & Farm Machinery & Heavy Trucks

Based on S&P 1500 Indexes
Month-end Price Performance as of 05/31/12



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Construction & Farm Machinery & Heavy Trucks Peer Group*: Trailers/Engines/Related Equipment

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Cummins Inc	CMI	18,198	94.69	129.51/79.53	1.99	1.7	9	94.00	A-	99	10.8	9.6
Supreme Industries'A'	STS	48	3.54	4.57/1.71	1.32	Nil	11	NA	C	37	0.5	22.1
Titan Intl	TWI	913	21.63	29.95/12.97	2.28	0.1	12	22.00	B	90	3.9	43.8
Twin Disc	TWIN	195	17.08	47.39/16.55	2.31	2.1	6	NA	B+	69	6.1	15.3
Wabash National	WNC	442	6.47	11.55/4.22	2.36	Nil	27	NA	C	55	1.3	30.8

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Cummins Inc.**S&P Analyst Research Notes and other Company News****May 1, 2012**

10:47 am ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF CUMMINS (CMI 112.33****): Q1 EPS is \$2.38, vs. \$1.75, beating our \$1.99 estimate and the Capital IQ consensus of \$2.20. CMI saw strong North America demand, offset by weakness in China and Brazil. CMI sees China and Brazil improving in the second half, and keeps prior guidance of 10% revenue growth and a 14.5%-15% EBIT margin. We lift our '12 EPS estimate to \$10.86 from \$10.13 and start '13's at \$12.13. We keep our target price at \$152, 14X our '12 estimate, and the middle of CMI's historical range. We think investors are too focused on China, and we see the shares attractively valued at current levels. /J. Corridore

February 21, 2012

Cummins Inc. announced that Carole Casto will be Cummins' new Executive Director of Corporate Communications. Casto currently serves as Director of Community Engagement in Corporate Responsibility, playing a key role in the program's expansion outside the United States. Before joining Corporate Responsibility, Casto served as director of the Company's Six Sigma program.

February 2, 2012

UP 6.93 to 112.75... CMI posts \$2.86 vs. \$2.35 Q4 net EPS on 19% higher revenue. Excl. items, posts \$2.56 Q4 '11 EPS. Capital IQ consensus forecast was \$2.27. For 2012, CMI expects total co. revenues to increase 10%, sees EBIT in the range of 14.5%-15% of sales. Notes that its 2011 results and 2012 forecast reaffirm its confidence in reaching its goal of achieving \$30B in sales and 18% EBIT in 2015. S&P Capital IQ raises estimate, target; reiterates strong buy. ...

February 2, 2012

11:10 am ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF CUMMINS INC. (CMI 114.66****): Q4 operating EPS of \$2.56, vs. \$1.84, beats our \$2.23 estimate. CMI did a good job leveraging incremental revenues to increase EBIT margins. For 2012, CMI guides to 10% revenue growth with a 12.5%-13.5% EBIT margin. We expect CMI to continue to gain market share and grow faster than its underlying markets do. We raise our '12 EPS forecast to \$10.13 from \$9.98 and our 12-month target price to \$152 from \$145, 15X our '12 estimate, the middle of its historical P/E range. We view CMI's strong balance sheet, good cash generation and 1.4% dividend yield as additional positives. /J. Corridore

February 2, 2012

11:10 am ET ... RETRANSMIT - S&P REITERATES STRONG BUY OPINION ON SHARES OF CUMMINS INC. (CMI 114.66****): Q4 operating EPS of \$2.56, vs. \$1.84, beats our \$2.23 estimate. CMI did a good job leveraging incremental revenues to increase EBIT margins. For 2012, CMI guides to 10% revenue growth with a 12.5%-13.5% EBIT margin. We expect CMI to continue to gain market share and grow faster than its underlying markets do. We raise our '12 EPS forecast to \$10.13 from \$9.98 and our 12-month target price to \$152 from \$145, 15X our '12 estimate, the middle of its historical P/E range. We view CMI's strong balance sheet, good cash generation and 1.4% dividend yield as additional positives. /J. Corridore

February 1, 2012

Cummins Inc. announced that Sharon R. Barner, formerly a top official in the U.S. Department of Commerce and a leading expert on intellectual property, has joined the company as its Vice President - General Counsel. Barner served as Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the U.S. Patent and Trademark Office from 2009 to 2011. At Cummins, Barner will report to Marya Rose, Vice President and Chief Administrative Officer. Rose was the Company's General Counsel before taking on her new role.

January 4, 2012

07:40 am ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF CUMMINS (CMI 91.05****): We think CMI is well positioned to take advantage of our view that industrial stocks are likely to outperform the overall market in 2012. CMI is the leading maker of heavy and medium duty truck engines in the U.S., with a diversified revenue mix geographically. We think it is likely to see 15% revenue growth in 2012 and a 5-year EPS CAGR of about 18%. Our \$145 target price values the shares at 14.5X our '12 EPS estimate of \$9.98, in the middle of its 5-year historical P/E range of 8X-24X earnings. Shares are supported by a 1.8% dividend yield and a share buyback program. /J. Corridore

November 11, 2011

Cummins India Limited announced that Mr. Dinesh Castellino, Vice President Legal & Company Secretary has relocated to Cummins Inc., USA as the Sr. Counsel (Components Group). Consequently, Mr. Castellino ceases to be Company Secretary and Compliance Officer of the Company effective November 11, 2011. In view of the said move, the Board of Directors of the Company at their meeting held on November 10, 2011, have appointed Mr. Amit Atre as the Company Secretary of the Company as per the Companies Act, 1956 and Compliance Officer in terms of the Listing Agreement effective November 11, 2011.

November 7, 2011

Cummins Inc. announced that Luther Peters has been named Vice President - Internal Audit. The appointment is effective Nov. 16, 2011. As Executive Director of Internal Audit, Peters has been reporting Cummins' Internal Audit activity to both the Audit Committee of the Board of Directors and Executive Management for the past five years, and advises both groups in many key areas of the business.

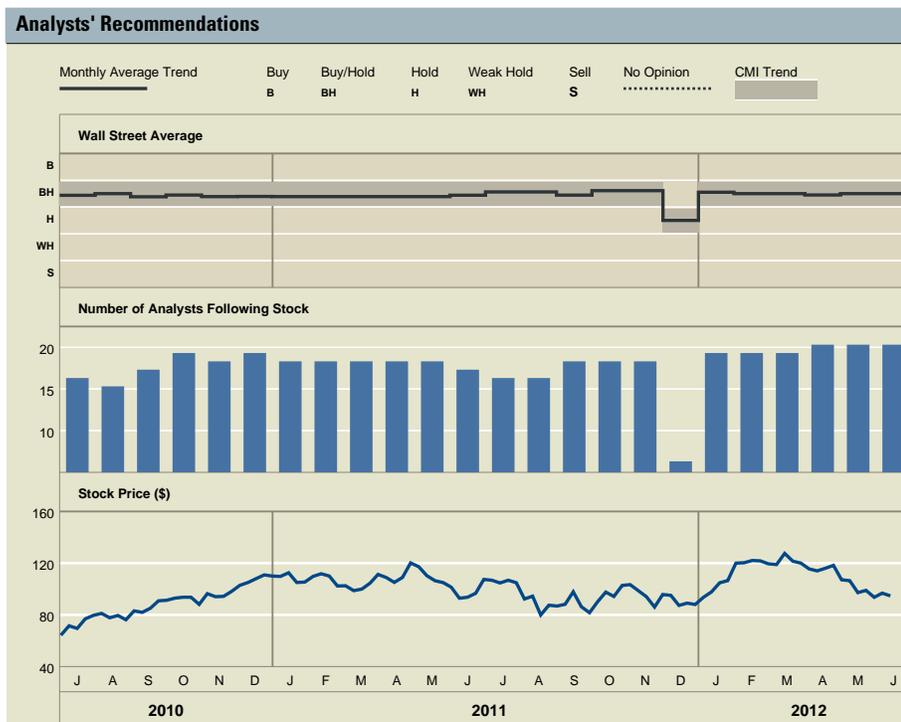
November 3, 2011

Cummins Inc. announced that Jim Lyons has been named Vice President -- Chief Manufacturing Officer. Lyons will work on improving the company's worldwide manufacturing performance with an emphasis on successful delivery, schedule stability and attainment, and waste reduction. Lyons brings to the position 38 years of experience with Cummins, most recently as President of Cummins Turbo Technologies (CTT), where he led that business to a turn-around in performance. He will continue in his CTT role through the end of the year as he works with his replacement to ensure a smooth transition. He will also begin shifting into his new role. Lyons replacement at CTT will be announced soon. Lyons joined Cummins in 1973, and has served in a wide range of roles, including General Manager of Fuel Systems Operations and the Consolidated Diesel Company, and Vice President -- MidRange and Heavy Duty Manufacturing. Jim was named President of Cummins Turbo Technologies in January, 2007.

October 25, 2011

CMI posts \$2.35 vs. \$1.44 Q3 EPS on 36% sales rise. Notes government actions to reduce inflation in India and China have resulted in softer near-term demand than it previously expected. This, along with the recent strengthening of the US\$, has caused co. to slightly soften full year revenue guidance to \$17.5B-\$18B.

Cummins Inc.



Of the total 25 companies following CMI, 20 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	7	35	8	8
Buy/Hold	4	20	4	4
Hold	9	45	8	6
Weak Hold	0	0	0	1
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	20	100	20	19



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2013	11.80	12.78	10.51	19	8.0
2012	10.60	10.98	10.10	19	8.9
2013 vs. 2012	▲ 11%	▲ 16%	▲ 4%	0%	▼ -10%
Q2'13	3.06	3.14	2.98	17	30.9
Q2'12	2.73	2.87	2.54	17	34.7
Q2'13 vs. Q2'12	▲ 12%	▲ 9%	▲ 17%	0%	▼ -11%

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

- Atlantic Equities LLP
- Avondale Partners, LLC
- Barclays
- Boenning & Scattergood, Inc.
- Buckingham Research Group Inc.
- CL King & Associates, Inc
- Citigroup Inc
- Credit Suisse
- Daiwa Securities Capital Markets Co. Ltd.
- Goldman Sachs
- ISI Group Inc.
- JP Morgan
- Jefferies & Company, Inc.
- Langenberg & Company, LLC
- Longbow Research LLC
- Morgan Joseph TriArtisan LLC
- Morningstar Inc.
- Northcoast Research
- Piper Jaffray Companies
- S&P Equity Research
- Sanford C. Bernstein & Co., Inc.
- Sterne Agee & Leach Inc.
- UBS Investment Bank
- Wells Fargo Securities, LLC
- William Blair & Company L.L.C.

Wall Street Consensus vs. Performance

For fiscal year 2012, analysts estimate that CMI will earn \$10.60. For the 1st quarter of fiscal year 2012, CMI announced earnings per share of \$2.38, representing 22% of the total annual estimate. For fiscal year 2013, analysts estimate that CMI's earnings per share will grow by 11% to \$11.80.

Cummins Inc.

Glossary

S&P STARS

Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (STOCK Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P 12-Month Target Price

The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Fair Value.

Investment Style Classification

Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

S&P EPS Estimates

Standard & Poor's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P EPS estimates reflect either forecasts of S&P equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to Standard & Poor's Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Core Earnings

Standard & Poor's Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the Standard & Poor's definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

Qualitative Risk Assessment

The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment

is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

S&P Fair Value Rank

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)

The IQ is a measure of investment desirability. It serves

as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:

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	Raw Score	Max Value
Proprietary S&P Measures	42	115
Technical Indicators	23	40
Liquidity/Volatility Measures	19	20
Quantitative Measures	64	75
IQ Total	148	250

Volatility

Rates the volatility of the stock's price over the past year.

Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating

A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type

ASE - American Stock Exchange; AU - Australia Stock Exchange; BB - Bulletin Board; NGM - Nasdaq Global Market; NNM - Nasdaq Global Select Market; NSC - Nasdaq Capital Market; NYS - New York Stock Exchange; OTN - Other OTC (Over the Counter); OTC - Over the Counter; QB - OTCQB; QX - OTCQX; TS - Toronto Stock Exchange; TXV - TSX Venture Exchange; NEX - NEX Exchange.

S&P Equity Research Services

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes McGraw-Hill Financial Research Europe Limited trading as Standard & Poor's; Standard & Poor's Equity Research Services Asia includes McGraw-Hill Financial Singapore Pte. Limited's

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Abbreviations Used in S&P Equity Research Reports

CAGR- Compound Annual Growth Rate; **CAPEX**- Capital Expenditures; **CY**- Calendar Year; **DCF**- Discounted Cash Flow; **EBIT**- Earnings Before Interest and Taxes; **EBITDA**- Earnings Before Interest, Taxes, Depreciation and Amortization; **EPS**- Earnings Per Share; **EV**- Enterprise Value; **FCF**- Free Cash Flow; **FFO**- Funds From Operations; **FY**- Fiscal Year; **P/E**- Price/Earnings; **PEG Ratio**- P/E-to-Growth Ratio; **PV**- Present Value; **R&D**- Research & Development; **ROE**- Return on Equity; **ROI**- Return on Investment; **ROIC**- Return on Invested Capital; **ROA**- Return on Assets; **SG&A**- Selling, General & Administrative Expenses; **WACC**- Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

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In contrast to the qualitative STARS recommendations covered in this report, which are determined and assigned by S&P equity analysts, S&P's quantitative evaluations are derived from S&P's proprietary Fair Value quantitative model. In particular, the Fair Value Ranking methodology is a relative ranking methodology, whereas the STARS methodology is not. Because the Fair Value model and the STARS methodology reflect different criteria, assumptions and analytical methods, quantitative evaluations may at times differ from (or even contradict) an equity analyst's STARS recommendations. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity as can be the case with equity analysts in assigning STARS recommendations.

S&P Global STARS Distribution

In North America: As of March 30, 2012, research analysts at Standard & Poor's Equity Research Services North America recommended 34.5% of issuers with buy recommendations, 57.9% with hold recommendations and 7.6% with sell recommendations.

In Europe: As of March 30, 2012, research analysts at Standard & Poor's Equity Research Services Europe recommended 30.1% of issuers with buy recommendations, 49.4% with hold recommendations and 20.5% with sell recommendations.

In Asia: As of March 30, 2012, research analysts at Standard & Poor's Equity Research Services Asia recommended 35.9% of issuers with buy recommendations, 54.3% with hold recommendations and 9.8% with sell recommendations.

Globally: As of March 30, 2012, research analysts at Standard & Poor's Equity Research Services globally recommended 34.0% of issuers with buy recommendations, 56.3% with hold recommendations and 9.7% with sell recommendations.

★★★★★ 5-STARS (Strong Buy): Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ 4-STARS (Buy): Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ 3-STARS (Hold): Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ 2-STARS (Sell): Total return is expected to

underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★★★★☆ 1-STARS (Strong Sell): Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

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In Asia: As of March 30, 2012, Standard & Poor's Quantitative Services Asia recommended 35.9% of issuers with buy recommendations, 21.0% with hold recommendations and 27.0% with sell recommendations.

Globally: As of March 30, 2012, Standard & Poor's Quantitative Services globally recommended 47.0% of issuers with buy recommendations, 20.0% with hold recommendations and 32.0% with sell recommendations.

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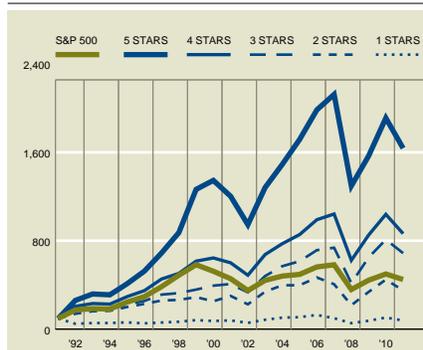
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U.S. STARS Cumulative Model Performance

Hypothetical Growth Due to Price Appreciation of \$100 For the Period 12/31/1986 through 05/31/2012



The performance above represents only the results of Standard & Poor's model portfolios. Model performance has inherent limitations. Standard & Poor's maintains the models and calculates the model performance shown, but does not manage actual assets. The U.S. STARS model performance chart is only an illustration of Standard & Poor's (S&P) research; it shows how U.S. common stocks, ADRs (American Depositary Receipts) and ADSs (American Depositary Shares), collectively "equities", that received particular STARS rankings performed. STARS categories are models only; they are not collective investment funds. The STARS performance does not show how any actual portfolio has performed. STARS model performance does not represent the results of actual trading of investor assets. Thus, the model performance shown does not reflect the impact that material economic and market factors might have had on decision-making if actual investor money had been managed. Performance is calculated using a time-weighted rate of return. While model performance for some or all STARS categories performed better than the S&P 500 for the period shown, the performance during any shorter period may not have, and there is no assurance that they will perform better than the S&P 500 in the future. STARS does not take into account any particular investment objective, financial situation or need and is not intended as an investment recommendation or strategy. Investments based on the STARS methodology may lose money. High returns are not necessarily the norm and there is no assurance that they can be sustained. Past model performance of STARS is no guarantee of future performance.

For model performance calculation purposes, the

equities within each STARS category at December 31, 1986 were equally weighted. Thereafter, additions to the composition of the equities in each STARS category are made at the average value of the STARS category at the preceding month end with no rebalancing. Deletions are made at the closing price of the day that the deletion is made. Performance was calculated from inception through March 31, 2003 on a monthly basis. Thereafter, performance is calculated daily. Equities in each STARS category will change over time, and some or all of the equities that received STARS rankings during the time period shown may not have maintained their STARS ranking during the entire period.

The model performance does not consider taxes and brokerage commissions, nor does it reflect the deduction of any advisory or other fees charged by advisors or other parties that investors will incur when their accounts are managed in accordance with the models. The imposition of these fees and charges would cause actual performance to be lower than the performance shown. For example, if a model returned 10 percent on a \$100,000 investment for a 12-month period (or \$10,000) and an annual asset-based fee of 1.5 percent were imposed at the end of the period (or \$1,650), the net return would be 8.35 percent (or \$8,350) for the year. Over 3 years, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.1%, a total fee of \$5,375 and a cumulative net return of 27.2% (or \$27,200). Fees deducted on a frequency other than annual would result in a different cumulative net return in the preceding example.

The Standard & Poor's 500 index is the benchmark for U.S. STARS. The S&P 500 index is calculated in U.S. dollars and does not take into account the reinvestment of dividends. Indexes are unmanaged, statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index. The S&P 500 index includes a different number of constituents and has different risk characteristics than the STARS equities. Some of the STARS equities may have been included in the S&P 500 index for some (but not necessarily all) of the period covered in the chart, and some such equities may not have been included at all. The S&P 500 excludes ADRs and ADSs. The methodology for calculating the return of the S&P 500 index differs from the methodology of calculating the return for STARS. Past performance of the S&P 500 index is no guarantee of future performance.

An investment based upon the models should only be made after consulting with a financial advisor and with an understanding of the risks associated with any investment in securities, including, but not limited to, market risk, currency risk, political and credit risks, the risk of economic recession and the risk that issuers of securities or general stock market conditions may worsen, over time. Foreign investing involves certain risks, including currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity and the potential for market volatility and political instability. As with any investment, investment returns and principal value will fluctuate, so that when redeemed, an investor's shares may be worth more or less than their original cost.

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