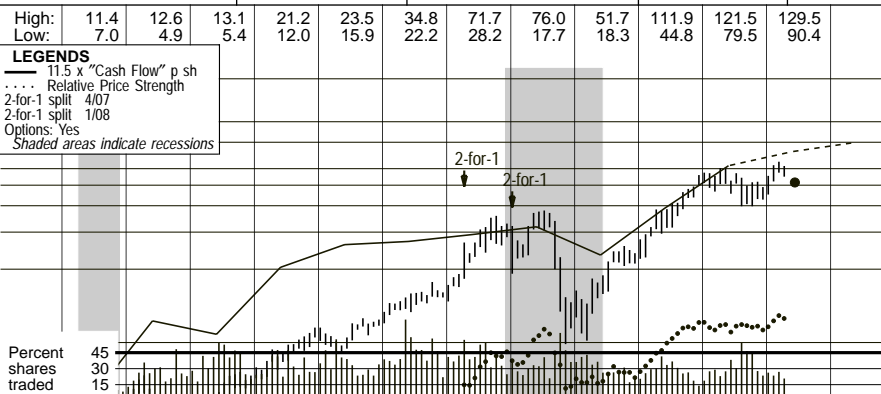


# CUMMINS INC. NYSE-CMI

RECENT PRICE **102.97** P/E RATIO **9.7** (Trailing: 10.6 Median: 13.0) RELATIVE P/E RATIO **0.67** DIV'D YLD **1.6%** VALUE LINE

**TIMELINESS** 2 Lowered 5/11/12  
**SAFETY** 3 Raised 10/31/03  
**TECHNICAL** 3 Raised 3/9/12  
**BETA** 1.45 (1.00 = Market)



High: 11.4 12.6 13.1 21.2 23.5 34.8 71.7 76.0 51.7 111.9 121.5 129.5  
 Low: 7.0 4.9 5.4 12.0 15.9 22.2 28.2 17.7 18.3 44.8 79.5 90.4

Target Price Range  
 2015 2016 2017

320  
200  
160  
120  
100  
80  
60  
40  
18

% TOT. RETURN 4/12  
 THIS STOCK VL ARITH. INDEX  
 1 yr. -2.2 -3.7  
 3 yr. 255.1 89.5  
 5 yr. 170.0 27.3

**2015-17 PROJECTIONS**  
 Price Gain Ann'l Total  
 High 260 (+155%) 27%  
 Low 175 (+70%) 15%

**Insider Decisions**  
 J J A S O N D J F  
 to Buy 0 0 0 0 0 0 0 0  
 Options 0 0 0 0 1 0 0 0  
 to Sell 0 0 2 0 3 3 0 1

**Institutional Decisions**  
 202011 302011 402011  
 to Buy 314 312 319  
 to Sell 318 316 322  
 Hlds(000) 167388 162727 159715

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
33.36	36.62	40.79	43.56	43.06	36.89	37.91	38.96	48.16	53.37	54.52	64.53	71.23	53.64	66.87	93.56	108.40	122.30	Sales per sh	152.80
1.90	2.41	1.16	2.58	1.66	.82	1.98	1.71	3.55	4.55	4.72	5.09	5.54	4.07	6.77	10.78	12.55	13.90	"Cash Flow" per sh	17.80
.94	1.39	d.14	1.03	.09	d.68	.57	.34	1.85	2.75	3.41	3.70	4.08	2.47	5.17	9.07	10.60	11.70	Earnings per sh <sup>A</sup>	15.00
.25	.27	.28	.28	.30	.30	.30	.30	.30	.30	.33	.43	.60	.70	.88	1.33	1.60	1.72	Div'ds Decl'd per sh <sup>B=C</sup>	1.96
1.93	2.64	1.76	1.41	1.85	1.52	.71	.87	1.05	1.21	1.44	2.08	3.10	1.71	1.84	3.22	4.10	4.40	Cap'l Spending per sh	5.45
8.32	9.26	8.28	9.38	8.72	6.38	5.45	5.87	8.00	10.03	13.45	16.86	16.04	18.74	23.61	28.47	34.45	41.30	Book Value per sh <sup>C</sup>	67.60
157.60	153.60	153.60	152.40	153.20	154.00	154.40	161.60	175.20	185.82	208.40	202.19	201.35	201.36	197.80	192.90	185.00	180.00	Common Shs Outst'g <sup>D</sup>	165.00
11.0	11.5	--	11.7	NMF	--	15.0	27.6	8.7	7.1	8.3	13.5	12.5	14.8	14.5	11.1	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	14.5
.69	.66	--	.67	NMF	--	.82	1.57	.46	.38	.45	.72	.75	.99	.92	.70			Relative P/E Ratio	.95
2.4%	1.7%	2.3%	2.3%	3.5%	3.1%	3.5%	3.2%	1.9%	1.5%	1.2%	.9%	1.2%	1.9%	1.2%	1.3%			Avg Ann'l Div'd Yield	.9%

**CAPITAL STRUCTURE as of 3/31/12**  
 Total Debt \$683.0 mill. Due in 5 Yrs \$219.0 mill.  
 LT Debt \$650.0 mill. LT Interest \$35.0 mill.  
 (Interest coverage: over 25x) (11% of Cap'l)

**Leases, Uncapitalized** Annual rentals \$136.0 mill.  
**Pension Assets-12/11** \$3.3 bill. **Oblig.** \$3.4 bill.

**Pfd Stock** None

**Common Stock** 192,186,737 shs. as of 4/1/12  
**MARKET CAP: \$19.8 billion (Large Cap)**

CURRENT POSITION (\$MILL.)	2010	2011	3/31/12
Cash Assets	1362	1761	1569
Receivables	2243	2526	2684
Inventory (LIFO)	1977	2141	2382
Other	707	663	682
Current Assets	6289	7091	7317
Accts Payable	1362	1546	1731
Debt Due	82	28	33
Other	1816	2083	1866
Current Liab.	3260	3657	3630

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Sales	5.5%	6.5%	13.5%
"Cash Flow"	15.5%	11.0%	16.5%
Earnings	43.5%	16.0%	18.0%
Dividends	12.5%	25.5%	12.5%
Book Value	11.0%	17.5%	19.0%

Cal-endar	QUARTERLY SALES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2009	2439	2431	2530	3400	10800
2010	2478	3208	3401	4139	13226
2011	3860	4641	4626	4921	18048
2012	4472	5100	5080	5398	20050
2013	4950	5620	5580	5860	22010

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2009	.26	.28	.56	1.37	2.47
2010	.75	1.25	1.33	1.84	5.17
2011	1.75	2.41	2.35	2.56	9.07
2012	2.38	2.72	2.67	2.83	10.60
2013	2.55	3.05	2.95	3.15	11.70

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B=C</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2008	.125	.125	.175	.175	.60
2009	.175	.175	.175	.175	.70
2010	.175	.175	.263	.263	.88
2011	.263	.263	.40	.40	1.33
2012	.40	.40			

**BUSINESS:** Cummins Incorporated designs, manufactures, distributes, and services diesel engines for the heavy-duty, medium-duty, and light-duty truck, bus, auto, and industrial markets, electric-power-generation systems, and engine-related component products. CMI serves customers in 160 countries through 550 company-owned and independent distributors and through 5,000 dealers. Foreign sales: 59% of sales. R&D: 3.5% of sales. '11 depr. rate: 6.2%. Has about 43,900 employees. Off. & dir. own less than 1% of common stock; State Street Corporation, 6.9%; FMR LLC, 6.6% (3/12 proxy). Chairman & CEO: N Thomas Lineberger. Inc.: IN. Address: 500 Jackson St., Box 3005, Columbus, IN 47202. Telephone: 812-377-5000. Internet: www.cummins.com.

**Cummins' operations in developing markets are apt to start slowly in 2012.** Sales growth in Brazil, China, and India is on pace to moderate during the first half of this year. In 2011, the governments of these countries controlled inflation through tight monetary policy, boosting interest rates and restricting access to credit. With economic concerns dissipating, policies in these fast-growing economies have reversed course, promoting expansion. Accommodating measures augur well for Cummins. However, there is typically a delay between the time these policies are implemented and end markets respond. Activity in China's construction realm should firm later this year, suggesting truck purchases may well hasten. Concurrently, management is expecting India's spending on power generation equipment to improve. On balance, international sales will likely accelerate during the September and December periods.

**On the same note, Europe's economy is fraught with uncertainty.** Fortunately for this Indiana-based manufacturer, its exposure to the Continent is relatively small, accounting for 9% of sales.

**Activity in North America is picking up the slack.** Several categories, including heavy-duty on-highway, medium-duty truck, and buses in the company's home market, are on relatively firm footing. With the ongoing introduction of products, Cummins is positioned to boost its market share, which is currently between 40% and 50% based of vehicle class. Because of this, as well as the anticipated improvement in international demand, we have increased our 2012 share-net estimate by \$0.30, to \$10.60.

**Much like other companies with a high exposure to emerging countries, CMI has seen its stock lose some value since our February review.** The issue, though, should bounce back as uncertainty clears up later this year. In fact, it is ranked to outpace the broader market during the next six to 12 months.

**The aforementioned moderation in share price enhances the issue's long-term total return potential, which is above average.** Assuming industrial conditions firm, demand for engines and power generation equipment should follow.

*Dominic B. Silva*  
 May 25, 2012

(A) Dil. earnings. Excludes nonrec. items: '96, d3c; '02, d4c; '03, d2c; '06, 14c; '08, d24c; '09, d31c; '10, 11c; '11, 48c. Incl. gain from tax accounting change: '02, 37c. Incl. warranty and restructuring charges: '98, \$1.00; '99, 29c; '00, 68c; '01, 55c. Next egs. report due late July.  
 (B) Div'ds historically paid in early Mar., June, Sep., Dec. ■ Div'd reinvestment plan avail.  
 (C) Incl. intang. In 2011: \$566 mill., \$.29/sh.  
 (D) In mill., adj. for splits.

Company's Financial Strength A  
 Stock's Price Stability 35  
 Price Growth Persistence 100  
 Earnings Predictability 50