

Caterpillar Inc. (CAT)

\$131.78 (As of 08/03/20)

Price Target (6-12 Months): **\$141.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 06/26/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: A

Growth: C

Momentum: B

Summary

Caterpillar's second-quarter 2020 adjusted earnings per share and revenues both declined from the prior-year quarter owing to lower demand across all segments and geographies amid the coronavirus pandemic. However, both the metrics beat the Zacks Consensus Estimate. The company did not provide guidance for 2020 citing uncertainty related to the coronavirus pandemic and stated that results for the balance of the year will continue to bear the impact. Caterpillar's results this year are likely to be impacted by a weak backlog, reduced spending at mining customers and low oil prices. The company has taken actions to reduce costs that will help sustain margins amid low volumes. Strong liquidity position, investments in expanded offerings and services, and digital initiatives including e-commerce will fuel growth.

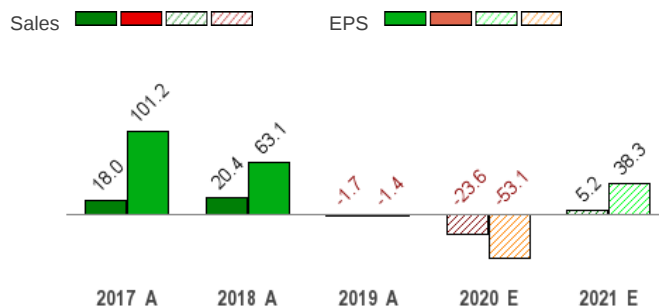
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$150.55 - \$87.50
20 Day Average Volume (sh)	3,099,194
Market Cap	\$71.3 B
YTD Price Change	-10.8%
Beta	1.11
Dividend / Div Yld	\$4.12 / 3.1%
Industry	Manufacturing - Construction and Mining
Zacks Industry Rank	Bottom 7% (235 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	56.1%
Last Sales Surprise	8.7%
EPS F1 Est- 4 week change	-2.3%
Expected Report Date	10/28/2020
Earnings ESP	6.9%
P/E TTM	16.6
P/E F1	25.4
PEG F1	2.1
P/S TTM	1.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	11,012 E	10,903 E	11,009 E	12,789 E	43,282 E
2020	10,635 A	9,997 A	9,593 E	11,402 E	41,129 E
2019	13,466 A	14,432 A	12,758 A	13,144 A	53,800 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.79 E	\$1.37 E	\$1.84 E	\$2.20 E	\$7.18 E
2020	\$1.60 A	\$1.03 A	\$1.30 E	\$1.64 E	\$5.19 E
2019	\$2.94 A	\$2.83 A	\$2.66 A	\$2.63 A	\$11.06 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/03/2020. The reports text is as of 08/04/2020.

Overview

Caterpillar, known for its iconic yellow machines, is the largest global manufacturer of construction and mining equipment. Given that it serves a gamut of sectors - infrastructure, construction, mining, oil & gas and transportation, the company is considered a bellwether of the global economy.

Since 1925, Caterpillar's product portfolio has evolved and currently boasts 20 brands and generated revenues of \$53.8 billion in 2019. It has more than 4 million of products with an extensive dealer network of 165 dealers spanning 191 countries. Caterpillar started using telematics in the 1990's and reached its target of 1 million connected assets in 2019. The combination of innovation, cutting-edge technology, coupled with the formidable reputation, sets Caterpillar apart from its peers.

While a weak manufacturing sector, coronavirus, oil price rout impacted Caterpillar's stock price lately, it is the 80th-largest company in the S&P 500 Index with a market capitalization of \$71.35 billion. Caterpillar holds the 44th position in Fortune's "World's most admired companies" and 11th in the Dow Jones Industrial Average, with 3.39% weight of the index.

The Deerfield, IL-based company has six operating segments. **Machinery, Energy & Transportation (ME&T)** (94% of total revenues in 2019) includes

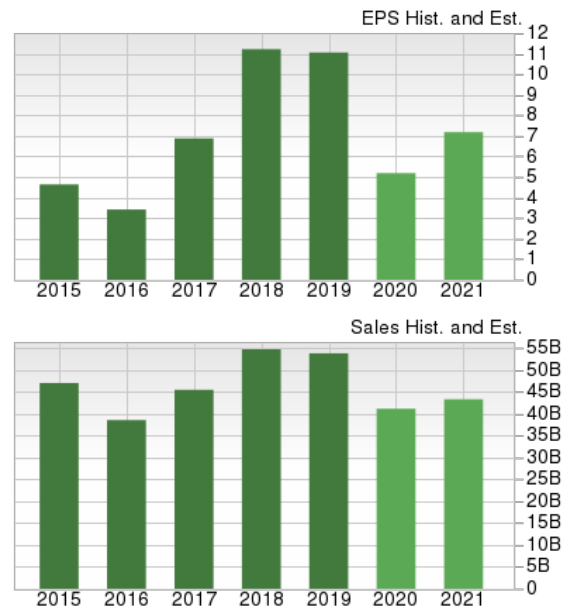
Construction Industries (38%) manufactures machinery utilized in infrastructure, forestry and building construction.

Resource Industries (18%) caters to customers using machinery in mining, quarry and aggregates, heavy construction, waste and material handling applications.

Energy & Transportation (45%) supports customers in oil and gas, power generation, marine, rail and industrial applications.

All Other Segments (1%) primarily comprise activities such as the re-manufacturing of CAT engines and components and re-manufacturing services for other companies and product management, development, manufacturing, marketing and product support.

Financial Products Segment (6%) provides retail and wholesale financing alternatives for Caterpillar products.



Reasons To Buy:

- ▲ Caterpillar continues to monitor end-user demand, commercial shipments, dealer inventory, orders and backlog and plans to adjust production levels accordingly. The company has been successful in reducing lead times, which enable both the company and dealers to adapt quickly to changing market conditions. The company is also making every effort to reduce production to match dealer demand and will proactively increase production once order levels improve.
- ▲ Caterpillar's cash and liquidity position remains strong with the company ending second-quarter 2020 with cash and short-term investments of \$8.8 billion and available liquidity sources of \$18.5 billion. In July, Cat Financial issued \$1.5 billion of new three-year and 18-month medium-term notes to further supplement its liquidity position. The company currently has \$11.1 billion in long-term debt with no maturities in 2020 and less than \$1.4 billion in 2021. Caterpillar's current ratio is at 1.50. The company's times interest earned ratio is currently at 5.8. These figures indicate that the company is in a good position to meet its debt obligations. So far this fiscal, Caterpillar has returned \$2.3 billion to shareholders through dividends and share buybacks. Although the company has suspended buyback plans owing to the pandemic, it remains committed to maintaining its dividend.
- ▲ In September 2015, Caterpillar set out with significant restructuring and cost reduction initiative, which has now been substantially completed. The plan will likely lower annual operating costs by about \$1.5 billion. Caterpillar is focused on developing a more competitive and flexible cost structure and controlling discretionary spending. Caterpillar expects to double ME&T services sales to \$28 billion by 2026 and deliver higher adjusted operating margins through cycles of three to six percentage points above historical performance.
- ▲ In the wake of the coronavirus crisis, the company has taken actions to reduce costs including reducing discretionary expenses, suspending 2020 base salary increases and short-term incentive compensation plans for many employees and all senior executives. Effective Jul 1, the company reinstated 2020 base salary increases for employees except for the most senior executives. These efforts will help sustain margins amid low volumes.
- ▲ Caterpillar continues to focus on customers and on the future by continuing to invest in digital capabilities, connecting assets and jobsites along with developing the next generation of more productive and efficient products. The company plans to fund initiatives that drive long-term profitable growth focused on areas of expanded offerings and services and digital initiatives like e-commerce. In its GC line, the company has launched six new models in 2019 including excavators, articulated trucks, motor graders, wheel loaders and paving products and has plans to roll out five additional GC models this year. In 2019, Caterpillar achieved its target of connecting 1 million assets by year-end and boasts the largest fleets of connected assets in the industries it serves. Notably, connected products, such as CAT and non-CAT assets, provide rich data, including operating hours, location and product health, enabling customers to better manage and plan their maintenance.

Caterpillar will gain from cost control efforts and proactively managing production. Launch of new products, investment in expanded offerings and digital capabilities will also drive growth.

Reasons To Sell:

- ▼ Caterpillar had earlier withdrawn guidance for 2020 citing that the impact of the coronavirus outbreak on its financial and operating results cannot be reasonably estimated at this time. The company did not provide any guidance with the second-quarter results and stated that its financial results for the remainder of 2020 will bear the impact of the persistent global economic uncertainty due to the COVID-19 pandemic. In the early part of the year, Caterpillar had to suspend operations temporarily at certain facilities on account of supply chain issues, weak demand or as per government mandates to stem the spread of the coronavirus. Though currently all of the company's primary production facilities are operational, it may have to suspend operations temporarily again if necessary.
- ▼ At the end of second-quarter 2020, Caterpillar's order backlog was at \$12.9 billion, down \$1.2 billion from the first quarter. On a year-over-year basis, backlog declined by \$2 billion with decreases in all three primary segments. This does not bode well third-quarter top-line performance. Also, in the first half of 2020, dealers have reduced inventory by about \$1.2 billion owing to weak demand amid the pandemic. The company anticipates dealers to lower their inventory by more than \$2 billion for the full year. This will weigh on the company's top line in the third and fourth quarter. For the third quarter, the company expects a reduction in sales to users of around 20%, consistent with the decline in the second quarter.
- ▼ In Resource Industries, weakness in non-residential construction and quarry and aggregate especially in North America will weigh on results. Commodity prices are mixed, with gold and iron ore prices remaining strong. Copper after bearing the brunt of weak industrial demand has recovered lately. Overall mining customers will remain disciplined with their capital expenditures this year due to the uncertainty, which in turn will impact Caterpillar's sales. In Energy & Transportation segment, demand will be particularly weak in the oil and gas sector on account of low oil prices and sluggish capital spending at customers end. The U.S.-China trade war and waning global demand had already taken a toll on the U.S manufacturing sector, and the coronavirus pandemic has only aggravated the scenario. Per the Institute for Supply Management's report, the U.S Purchasing Managers' Index (PMI) came in at 41.5% for April — the lowest since April 2009 when it registered 39.9%. In May, the PMI came in at 43.1%. A reading below 50 denotes contraction. Even though the index climbed to 52.6% in June, the manufacturing index averaged 45.7% for the second quarter. The July PMI reading came in at 54.2%. It remains to be seen whether the recovery in the past two months will sustain considering the surge in coronavirus cases. A sluggish industrial sector will continue to weigh on Caterpillar's results.
- ▼ The company's global retail sales recorded a decline of 23% in the three-month period ended June 2020 — levels last witnessed in February 2016. This can be attributed to weak demand thanks to the pandemic. This marks the seventh consecutive month that Caterpillar's global retail sales have been in the negative territory. The Resource Industries segment's sales declined 21% in June — the eighth consecutive month of negative growth. Sales in the Construction Industries segment were down 23%. The segment's sales have been declining for seven straight months. Sales in the Energy & Transportation segment declined 18%. The segment has been contracting for nine consecutive months. Considering the uncertainty of the duration of the coronavirus pandemic and its overall impact on all sectors, Caterpillar's sales are likely to continue bearing the impact until the situation stabilizes.

Caterpillar's results will continue to bear the brunt of low demand due to the global economic uncertainty stemming from the coronavirus pandemic until the situation stabilizes.

Last Earnings Report

Caterpillar Q2 Earnings & Revenues Surpass Estimates

Caterpillar reported second-quarter 2020 adjusted earnings per share of \$1.03, which beat the Zacks Consensus Estimate of \$1.77 by a margin of 56%. However, the bottom line plunged 64% from the prior-year quarter's adjusted earnings per share of \$2.83.

The disappointing performance was mainly due to lower demand across all segments and geographies. The company also did not provide any guidance for 2020 and stated that results for the remainder of the year will bear the impact of the coronavirus pandemic.

Including pre-tax remeasurement losses of 19 cents per share resulting from the settlements of pension obligations, Caterpillar's earnings per share came was 84 cents in second-quarter 2020, reflecting a decline of 70% from the prior-year quarter figure of \$2.83.

Quarter Ending 06/2020

Report Date	Jul 31, 2020
Sales Surprise	8.71%
EPS Surprise	56.06%
Quarterly EPS	1.03
Annual EPS (TTM)	7.92

Low Demand a Drag on Revenues

The company's second-quarter revenues of \$10 billion surpassed the Zacks Consensus Estimate of \$9.2 billion. Nevertheless, the top line figure suffered a decline of 31% on lower sales volume. This was mainly due to low end-user demand amid the coronavirus pandemic and the impact from changes in dealer inventories. Dealers lowered machine and engine inventories about \$1.4 billion during the reported quarter against an increase of about \$500 million during the prior-year quarter.

The company witnessed decline in sales across the board. Sales in Latin America plunged 41% followed by a decline of 40% in North America. Sales in Asia Pacific and EAME were both down 17%.

Margins Dip on Lower Sales Volume

In second-quarter 2020, cost of sales decreased 28% year over year to \$7.1 billion. Manufacturing costs were favorable aided by lower period manufacturing costs. Gross profit contracted 36% to \$2.9 billion on lower sales. Gross margin was 28.8% in the reported quarter, down from 31.1% in the prior-year quarter.

Selling, general and administrative (SG&A) expenses decreased 10% to around \$1.18 billion. Research and development (R&D) expenses declined 23% to \$341 million from the prior-year quarter figure of \$441 million. Both SG&A and R&D expenses in the quarter benefited from reduced short-term incentive compensation expense and other cost reductions related to lower sales volumes.

Operating profit in the quarter was \$784 million, marking a slump of 65% from the prior-year quarter. Lower sales volume and unfavorable price realization, partially offset by favorable manufacturing costs and reduced SG&A and R&D expenses led to lower operating profits in the quarter. Operating margin was 7.8% in the reported quarter, down 750 basis points from the prior-year quarter.

Segment Performances Dented By Weak Demand

Machinery and Energy & Transportation (ME&T) sales tanked 32% year over year to \$9.3 billion. Construction Industries sales slumped 37% year over year to \$4 billion owing to lower sales volumes on account of lower end-user demand and the impact from changes in dealer inventories.

Sales at Resource Industries declined 35% year over year to around \$1.8 billion lower sales volume, owing to changes in dealer inventories and lower end-user demand. Demand for equipment supporting non-residential construction and quarry and aggregates was impacted in the quarter and spending on mining equipment was muted due to lower commodity prices. Sales of Energy & Transportation segment in the quarter were \$4.1 billion, reflecting a decline of 24% from the prior-year quarter on account of lower sales across all applications.

The ME&T segment reported operating profit of \$749 million, reflecting a slump of 66% from the year-ago quarter. The Resource Industries segment's operating profit fell 68% year over year to \$152 million in second-quarter 2020. Construction Industries segment's profit witnessed a year-over-year decrease of 58% to \$518 million. The Energy & Transportation segment's operating profit declined 30% year over year to \$624 million.

Financial Products' revenues went down 10% to \$687 million from the prior-year quarter. Financial Products' profits were \$110 million in the reported quarter, down 23% from \$143 million in the year-ago quarter.

Cash Position

For the first half of 2020, operating cash flow was \$2.5 billion compared with \$3.7 billion in the prior-year comparable period. Caterpillar ended second-quarter 2020 with cash and short-term investments of \$8.8 billion and available liquidity sources of \$18.5 billion. In July, Cat Financial issued \$1.5 billion of new three-year and 18-month medium-term notes to supplement its liquidity position.

Other Updates

Caterpillar stated that nearly all of its primary production facilities are operational currently. It has been taking actions to reduce costs, which will help sustain margins amid a weak demand backdrop. The company remains focused on making continued investment in services and expanded offerings, which are crucial to its strategy for profitable growth.

Earlier, on Mar 26, 2020 Caterpillar had withdrawn guidance for 2020 due to the uncertainty related to the impact of the pandemic. The company has not provided any guidance with this quarterly release as well. However, it cautioned that its financial results for the remainder of 2020 will bear the impact of the persistent global economic uncertainty due to the COVID-19 pandemic.

Recent News

Caterpillar June Retail Sales Fare the Worst Since 2016

On Jul 31, 2020, Caterpillar announced that its global retail sales declined 23% in the three-month period ended June 2020, flat compared with May — marking the seventh consecutive month of global retail sales decline. The company had last reported a decline of 21% in February 2016. This downside can be attributed to weak performance demand primarily on account of the COVID-19 pandemic. North America fared the worst during the month with a decline of 40% followed by Latin America and EAME, which witnessed a fall of 22% and 9%, respectively. Asia Pacific was an outperformer, witnessing growth of 7%.

The Resource Industries segment's sales declined 21% in May — the eighth consecutive month of negative growth. Sales in EAME went up 21%, which was offset by declines elsewhere. Sales in North America, Latin America and Asia Pacific plunged 46%, 18% and 14%, respectively.

Sales in the Construction Industries segment were down 23%, hitting a trough. The segment's sales have been declining for seven straight months. Sales in North America, Latin America and EAME were down 38%, 25% and 18%, respectively. Sales in Asia Pacific improved 14%.

Sales in the Energy & Transportation segment declined 18%. The segment has been contracting for nine consecutive months. Sales to Transportation and Industrial sectors plunged 47% and 40%, respectively. Sales to the Oil & Gas sector were down 18%, while the Power Generation sector's sales remained flat.

Caterpillar Acquires Marble Robot, Advances Automation Strategy

On Jun 24, 2020, Caterpillar announced that it has acquired San Francisco, CA-based robot and autonomy technology solutions company — Marble Robot, Inc. The buyout is in sync with Caterpillar's automation and autonomy strategy.

Founded in 2015, Marble Robot creates a fleet of intelligent courier robots to transport goods reliably and securely. Caterpillar plans to leverage the company's expertise to bring solutions to meet the ever-changing needs of customers in the construction, quarry, industrial and waste industries.

Valuation

Caterpillar's shares have gone down 10.8% in the year-to-date period and up 8.3% over the trailing 12-month period. Stocks in the Zacks Manufacturing — Construction and Mining industry and the Zacks Industrial Products sector are down 11.8% and 5.9% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 6.5% and 9.2%, respectively.

The S&P 500 index is up 1.6% in the year-to-date period and up 15.4% in the past year.

The stock is currently trading at 20.66X forward 12-month earnings, which compares with 21.15X for the Zacks sub-industry, 21.60X for the Zacks sector and 22.62X for the S&P 500 index.

Over the past five years, the stock has traded as high as 32.58X and as low as 8.88X, with a 5-year median of 17.19X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$141 price target reflects 21.92X forward 12-month earnings.

The table below shows summary valuation data for CAT:

Valuation Multiples - CAT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	20.66	21.15	21.6	22.62
	5-Year High	32.58	30.83	21.6	22.62
	5-Year Low	8.88	9.47	12.55	15.25
	5-Year Median	17.19	17.76	17.15	17.55
P/S F12M	Current	1.67	1.37	2.85	3.59
	5-Year High	2.13	1.64	2.85	3.59
	5-Year Low	0.79	0.71	1.52	2.53
	5-Year Median	1.41	1.17	2.03	3.04
EV/EBITDA TTM	Current	10.6	8.07	17.04	12.67
	5-Year High	14.28	12.92	17.46	12.85
	5-Year Low	6.66	5.95	10.82	8.24
	5-Year Median	9.34	8.4	14.94	10.88

As of 08/03/2020

Industry Analysis Zacks Industry Rank: Bottom 7% (235 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
DeereCompany (DE)	Outperform	1
Arcosa, Inc. (ACA)	Neutral	3
Astec Industries, Inc. (ASTE)	Neutral	3
HE Equipment Services, Inc. (HEES)	Neutral	5
The Manitowoc Company, Inc. (MTW)	Neutral	3
Terex Corporation (TEX)	Neutral	3
CNH Industrial N.V. (CNHI)	Underperform	3
Komatsu Ltd. (KMTUY)	Underperform	5

Industry Comparison Industry: Manufacturing - Construction And Mining				Industry Peers		
	CAT	X Industry	S&P 500	CNHI	DE	KMTUY
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Outperform	Underperform
Zacks Rank (Short Term)	3	-	-	3	1	5
VGM Score	B	-	-	A	D	A
Market Cap	71.32 B	1.37 B	22.67 B	9.64 B	55.57 B	18.65 B
# of Analysts	10	3	13.5	6	9	3
Dividend Yield	3.13%	1.79%	1.77%	0.00%	1.71%	3.02%
Value Score	A	-	-	A	C	B
Cash/Price	0.12	0.12	0.07	0.64	0.17	0.12
EV/EBITDA	7.73	5.61	13.08	8.87	10.61	5.87
PEG Ratio	2.12	3.52	2.94	NA	4.08	3.52
Price/Book (P/B)	5.18	1.50	3.10	1.62	4.68	1.09
Price/Cash Flow (P/CF)	8.18	6.68	12.34	4.04	10.75	7.10
P/E (F1)	25.39	24.35	21.71	NA	28.57	20.48
Price/Sales (P/S)	1.53	0.82	2.46	0.38	1.51	0.88
Earnings Yield	3.94%	3.84%	4.38%	-0.70%	3.50%	4.90%
Debt/Equity	1.95	0.56	0.75	4.10	2.89	0.24
Cash Flow (\$/share)	16.10	3.46	6.94	1.77	16.53	2.70
Growth Score	C	-	-	C	C	A
Hist. EPS Growth (3-5 yrs)	31.63%	13.04%	10.46%	18.18%	17.88%	13.74%
Proj. EPS Growth (F1/F0)	-53.08%	-52.03%	-7.08%	-105.36%	-37.45%	-37.56%
Curr. Cash Flow Growth	-6.65%	-0.57%	5.47%	-1.24%	4.09%	-25.24%
Hist. Cash Flow Growth (3-5 yrs)	4.31%	2.40%	8.55%	2.82%	3.09%	2.40%
Current Ratio	1.50	1.68	1.32	6.74	2.20	1.68
Debt/Capital	66.14%	35.73%	44.21%	80.39%	74.31%	19.46%
Net Margin	8.90%	3.20%	10.25%	4.13%	7.62%	5.35%
Return on Equity	30.52%	6.99%	14.72%	5.57%	23.01%	6.56%
Sales/Assets	0.60	0.73	0.52	0.55	0.50	0.63
Proj. Sales Growth (F1/F0)	-23.55%	-14.60%	-1.79%	-19.80%	-18.39%	-12.48%
Momentum Score	B	-	-	A	D	C
Daily Price Chg	-0.83%	0.37%	0.27%	5.15%	0.74%	-2.29%
1 Week Price Chg	-3.42%	-3.57%	0.14%	-8.86%	0.55%	-7.97%
4 Week Price Chg	1.82%	1.61%	2.96%	0.71%	10.86%	-7.66%
12 Week Price Chg	21.33%	23.93%	10.90%	27.05%	31.68%	-2.59%
52 Week Price Chg	8.33%	-1.19%	2.35%	-22.64%	17.58%	-10.71%
20 Day Average Volume	3,099,194	164,154	2,043,624	1,459,065	1,239,501	51,357
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	60.87%	0.00%	-12.73%
(F1) EPS Est 4 week change	-2.32%	-0.32%	0.82%	3.57%	2.32%	-12.73%
(F1) EPS Est 12 week change	3.97%	-15.59%	0.59%	-120.46%	1.91%	-30.27%
(Q1) EPS Est Mthly Chg	-2.96%	0.00%	0.25%	900.00%	10.05%	NA

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	A
Growth Score	C
Momentum Score	B
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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