

NAVISTAR INTERNATIONAL CORP
Form 10-Q
September 06, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number 1-9618

NAVISTAR INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 36-3359573
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2701 Navistar Drive, Lisle, Illinois 60532
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (331) 332-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Edgar Filing: NAVISTAR INTERNATIONAL CORP - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of August 31, 2017, the number of shares outstanding of the registrant's common stock was 98,183,165, net of treasury shares.

NAVISTAR INTERNATIONAL CORPORATION FORM 10-Q
TABLE OF CONTENTS

	Page
PART I—Financial Information	
Item 1. <u>Financial Statements (Unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Operations for the three and nine months ended July 31, 2017 and 2016</u>	<u>5</u>
<u>Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended July 31, 2017 and 2016</u>	<u>6</u>
<u>Consolidated Balance Sheets as of July 31, 2017 and October 31, 2016</u>	<u>7</u>
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended July 31, 2017 and 2016</u>	<u>8</u>
<u>Consolidated Statements of Stockholders' Deficit for the nine months ended July 31, 2017 and 2016</u>	<u>9</u>
<u>Notes to Consolidated Financial Statements</u>	<u>10</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>44</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>60</u>
Item 4. <u>Controls and Procedures</u>	<u>60</u>
 PART II	
Item 1. <u>Legal Proceedings</u>	<u>61</u>
Item 1A. <u>Risk Factors</u>	<u>61</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>61</u>
Item 3. <u>Defaults upon Senior Securities</u>	<u>61</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>61</u>
Item 5. <u>Other Information</u>	<u>61</u>
Item 6. <u>Exhibits</u>	<u>61</u>
<u>Signature</u>	<u>62</u>

Disclosure Regarding Forward-Looking Statements

Information provided and statements contained in this report that are not purely historical are forward-looking statements within the meaning of the federal securities laws. Such forward-looking statements only speak as of the date of this report and Navistar International Corporation assumes no obligation to update the information included in this report.

Such forward-looking statements include, but are not limited to, statements concerning:

- estimates we have made in preparing our financial statements;
- the implementation of our strategic alliance with Volkswagen Truck & Bus GmbH ("VW T&B");
- our development of new products and technologies;
- anticipated sales, volume, demand, markets for our products, and financial performance;
- anticipated performance and benefits of our products and technologies;
- our business strategies relating to, and our ability to meet, federal and state regulatory heavy-duty diesel emissions standards applicable to certain of our engines, including the timing and costs of compliance and consequences of noncompliance with such standards, as well as our ability to meet other federal, state and foreign regulatory requirements;
- our business strategies and long-term goals, and activities to accomplish such strategies and goals;
- our ability to implement our strategy focused on growing the core business, seeking new sources of revenue, driving operational excellence, leveraging the VW T&B alliance, investing in our people, and improving our financial performance, as well as the results we expect to achieve from the implementation of our strategy;
- our expectations related to new product launches;
- anticipated results from the realignment of our leadership and management structure;
- anticipated benefits from acquisitions, strategic alliances, and joint ventures we complete;
- our expectations and estimates relating to restructuring activities, including restructuring charges and timing of cash payments related thereto, and operational flexibility, savings, and efficiencies from such restructurings;
- our expectations relating to debt refinancing activities;
- our expectations relating to the potential effects of anticipated divestitures and closures of businesses;
- our expectations relating to our cost-reduction actions and actions to reduce discretionary spending;
- our expectations relating to our ability to service our long-term debt;
- our expectations relating to our wholesale and retail finance receivables and revenues;
- our expectations and estimates relating to our used truck inventory;
- liabilities resulting from environmental, health and safety laws and regulations;
- our anticipated capital expenditures;
- our expectations relating to payments of taxes;
- our expectations relating to warranty costs;
- our expectations relating to interest expense;
- our expectations relating to impairment of goodwill and other assets;
- costs relating to litigation and similar matters;
- estimates relating to pension plan contributions and unfunded pension and postretirement benefits;
- trends relating to commodity prices; and
- anticipated trends, expectations, and outlook relating to matters affecting our financial condition or results of operations.

These statements often include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," or similar expressions. These statements are not guarantees of performance or results and they involve risks, uncertainties, and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, there are many factors that could affect our results of operations and could cause actual results to differ materially from those in the forward-looking statements. Factors that could cause or contribute to differences in our future financial results include those discussed in Item 1A, Risk Factors, included within our Annual Report on Form 10-K for the fiscal year ended October 31, 2016 which was filed on December 20, 2016, as well as those factors discussed elsewhere in this report. All future written and oral forward-looking statements by us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained herein or referred to above. Except for our ongoing obligations to disclose material information as required by the federal securities laws, we do not have any obligations or intention to release publicly any revisions to any forward-looking statements to reflect events or circumstances in the future or to reflect the occurrence of unanticipated events.

Available Information

We are subject to the reporting and information requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and as a result, are obligated to file annual, quarterly, and current reports, proxy statements, and other information with the United States ("U.S.") Securities and Exchange Commission ("SEC"). We make these filings available free of charge on our website (<http://www.navistar.com>) as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. Information on our website does not constitute part of this Quarterly Report on Form 10-Q. In addition, the SEC maintains a website (<http://www.sec.gov>) that contains our annual, quarterly, and current reports, proxy and information statements, and other information we electronically file with, or furnish to, the SEC. Any materials we file with, or furnish to, the SEC may also be read and/or copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

PART I—Financial Information

Item 1. Financial Statements

Navistar International Corporation and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

(in millions, except per share data)	Three Months		Nine Months	
	Ended July 31, 2017	2016	Ended July 31, 2017	2016
Sales and revenues				
Sales of manufactured products, net	\$2,178	\$2,052	\$5,870	\$5,946
Finance revenues	35	34	102	102
Sales and revenues, net	2,213	2,086	5,972	6,048
Costs and expenses				
Costs of products sold	1,803	1,757	4,949	5,068
Restructuring charges	(13)	5	(4)	11
Asset impairment charges	6	12	13	17
Selling, general and administrative expenses	233	197	654	604
Engineering and product development costs	61	62	189	181
Interest expense	91	84	262	246
Other income, net	(8)	(15)	(7)	(62)
Total costs and expenses	2,173	2,102	6,056	6,065
Equity in income of non-consolidated affiliates	1	2	6	3
Income (loss) from continuing operations before income taxes	41	(14)	(78)	(14)
Income tax expense	—	(14)	(10)	(25)
Income (loss) from continuing operations	41	(28)	(88)	(39)
Income from discontinued operations, net of tax	1	—	1	—
Net income (loss)	42	(28)	(87)	(39)
Less: Net income attributable to non-controlling interests	5	6	18	24
Net income (loss) attributable to Navistar International Corporation	\$			