International Newsroom

Navistar Reports 2017 Fourth Quarter And Full Year Results

- Reports fourth quarter 2017 net income of \$135 million, or \$1.36 per diluted share, on revenues of \$2.6 billion
- Reports full-year net income of \$30 million, or \$0.32 per diluted share, on revenues of \$8.6 billion
- Full-year market share improves by 1.5 points; gains in all truck segments
- Generates \$268 million of adjusted EBITDA for the quarter; \$582 million of adjusted EBITDA for the year

LISLE, III., Dec. 19, 2017 /PRNewswire/ -- Navistar International Corporation (NYSE: NAV) today announced a fourth quarter 2017 net income of \$135 million, or \$1.36 per diluted share, compared to a fourth quarter 2016 net loss of \$34 million, or \$0.42 per diluted share. Navistar reported net income of \$30 million, or \$0.32 per diluted share for fiscal year 2017, versus a net loss of \$97 million, or \$1.19 per diluted share, for fiscal year 2016.

Fourth quarter 2017 adjusted EBITDA was \$268 million, which included \$11 million of adjustments. Adjusted EBITDA margins increased to 10.3 percent. Fiscal year 2017 adjusted EBITDA was \$582 million, versus \$508 million adjusted EBITDA for 2016. Full-year adjusted EBITDA margins increased to 6.8 percent.

Revenues in the quarter increased 26 percent, to \$2.6 billion, compared to fourth quarter 2016. The revenue increase was largely driven by a 31-percent increase in the company's Core (Class 6-8 trucks and buses in the United States and Canada) volumes. Revenue for fiscal year 2017 was up six percent to \$8.6 billion, compared to \$8.1 billion in fiscal year 2016.

Navistar finished the fourth quarter 2017 with \$1.1 billion in consolidated cash,

cash equivalents and marketable securities including \$1.0 billion in manufacturing cash, cash equivalents and marketable securities.

"Our 2017 was a breakthrough year, as we returned to profitability and grew our market share 1.5 points," said Troy A. Clarke, chairman, president and CEO. "These results were driven by stronger sales, our steady investment in the industry's newest product lineup, early results from our strategic alliance with Volkswagen Truck & Bus and our ongoing focus on cost."

The company finished 2017 with strong momentum across the board. During the quarter, the company launched the International® HV™ Series line of vocational trucks. The HV Series, in addition to the HX Series premium vocational truck lineup, now has the option of being powered by the International A26 engine. The company also announced plans for its next-generation powertrains with alliance partner Volkswagen Truck & Bus, including big bore diesel, as well as electric medium-duty and electric bus platforms launching as early as 2019.

Also during the fourth quarter, Navistar and Volkswagen Truck & Bus announced their intention to converge their connected vehicle activities — OnCommand® Connection and RIO, Volkswagen Truck & Bus's digital brand. OnCommand Connection now has an industry leading 370,000 connected vehicles.

Navistar refinanced its manufacturing debt in early November, which improved its debt profile and provided greater financial flexibility. The transaction yielded \$200 million of additional liquidity and extended the company's debt maturities by four years. Additionally, it will save approximately \$25 million in annualized interest in 2018 and \$34 million in 2019, following the repayment of convertible debt that comes due in 2018.

The company provided the following 2018 fiscal year guidance:

• Retail deliveries of Class 6-8 trucks and buses in the United States and

Canada are forecast to be in the range of 345,000 units to 375,000 units.

- Revenues are expected to be between \$9 billion and \$9.5 billion.
- Adjusted EBITDA is expected to be between \$675 million and \$725 million.
- Year-end manufacturing cash is expected to be about \$1 billion.

"We think 2018 is shaping up to be one of the strongest industry years this decade, and we're positioned to make it a breakout year for Navistar," Clarke said. "We'll drive even greater customer consideration with our commitment to uptime and our ongoing cadence of new product launches, which will include the introduction of our new medium-duty vehicle, as well as new IC Bus offerings. At the same time, we will build on our alliance with Volkswagen Truck & Bus by investing in and collaborating on the major technologies that are reshaping our industry, including electric, connectivity and autonomous."

Summary of Financial Results:

| | | (Ur | naudited) | | | | |
|---|----|------------|-----------|--------------------------------|-------------|----|--------|
| | | Quarters E | ober 31, | Years Ended October 31, | | | |
| (in millions, except per share data) | | 2017 | | 2016 | 2017 | | 2016 |
| Sales and revenues, net | \$ | 2,598 | \$ | 2,063 | \$ 8,570 | \$ | 8,111 |
| Segment Results: | | | | | | | |
| Truck | \$ | 112 | \$ | (61) | \$ (6) | \$ | (189) |
| Parts | | 157 | | 162 | 616 | | 640 |
| Global Operations | | 1 | | (2) | (7) | | (21) |
| Financial Services | | 26 | | 23 | 77 | | 100 |
| Income (loss) from continuing operations, net of tax(A) | \$ | 135 | \$ | (34) | \$ 29 | \$ | (97) |
| Net income (loss)(A) | | 135 | | (34) | 30 | | (97) |
| Diluted earnings (loss) per share from continuing | | | | | | | |
| operations(A) | \$ | 1.36 | \$ | (0.42) | \$ 0.31 | \$ | (1.19) |
| Diluted earnings (loss) per share(A) | \$ | 1.36 | \$ | (0.42) | \$ 0.32 | \$ | (1.19) |

⁽A) Amounts attributable to Navistar International Corporation.

Truck Segment – For the fourth quarter 2017, the Truck segment recorded a profit of \$112 million, compared with a year-ago fourth quarter loss of \$61 million. The year-over-year change was primarily due to the impact of higher volume in the company's Core markets and a decrease in used truck losses.

For the 2017 fiscal year, the Truck segment recorded a loss of \$6 million, compared with a fiscal year 2016 loss of \$189 million. The improvement was primarily driven by the impact of higher volumes in the company's Core markets and Mexico and a decrease in used truck losses, partially offset by market pressures and charges related to EGR product litigation.

Parts Segment — For the fourth quarter 2017, the Parts segment recorded a profit of \$157 million, down slightly from year-ago fourth quarter, primarily driven by the gradual runoff of the Blue Diamond Parts business, partially offset by double digit revenue growth from its Fleetrite and the remanufactured parts businesses.

For the 2017 fiscal year, the Parts segment recorded its second-largest profit ever at \$616 million, compared to a fiscal year 2016 profit of \$640 million. The four-percent decrease was primarily driven by margin declines in Blue Diamond Parts, partially offset by a slight year-over-year increase in North America Core market volumes.

Global Operations Segment — For the fourth quarter 2017, the Global Operations segment recorded a profit of \$1 million, compared to a year-ago fourth quarter loss of \$2 million. The year-over-year change was driven by higher volumes due to improvements in the Brazilian economy, offset by restructuring charges.

For the 2017 fiscal year, the Global Operations segment recorded a loss of \$7 million compared to a year-ago fiscal year loss of \$21 million. The Global Operations segment results improvement was primarily due to lower manufacturing and SG&A expenses as a result of the company's cost reduction efforts and a one-time benefit of \$9 million recognized as an adjustment to pre-existing warranties, partially offset by restructuring charges.

Financial Services Segment — For the fourth quarter 2017, the Financial Services segment recorded a profit of \$26 million, compared with fourth quarter 2016 profit of \$23 million. The year-over-year change was primarily driven by higher receivable balances and a lower provision for losses in the company's Mexico portfolio.

For the 2017 fiscal year, the Financial Services segment recorded a profit of \$77 million, compared to a year-ago fiscal year profit of \$100 million. The decrease is primarily driven by the paydown of certain intercompany loan receivables and lower interest margin resulting from an increase in the company's average borrowing rate.

Forward-Looking Statement

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 the company assumes no obligation to update the information included in this report. Such forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. 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. For a further description of these factors, see the risk factors set forth in our filings with the Securities and Exchange Commission, including our annual report on Form 10-K for the fiscal year ended October 31, 2017. Although we believe that these forward-looking statements are based on reasonable assumptions, there are many factors that could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. 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 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.

Navistar International Corporation and Subsidiaries Consolidated Statements of Operations

| | (Ur | naudited) | | | | |
|---|-----------------|---------------------|--------------------------------|--------------|--|--|
| | For the Quarter | s Ended October 31, | For the Years Ended October 31 | | | |
| (in millions, except per share data) | 2017 | 2016 | 2017 | 2016 | | |
| Sales and revenues | | | | | | |
| Sales of manufactured products, net | \$ 2,558 | \$ 2,030 | \$ 8,428 | \$ 7,976 | | |
| Finance revenues | 40 | 33 | 142 | 135 | | |
| Sales and revenues, net | 2,598 | 2,063 | 8,570 | 8,111 | | |
| Costs and expenses | | | | <u> </u> | | |
| Costs of products sold | 2,088 | 1,744 | 7,037 | 6,812 | | |
| Restructuring charges | 7 | (1) | 3 | 10 | | |
| Asset impairment charges | _ | 10 | 13 | 27 | | |
| Selling, general and administrative expenses | 224 | 198 | 878 | 802 | | |
| Engineering and product development costs | 62 | 66 | 251 | 247 | | |
| Interest expense | 89 | 81 | 351 | 327 | | |
| Other income, net | (14) | (14) | (21) | (76) | | |
| Total costs and expenses | 2,456 | 2,084 | 8,512 | 8,149 | | |
| Equity in income of non-consolidated affiliates | _ | 3 | 6 | 6 | | |
| ncome (loss) from continuing operations before income taxes | 142 | (18) | 64 | (32) | | |
| ncome tax expense | _ | (8) | (10) | (33) | | |
| ncome (loss) from continuing operations | 142 | (26) | 54 | (65) | | |
| ncome from discontinued operations, net of tax | _ | _ | 1 | _ | | |
| Net income (loss) | 142 | (26) | 55 | (65) | | |
| ess: Net income attributable to non-controlling interests | 7 | 8 | 25 | 32 | | |
| let income (loss) attributable to Navistar International | | | | - | | |
| Corporation | \$ 135 | \$ (34) | \$ 30 | \$ (97) | | |
| Amounts attributable to Navistar International Corporation common | shareholders: | | | | | |
| ncome (loss) from continuing operations, net of tax | \$ 135 | \$ (34) | \$ 29 | \$ (97) | | |
| ncome from discontinued operations, net of tax | _ | _ | 1 | _ | | |
| Net income (loss) | \$ 135 | \$ (34) | \$ 30 | \$ (97) | | |
| Earnings (loss) per share: | | | | | | |
| Basic: | | | | | | |
| Continuing operations | \$ 1.37 | \$ (0.42) | \$ 0.31 | \$ (1.19) | | |
| Discontinued operations | _ | _ | 0.01 | _ | | |
| · | \$ 1.37 | \$ (0.42) | \$ 0.32 | \$ (1.19) | | |
| Diluted: | | | | · | | |
| Continuing operations | \$ 1.36 | \$ (0.42) | \$ 0.31 | \$ (1.19) | | |
| Discontinued operations | · — | _ | 0.01 | _ | | |
| | \$ 1.36 | \$ (0.42) | \$ 0.32 | \$ (1.19) | | |
| Veighted average shares outstanding: | | | | | | |
| Basic | 98.4 | 81.7 | 93.0 | 81.7 | | |
| Diluted | 99.2 | 81.7 | 93.5 | 81.7 | | |

Navistar International Corporation and Subsidiaries Consolidated Balance Sheets

| (in millions, except per chara data) | October 31, 2017 | October 31, 2016 |
|--|---------------------|---------------------|
| (in millions, except per share data) ASSETS | 2017 | 2016 |
| Current assets | | |
| Cash and cash equivalents | \$ 706 | \$ 804 |
| Restricted cash and cash equivalents | 83 | 64 |
| Marketable securities | 370 | 46 |
| Trade and other receivables, net | 391 | 276 |
| Finance receivables, net | 1,565 | 1,457 |
| Inventories, net | 857 | 944 |
| Other current assets | 188 | 168 |
| Total current assets | 4,160 | 3,759 |
| Restricted cash | 51 | 48 |
| Trade and other receivables, net | 13 | 16 |
| Finance receivables, net | 220 | 220 |
| Investments in non-consolidated affiliates | 56 | 53 |
| Property and equipment, net | 1,326 | 1,241 |
| Goodwill | 38 | 38 |
| Intangible assets, net | 40 | 53 |
| Deferred taxes, net | 129 | 161 |
| Other noncurrent assets | 102 | 64 |
| Total assets | \$ 6,135 | \$ 5,653 |
| LIABILITIES and STOCKHOLDERS' DEFICIT | | |
| Liabilities | | |
| Current liabilities | | |
| Notes payable and current maturities of long-term debt | \$ 1,169 | \$ 907 |
| Accounts payable | 1,292 | 1,113 |
| Other current liabilities | 1,184 | 1,183 |
| Total current liabilities | 3,645 | 3,203 |
| Long-term debt | 3,889 | 3,997 |
| Postretirement benefits liabilities | 2,497 | 3,023 |
| Other noncurrent liabilities | 678 | 723 |
| Total liabilities | 10,709 | 10,946 |
| Stockholders' deficit | | |
| Series D convertible junior preference stock Common stock, \$0.10 par value per share (103.1 and 86.8 shares issued, respectively, and 220 shares authorized at both | 2 | 2 |
| dates) | 10 | 9 |
| Additional paid-in capital | 2,733 | 2,499 |
| Accumulated deficit | (4,933) | (4,963) |
| Accumulated other comprehensive loss | (2,211) | (2,640) |
| Common stock held in treasury, at cost (4.6 and 5.2 shares, respectively) | (179) | (205) |
| Total stockholders' deficit attributable to Navistar International Corporation | (4,578) | (5,298) |
| Stockholders' equity attributable to non-controlling interests | 4 | 5 |
| Total stockholders' deficit | (4,574) | (5,293) |
| Total liabilities and stockholders' deficit | \$ 6,135 | \$ 5,653 |

Navistar International Corporation and Subsidiaries Condensed Consolidated Statements of Cash Flows

| | For the Years | Ended October 31, |
|---|------------------|-------------------|
| (in millions) | 2017 | 2016 |
| Cash flows from operating activities | | |
| Net income (loss) | \$ 55 | \$ (65) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 150 | 146 |
| Depreciation of equipment leased to others | 73 | 79 |
| Deferred taxes, including change in valuation allowance | (6) | (9) |
| Asset impairment charges | 13 | 27 |
| Loss (gain) on sales of investments and businesses, net | (5) | 2 |
| Amortization of debt issuance costs and discount | 49 | 37 |
| Stock-based compensation | 28 | 16 |
| Provision for doubtful accounts, net of recoveries | 7 | 13 |
| Equity in income of non-consolidated affiliates, net of dividends | 1 | 6 |
| Write-off of debt issuance cost and discount | 5 | _ |
| Other non-cash operating activities | (28) | (12) |
| Changes in other assets and liabilities, exclusive of the effects of businesses disposed: | , , | , |
| Trade and other receivables | (125) | 134 |
| Finance receivables | (123) | 251 |
| Inventories | 82 | 205 |
| Accounts payable | 159 | (193) |
| Other assets and liabilities | (226) | (370) |
| Net cash provided by operating activities | 109 | 267 |
| Cash flows from investing activities | 103 | 207 |
| Purchases of marketable securities | (1.011) | (495) |
| Sales of marketable securities | (1,011) 659 | (485) 555 |
| | | 43 |
| Maturities of marketable securities | 28 | |
| Net change in restricted cash and cash equivalents | (22) | 5 (110) |
| Capital expenditures | (102) | (116) |
| Purchases of equipment leased to others | (137) | (132) |
| Proceeds from sales of property and equipment | 35 | 24 |
| Investments in non-consolidated affiliates | (1) | (2) |
| Proceeds from sales of affiliates | 9 | 41 |
| Net cash used in investing activities | (542) | (67) |
| Cash flows from financing activities | | |
| Proceeds from issuance of securitized debt | 322 | 413 |
| Principal payments on securitized debt | (336) | (346) |
| Net change in secured revolving credit facilities | 111 | (148) |
| Proceeds from issuance of non-securitized debt | 582 | 222 |
| Principal payments on non-securitized debt | (489) | (315) |
| Net change in notes and debt outstanding under revolving credit facilities | (112) | (149) |
| Principal payments under financing arrangements and capital lease obligations | _ | (3) |
| Debt issuance costs | (29) | (16) |
| Proceeds from financed lease obligations | 61 | 22 |
| Issuance of common stock | 256 | _ |
| Stock issuance costs | (11) | _ |
| Proceeds from exercise of stock options | 12 | _ |
| Dividends paid by subsidiaries to non-controlling interest | (26) | (34) |
| Other financing activities | (3) | 1 |
| Net cash provided by (used in) financing activities | 338 | (353) |
| Effect of exchange rate changes on cash and cash equivalents | (3) | 45 |
| Decrease in cash and cash equivalents | (98) | (108) |
| Cash and cash equivalents at beginning of the year | 804 | 912 |
| Cash and cash equivalents at end of the year | \$ 706 | \$ 804 |
| outh and outh equivalents at one of the year | - .00 | Ψ 00+ |

Navistar International Corporation and Subsidiaries Segment Reporting (Unaudited)

We define segment profit (loss) as net income (loss) from continuing operations attributable to Navistar International Corporation, excluding income tax expense. The following tables present selected financial information for our reporting segments:

| | | | | | | | | | c | Corporate | | |
|--|----|-------------|------|----------|----|---------------------|----|-----------------------|-----|-------------------|----|------------|
| (in millions) | | Truck | | Parts | | Global perations | | inancial rvices(A) | Fli | and iminations | | Total |
| Three Months Ended October 31, 2017 | | | | | | | | 111000(11) | | | | |
| External sales and revenues, net | \$ | 1,841 | \$ | 622 | \$ | 93 | \$ | 40 | \$ | 2 | \$ | 2,598 |
| Intersegment sales and revenues | * | 12 | • | 4 | • | 12 | • | 23 | • | (51) | • | _ |
| Total sales and revenues, net | \$ | 1,853 | | 626 | \$ | 105 | \$ | 63 | \$ | (49) | \$ | 2,598 |
| Income (loss) from continuing operations | | - | | | | | | | | | | |
| attributable to NIC, net of tax | \$ | 112 | \$ | 157 | \$ | 1 | \$ | 26 | \$ | (161) | \$ | 135 |
| Income tax expense | | | | | | | | | | | | |
| Segment profit (loss) | • | 440 | • | 457 | • | 4 | • | 00 | • | (404) | • | 405 |
| | \$ | 112 | - \$ | 157 | \$ | 1 | \$ | 26 | \$ | (161) | \$ | 135 |
| Depreciation and amortization | \$ | 34 | \$ | 2 | \$ | 3 | \$ | 13 | \$ | 2 | \$ | 54 |
| Interest expense Equity in income (loss) of non-consolidated | | _ | | _ | | _ | | 21 | | 68 | | 89 |
| affiliates | | 1 | | _ | | (1) | | | | _ | | _ |
| Capital expenditures(B) | | 4 | | _ | | _ | | _ | | 5 | | 9 |
| | | | | | | | | | | | | |
| | | | | | | | | | C | Corporate | | |
| (in millions) | | Tourse | | Davis | | Global | | inancial | | and | | Tatal |
| (in millions) | | Truck | | Parts | | perations | Se | rvices(A) | EII | iminations | | Total |
| Three Months Ended October 31, 2016 | Ф | 1.045 | Φ. | 007 | ф | 75 | ф | 00 | ф | 0 | ф | 0.000 |
| External sales and revenues, net | \$ | 1,345 51 | \$ | 607 6 | \$ | 75 12 | \$ | 33 25 | \$ | 2 (93) | \$ | 2,062 1 |
| Intersegment sales and revenues | \$ | | - \$ | 613 | | 87 | \$ | 58 | \$ | | | 2,063 |
| Total sales and revenues, net Income (loss) from continuing operations | | 1,396 | | | | | | | | (91) | | , |
| attributable to NIC, net of tax | \$ | (61) | \$ | 162 | \$ | (2) | \$ | 23 | \$ | (156) | \$ | (34) |
| Income tax expense Segment profit (loss) | | | | | | | - | | | (8) | | (8) |
| Cogmont pront (1888) | \$ | (61) | \$ | 162 | \$ | (2) | \$ | 23 | \$ | (148) | \$ | (26) |
| Depreciation and amortization | \$ | 37 | \$ | 3 | \$ | 5 | \$ | 13 | \$ | 3 | \$ | 61 |
| Interest expense | Ψ | _ | Ψ | _ | Ψ | _ | Ψ | 21 | * | 60 | * | 81 |
| Equity in income of non-consolidated | | | | | | | | | | | | - |
| affiliates | | 2 | | 1 | | _ | | _ | | _ | | 3 |
| Capital expenditures(B) | | 27 | | _ | | 2 | | 1 | | 3 | | 33 |
| | | | | | | | | | c | orporate | | |
| | | | | | | Global | | inancial | | and | | |
| (in millions) | | Truck | | Parts | Op | perations | Se | rvices(A) | Eli | iminations | | Total |
| Year Ended October 31, 2017 | | | | | | | | | | | | |
| External sales and revenues, net | \$ | 5,770 | \$ | 2,369 | \$ | 279 | \$ | 142 | \$ | 10 | \$ | 8,570 |
| Intersegment sales and revenues | | 39 | | 23 | | 30 | | 93 | _ | (185) | _ | |
| Total sales and revenues, net | \$ | 5,809 | | 2,392 | \$ | 309 | \$ | 235 | \$ | (175) | \$ | 8,570 |
| Income (loss) from continuing operations attributable to NIC, net of tax | \$ | (6) | \$ | 616 | \$ | (7) | \$ | 77 | \$ | (651) | \$ | 29 |
| Income tax expense | * | _ | • | _ | * | _ | • | _ | * | (10) | * | (10) |
| Segment profit (loss) | | | | | | | | | | 1/ | | 17 |
| | \$ | (6) | \$ | 616 | \$ | (7) | \$ | 77 | \$ | (641) | \$ | 39 |
| Depreciation and amortization | \$ | 137 | \$ | 11 | \$ | 13 | \$ | 51 | \$ | 11 | \$ | 223 |
| Interest expense | | _ | | _ | | _ | | 86 | | 265 | | 351 |
| Equity in income (loss) of non-consolidated | | | | | | | | | | | | |
| affiliates | | 4 | | 3 | | (1) | | _ | | _ | | 6 |
| Capital expenditures(B) | | 82 | | 2 | | 5 | | 1 | | 12 | | 102 |

| | | | | | Global | | Financial | C | Corporate and | |
|--|-------------|-------------|---|----|----------|----|------------|-----|------------------|-------------|
| (in millions) | Truck | Parts | | | erations | | ervices(A) | Eli | iminations | Total |
| Year Ended October 31, 2016 | | | | | | | | | | |
| External sales and revenues, net | \$ 5,271 | \$ 2,398 | | \$ | 296 | \$ | 135 | \$ | 10 | \$ 8,110 |
| Intersegment sales and revenues | 132 | 29 | | | 45 | | 100 | | (305) | 1 |
| Total sales and revenues, net | \$ 5,403 | \$ 2,427 | | \$ | 341 | \$ | 235 | \$ | (295) | \$ 8,111 |
| Income (loss) from continuing operations attributable to NIC, net of tax | \$ (189) | \$ 640 | | \$ | (21) | \$ | 100 | \$ | (627) | \$ (97) |
| Income tax expense Segment profit (loss) | | | _ | | | _ | | | (33) | (33) |
| | \$ (189) | \$ 640 | | \$ | (21) | \$ | 100 | \$ | (594) | \$ (64) |
| Depreciation and amortization | \$ 129 | \$ 13 | | \$ | 18 | \$ | 50 | \$ | 15 | \$ 225 |
| Interest expense Equity in income (loss) of non-consolidated | _ | _ | | | _ | | 80 | | 247 | 327 |
| affiliates | 5 | 4 | | | (3) | | _ | | _ | 6 |
| Capital expenditures(B) | 97 | 2 | | | 4 | | 2 | | 11 | 116 |
| | | | | | Global | - | Financial | | Corporate and | |
| (in millions) | Truck | Parts | | 0 | erations | | Services | Eli | iminations | Total |
| Segment assets, as of: | | | | | | | | | | |
| October 31, 2017 | \$ 1,621 | \$ 632 | | \$ | 378 | \$ | 2,207 | \$ | 1,297 | \$ 6,135 |
| October 31, 2016 | 1,520 | 594 | | | 407 | | 2,116 | | 1,016 | 5,653 |

⁽A) Total sales and revenues in the Financial Services segment include interest revenues of \$44 million and \$165 million for the three months and year ended October 31, 2017, respectively, and \$40 million and \$167 million for the three months and year ended October 31, 2016, respectively.

SEC Regulation G Non-GAAP Reconciliation:

The financial measures presented below are unaudited and not in accordance with, or an alternative for, financial measures presented in accordance with U.S. generally accepted accounting principles ("GAAP"). The non-GAAP financial information presented herein should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP and are reconciled to the most appropriate GAAP number below.

Earnings (loss) Before Interest, Income Taxes, Depreciation, and Amortization ("EBITDA"):

We define EBITDA as our consolidated net income (loss) from continuing operations attributable to Navistar International Corporation, net of tax, plus

⁽B) Exclusive of purchases of equipment leased to others.

manufacturing interest expense, income taxes, and depreciation and amortization. We believe EBITDA provides meaningful information to the performance of our business and therefore we use it to supplement our GAAP reporting. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of operating results.

Adjusted EBITDA:

We believe that adjusted EBITDA, which excludes certain identified items that we do not consider to be part of our ongoing business, improves the comparability of year to year results, and is representative of our underlying performance. Management uses this information to assess and measure the performance of our operating segments. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of operating results, to illustrate the results of operations giving effect to the non-GAAP adjustments shown in the below reconciliations, and to provide an additional measure of performance.

Adjusted EBITDA margin:

We define Adjusted EBITDA margin as a percentage of the Company's consolidated sales and revenues. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of operating results, to illustrate the results of operations giving effect to the non-GAAP adjustments shown in the below reconciliations, and to provide an additional measure of performance.

Manufacturing Cash, Cash Equivalents, and Marketable Securities:

Manufacturing cash, cash equivalents, and marketable securities represent the Company's consolidated cash, cash equivalents, and marketable securities excluding cash, cash equivalents, and marketable securities of our financial services operations. We include marketable securities with our cash and cash equivalents when assessing our liquidity position as our investments are highly liquid in nature. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of our ability to meet our operating requirements, capital expenditures, equity investments, and financial obligations.

Structural costs consist of selling, general and administrative expenses and engineering and product development costs.

EBITDA reconciliation:

| | | (Ur | naudited) | | | | | | |
|--|----|--------------|-----------|-----------|----|-----------------------------|----------|--------|--|
| | F | or the Quart | | l October | | | F 4- 4 O | -1-104 | |
| | | 31, | | | | For the Years Ended October | | | |
| (in millions) | | 2017 | | 2016 | | 2017 | | 2016 | |
| Income (loss) from continuing operations attributable to NIC, net of tax | \$ | 135 | \$ | (34) | \$ | 29 | \$ | (97) | |
| Plus: | | | | | | | | | |
| Depreciation and amortization expense | | 54 | | 61 | | 223 | | 225 | |
| Manufacturing interest expense (A) | | 68 | | 60 | | 265 | | 247 | |
| Less: | | | | | | | | | |
| Income tax expense | | _ | | (8) | | (10) | | (33) | |
| EBITDA | \$ | 257 | \$ | 95 | \$ | 527 | \$ | 408 | |

⁽A) Manufacturing interest expense is the net interest expense primarily related to borrowings that support the manufacturing and corporate operations, adjusted to eliminate intercompany interest expense with our Financial Services segment. The following table reconciles Manufacturing interest expense to consolidated interest expense:

| | | (Uı | naudited) | | | | | | |
|---|----|------------|-------------------|---------|---------------------------|------|----|------|--|
| · | Fo | r the Quar | ters Ended 31, | October | For the Years Ended Octob | | | | |
| (in millions) | | 2017 | | 2016 | | 2017 | | 2016 | |
| Interest expense | \$ | 89 | \$ | 81 | \$ | 351 | \$ | 327 | |
| Less: Financial Services interest expense | | 21 | | 21 | | 86 | | 80 | |
| Manufacturing interest expense | \$ | 68 | \$ | 60 | \$ | 265 | \$ | 247 | |

Adjusted EBITDA Reconciliation:

| | | (Uı | naudited) | | | | | | |
|--|----|-------------|------------|---------|----|---------------------------------|----|------|--|
| | Fo | or the Quar | ters Ended | October | Fo | For the Years Ended October 31, | | | |
| (in millions) | | 2017 | | 2016 | | 2017 | | 2016 | |
| EBITDA (reconciled above) | \$ | 257 | \$ | 95 | \$ | 527 | \$ | 408 | |
| Less significant items of: | | | | | | | | | |
| Adjustments to pre-existing warranties(A) | | 3 | | 8 | | (1) | | 78 | |
| Asset impairment charges(B) | | _ | | 10 | | 13 | | 27 | |
| Restructuring of manufacturing operations(C) | | 7 | | (1) | | 13 | | 10 | |

| EGR product litigation(D) | _ | _ | 31 | _ |
|-----------------------------|--------|--------|--------|--------|
| Gain on sale (E) | _ | _ | (6) | _ |
| Debt refinancing charges(F) | 1 | _ | 5 | _ |
| One-time fee received(G) | | | | (15) |
| Total adjustments | 11 | 17 | 55 | 100 |
| Adjusted EBITDA | \$ 268 | \$ 112 | \$ 582 | \$ 508 |

- (A) Adjustments to pre-existing warranties reflect changes in our estimate of warranty costs for products sold in prior periods. Such adjustments typically occur when claims experience deviates from historical and expected trends. Our warranty liability is generally affected by component failure rates, repair costs, and the timing of failures. Future events and circumstances related to these factors could materially change our estimates and require adjustments to our liability. In addition, new product launches require a greater use of judgment in developing estimates until historical experience becomes available.
- (B) During 2017, we recorded \$13 million of asset impairment charges in our Truck segment relating to assets held for sale of our Conway, Arkansas fabrication business and for certain assets under operating leases. During 2016, the charges primarily included \$17 million related to certain long-lived assets and \$8 million related to certain operating leases. We also determined that \$1 million of trademark asset carrying value was impaired.
- (C) During 2017, we recorded a charge of \$13 million. We recorded \$41 million of charges related to our plan to cease production at our Melrose Park Facility, a net benefit of \$43 million related to the resolution of the closing agreement for our Chatham, Ontario plant, and the release of \$1 million in OPEB liabilities in connection with the sale of our fabrication business in Conway, Arkansas. We recorded \$6 million of restructuring charges in Brazil related to cost reduction actions consisting of personnel costs for employee separation and related benefits. During 2016, we recorded \$7 million of charges related to the 2011 closure of our Chatham, Ontario plant.
- (D) During 2017, we recognized a charge of \$31 million for a jury verdict related to Maxxforce engine EGR product litigation in our Truck segment.
- (E) During 2017, we recognized a gain of \$6 million related to the sale of a business line in our Parts segment.
- (F) During 2017, we recorded a charge of \$5 million related to third party fees and debt issuance costs associated with the repricing of our Term Loan and the refinancing of the revolving portion of the NFC bank credit facility in our Financial Services segment.
- (G) During 2016, we received a \$15 million one-time fee from a third party.

Manufacturing segment cash, cash equivalents, and marketable securities reconciliation:

| | As of October 31, 2017 | | | | | | | | | | |
|---|------------------------|-------------------|--------------|-------------------|----------------------------|-------|--|--|--|--|--|
| (in millions) | Manufact | turing Operations | Financial Se | rvices Operations | Consolidated Balance Sheet | | | | | | |
| Assets | | | | | | _ | | | | | |
| Cash and cash equivalents | \$ | 666 | \$ | 40 | \$ | 706 | | | | | |
| Marketable securities | | 370 | | _ | | 370 | | | | | |
| Total cash, cash equivalents, and marketable securities | \$ | 1,036 | \$ | 40 | \$ | 1,076 | | | | | |

For further information: Media, Jim Spangler, Jim.Spangler@navistar.com, 331-332-5833; Investors, Marty Ketelaar, Marty.Ketelaar@navistar.com, 331-332-2706; Web site: www.Navistar.com/newsroom

https://news.international.com/2017-12-19-Navistar-Reports-2017-Fourth-Quarter-And-Full-Year-Results