#### International Newsroom

#### Navistar Reports Fourth Quarter And Full-Year 2020 Results

- Reports fourth quarter net loss of \$236 million, or \$2.36 per diluted share, which reflects \$297 million of tax-affected significant items; adjusted net income of \$61 million on revenues of \$2.1 billion
- Reports a full-year net loss of \$347 million, or \$3.48 per diluted share, and adjusted net income of \$10 million on revenues of \$7.5 billion
- Generates adjusted EBITDA of \$169 million in the fourth quarter and \$420 million in full-year 2020
- Ends the fiscal year with \$1.8 billion in consolidated cash and cash equivalents
- Announced definitive merger agreement with TRATON SE

LISLE, III., Dec. 17, 2020 / PRNewswire / -- Navistar International Corporation (NYSE: NAV) today announced a fourth quarter 2020 net loss of \$236 million, or \$2.36 per diluted share, compared to fourth quarter 2019 net income of \$102 million, or \$1.02 per diluted share. Navistar reported a net loss of \$347 million, or \$3.48 per diluted share for fiscal year 2020, versus net income of \$221 million, or \$2.22 per diluted share, for fiscal year 2019.

Revenues in the quarter were \$2.1 billion versus \$2.8 billion a year ago. Fourth quarter 2020 Core (Class 6-8 trucks and buses in the United States and Canada) charge outs were 13,200 versus 20,200 in fourth quarter 2019. Revenue for fiscal year 2020 was \$7.5 billion versus \$11.25 billion in 2019. Fiscal 2020 Core charge outs were 50,400 versus 87,200 in fiscal 2019. The decrease in revenue and charge outs was primarily driven by the impact of COVID-19 on the trucking industry.

Fourth quarter 2020 results were impacted by \$297 million of tax-affected significant items. Included in this amount is a \$289 million accrual related to a profit sharing dispute, a \$58 million settlement with the Department of Justice related to Navistar Defense and a \$14 million charge related to pre-existing warranties.

Adjusted net income for the fourth quarter was \$61 million versus \$114 million in the fourth quarter of last year. Adjusted net income for fiscal year 2020 was \$10 million versus \$423 million in 2019.

Fourth quarter 2020 adjusted EBITDA was \$169 million versus \$219 million one year ago. Fiscal year 2020 adjusted EBITDA was \$420 million versus \$882 million in 2019.

Navistar finished fourth quarter 2020 with \$1.8 billion in consolidated cash and cash equivalents.

"While our results were affected by the pandemic and the impact of certain legal matters, we have experienced consistent sequential improvement in our business since April, which reflects broader improvement in the economy and trucking industry as well as our business performance from the implementation of our Navistar 4.0 strategy," said Persio Lisboa, chief executive officer. "I believe that the actions and investments we have made in the business during 2020 position us to emerge from the pandemic a much stronger company."

The company continued to make progress on Navistar 4.0, its multi-year strategic plan. Navistar 4.0 is focused on achieving sustained success through putting the customer at the core of the company's decision-making process, while increasing the company's EBITDA margins by four percentage points by 2025. The company launched a new version of its International HX Series severe service truck, the first new product developed under Project Compass. Navistar also continued to make progress on emerging technologies, announcing that it will deliver a full electrification solution, including charging, route planning and infrastructure, to a school bus customer in British Columbia. The company also conducted a successful West Coast tour of its electric school bus.

In connectivity, Navistar launched Intelligent Fleet Care, the industry's most comprehensive standard suite of connected vehicle solutions, which is standard for Navistar's new on-highway vehicles. In addition to its Gateway Integrations partnerships now in place with seven leading telematics providers that enable customers to avoid hardware installation costs by using Navistar's own factory-installed device, Intelligent Fleet Care adds additional solutions driven by vehicle performance and telematics data.

Navistar continues to make progress on capital investments that will help transform the company's manufacturing and supply footprint, including the Huntsville, Ala., plant, where the company will produce its next generation of big-bore powertrains, and its new manufacturing facility in San Antonio, Texas.

The most significant announcement during the fourth quarter was Navistar's planned merger with TRATON SE. The merger will accelerate Navistar's growth, providing it with access to new technologies, products and services while taking advantage of TRATON's global scale.

"Despite the challenges of 2020, the company pressed ahead with new steps that position Navistar well for the future, including sustained investments in our business and products and important strategic partnerships in emerging technologies," said Lisboa. "Looking forward, our exciting opportunity with TRATON will build further on this foundation, accelerating our progress and delivering long-term, sustainable benefits for our stakeholders."

### **SEGMENT REVIEW**

## **Summary of Financial Results:**

	 Quarters
(in millions, except per share data)	 2020
Sales and revenues, net	\$ 2,065
Segment Results:	
Truck	\$ (10)
Parts	129
Global Operations	12
Financial Services	14
Income (loss) from continuing operations, net of tax(A)	\$ (236)
Net income (loss)(A)	(236)
Diluted earnings (loss) per share(A)	(2.36)

Amounts attributable to Navistar International

(A) Corporation.

**Truck Segment** – In fourth quarter 2020, the Truck segment net sales were \$1.5 billion, a 30 percent decrease compared to fourth quarter last year. In fiscal year 2020, the Truck segment net sales decreased by \$3.3 billion, or 38 percent, to \$5.3 billion. The decrease was primarily due to lower volumes in Core markets due to the pandemic.

The Truck segment incurred a net loss of \$10 million in fourth quarter 2020, compared to a profit of \$86 million in fourth quarter 2019. For fiscal year 2020, the Truck segment incurred a net loss of \$141 million, compared to profit of \$269 million in full-year 2019. The decrease was a result of lower revenues and reflects the impact of legal settlements and the sale of Navistar Defense in 2019.

**Parts Segment** – For fourth quarter 2020, the Parts segment net sales were \$496 million, a nine percent decrease from fourth quarter 2019. In fiscal year 2020, the Parts segment net sales decreased by \$399 million, or 18 percent, to \$1.85 billion. The decrease was primarily due to lower volumes in the U.S. and Canada due to the pandemic.

The Parts segments saw a fourth quarter profit of \$129 million, compared to \$161 million in fourth quarter 2019. In fiscal year 2020, the Parts segment profit decreased by \$150 million, or 25 percent, to \$448 million. The decrease was due to the impact of lower revenues.

**Global Operations Segment** – In fourth quarter 2020, the Global Operations segment net sales decreased six percent versus fourth quarter 2019 to \$87 million. In fiscal year 2020, the Global Operations segment net sales decreased by \$90 million, or 26 percent, to \$253 million. The decrease was primarily driven by lower volumes in South American operations triggered by temporary production stoppages related to the pandemic as well as unfavorable foreign currency impact.

The Global Operation segment recorded a profit of \$12 million in the fourth quarter of 2020 versus a loss of \$10 million in fourth quarter 2019 that included a restructuring charge. In fiscal year 2020, the Global Operations segment recorded breakeven results comparable to 2019.

**Financial Services Segment** – In fourth quarter 2020, the Financial Services segment net revenues decreased to \$47 million, a 34 percent decrease from fourth quarter 2019. In fiscal year 2020, Financial Services segment net revenues were \$217 million, a 27 percent decrease versus 2019. Revenues were lower in 2020 due to lower average yields from lower interest rates and lower average finance receivables on lower volumes.

The Financial Services segment recorded a profit of \$14 million in the quarter, compared to \$30 million in fourth quarter 2019. The Financial Services segment recorded a profit of \$65 million in fiscal year 2020, a 47 percent decrease from 2019. The decrease was due to lower revenues, partially offset by lower interest expense resulting from lower borrowing requirements and rates.

## **Forward-Looking Statement**

Information provided and statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and the Private Securities Litigation Reform Act of 1995. Such forwardlooking 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 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 31,2020. 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 forwardlooking 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

	Quar
	Oc
(in millions, except per share data)	2020
Sales and revenues	
Sales of manufactured products, net	\$ 2,025
Finance revenues	40
Sales and revenues, net	2,065
Costs and expenses	
Costs of products sold	1,680
Restructuring charges	(3)
Asset impairment charges	3

Selling, general and administrative expenses	528
Engineering and product development costs	84
Interest expense	69
Other expense, net	5
Total costs and expenses	2,366
Equity in income of non-consolidated affiliates	2
Income (loss) before income taxes	(299)
Income tax expense	69
Net income (loss)	(230)
Less: Net income attributable to non-controlling interests	6
Net income (loss) attributable to Navistar International Corporation	\$ (236)
Net income (loss) per share attributable to Navistar International Corporate	
Basic:	\$ (2.36)
Diluted:	(2.36)
Weighted average shares outstanding:	
Basic	99.8
Diluted	99.8

## Navistar International Corporation and Subsidiaries Consolidated Balance Sheets

## (in millions, except per share data) ASSETS

## Current assets Cash and cash equivalents..... Restricted cash and cash equivalents.... Trade and other receivables, net..... Finance receivables, net. Inventories, net..... Other current assets..... Total current assets..... Restricted cash..... Trade and other receivables, net..... Finance receivables, net. Investments in non-consolidated affiliates..... Property and equipment, net..... Operating lease right of use assets..... Intangible assets, net..... Deferred taxes, net..... Other noncurrent assets.....

Total assets

# LIABILITIES and STOCKHOLDERS' DEFICIT Liabilities

Current liabilities	
Notes payable and current maturities of long-term debt debt	
Accounts payable	
Other current liabilities	
Total current liabilities	
Long-term debt	
Postretirement benefits liabilities	
Other noncurrent liabilities	
Total liabilities	
Stockholders' deficit	
Series D convertible junior preference stock	
Common stock, \$0.10 par value per share (103.1 shares issued and 220 s	hares authorized at
both dates)	
Additional paid-in capital	
Accumulated deficit	
Accumulated other comprehensive loss	
Common stock held in treasury, at cost (3.5 and 3.9 shares, respectively)	
Total stockholders' deficit attributable to Navistar International Corporation	
Stockholders' equity attributable to non-controlling interests	
Total stockholders' deficit	
Total liabilities and stockholders' deficit	
Navistar	International Corporation and Subsidiaries
	ed Consolidated Statements of Cash Flows
(in millions)	
(in millions) Cash flows from operating activities	
Net income (loss)	
Adjustments to reconcile net income (loss) to net cash provided by operating	
Adjustments to reconcile het income (loss) to het cash provided by operation	ig activities.

Depreciation and amortization....

Depreciation of equipment leased to others...

Deferred taxes, including change in valuation allowance...

Asset impairment charges...

Gain on sales of investments and businesses, net...

Amortization of debt issuance costs and discount...

Stock-based compensation...

Provision for doubtful accounts, net of recoveries...

Equity in income of non-consolidated affiliates, net of dividends...

Write-off of debt issuance cost and discount...

Other non-cash operating activities...

Changes in other assets and liabilities, exclusive of the effects of businesses disposed:

Accounts payable
Other assets and liabilities
Net cash provided by operating activities
Cash flows from investing activities
Maturities of marketable securities
Capital expenditures
Purchases of equipment leased to others
Proceeds from sales of property and equipment
Investments in non-consolidated affiliates
Proceeds from (payments for) sales of affiliates
Other investing activities
Net cash used in investing activities
Cash flows from financing activities
Proceeds from issuance of securitized debt
Principal payments on securitized debt
Net change in secured revolving credit facilities
Proceeds from issuance of non-securitized debt
Principal payments on non-securitized debt
Net change in notes and debt outstanding under revolving credit facilities
Debt issuance costs
Proceeds from financed lease obligations
Proceeds from exercise of stock options
Dividends paid by subsidiaries to non-controlling interest
Other financing activities
Net cash provided by (used in) financing activities
Effect of exchange rate changes on cash, cash equivalents and restricted cash
Increase in cash, cash equivalents and restricted cash
Cash, cash equivalents and restricted cash at beginning of the year.
Cash, cash equivalents and restricted cash at end of the year.

## Navistar International Corporation and Subsidiaries Segment Reporting

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

				G	lobal
(in millions)	Truck	I	Parts	Ope	rations
Quarter Ended October 31, 2020					
External sales and revenues, net	\$ 1,440	\$	495	\$	89
Intersegment sales and revenues	38		1		(2)
Total sales and revenues, net	\$ 1,478	\$	496	\$	87
Net income (loss) attributable to NIC	\$ (10)	\$	129	\$	12
Income tax expense	_		_		_
Segment profit (loss)	\$ (10)	\$	129	\$	12
Depreciation and amortization	\$ 31	\$	_	\$	1
Interest expense	_		_		_

Equity in income of non-consolidated affiliates	2	_	_
Capital expenditures(B)	31	2	_

					G	ilobal
(in millions)		Truck	ı	Parts	Ope	eration
Quarter Ended October 31, 2019	-					
External sales and revenues, net	\$	2,096	\$	546	\$	86
Intersegment sales and revenues		9		1		7
Total sales and revenues, net	\$	2,105	\$	547	\$	93
Net income (loss) attributable NIC	\$	86	\$	161	\$	(10)
Income tax expense		_		_		_
Segment profit (loss)	\$	86	\$	161	\$	(10)
Depreciation and amortization	\$	26	\$	1	\$	4
Interest expense		_		_		_
Equity in income of non-consolidated affiliates		(1)		1		_
Capital expenditures(B)		32		4		_

				Global
(in millions)	 Truck	 Parts	Or	peratio
Year Ended October 31, 2020				
External sales and revenues, net	\$ 5,240	\$ 1,841	\$	242
Intersegment sales and revenues	72	5		11
Total sales and revenues, net	\$ 5,312	\$ 1,846	\$	253
Income (loss) from continuing operations			· ·	_
attributable to NIC, net of tax	\$ (141)	\$ 448	\$	_
Income tax expense	_	_		_
Segment profit (loss)	\$ (141)	\$ 448	\$	
Depreciation and amortization	\$ 116	\$ 6	\$	6
Interest expense	_	_		_
Equity in income (loss) of non-consolidated				
affiliates	1	1		_
Capital expenditures(B)	124	8		3

					(	Global
(in millions)	Truck		Parts		Op	eratio
Year Ended October 31, 2019		<del></del>		<del></del>		
External sales and revenues, net	\$ 8,501	\$	2,239		\$	309
Intersegment sales and revenues	84		6			34
Total sales and revenues, net	\$ 8,585	\$	2,245	<del></del> -	\$	343
Income (loss) from continuing operations		· —				
attributable to NIC, net of tax	\$ 269	\$	598		\$	_
Income tax expense	_		_			_
Segment profit (loss)	\$ 269	\$	598		\$	
Depreciation and amortization	\$ 104	\$	5		\$	11
Interest expense	_		_			_

Equity in income (loss) of non-consolidated			
affiliates	2	3	(1)
Capital			
expenditures(B)	101	7	2

(A) Total sales and revenues in the Financial Services segment include interest revenues of \$130 million and \$208 million for the years ended October 31, 2020, and 2019 respectively.

(B) Exclusive of purchases of equipment leased to others and liabilities related to capital expenditures.

						C
			G	ilobal	Financial	
(in millions)	Truck	Parts	Operations		Services	Elir
Segment assets, as of:	-	-	-			
October 31, 2020	. \$ 1,619	\$ 663	\$	216	\$ 2,191	\$
October 31, 2019	. 1,705	688		296	2,774	

## 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) attributable to Navistar International Corporation, net of tax, plus 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 and Adjusted Net Income (loss):

We believe that adjusted EBITDA and Adjusted Net Income (loss), 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.

### Manufacturing Cash and Cash Equivalents:

Manufacturing cash and cash equivalents represent the Company's consolidated cash and cash equivalents excluding cash and cash equivalents of our financial services operations. 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:

			Quarters Ended			
		October 31,				
(in millions)		2020	2019	9		
Net loss attributable to NIC	\$	(236)	\$ 102	2		
Plus:						
Depreciation and amortization expense		53	49	9		
Manufacturing interest expense(A)		55	47	7		
Less:						
Income tax (expense) benefit		69	(10	1)		
EBITDA	\$	(197)	\$ 208	3		
				-		

(A) Manufacturing interest expense is the net interest expense primarily generated for borrowings that support the manufacturi adjusted to eliminate intercompany interest expense with our Financial Services segment. The following table reconciles M to the consolidated interest expense.

	Quarters Ended				
		October 31,			
(in millions)	2020	2019	2		
Interest expense	\$ 69	\$ 69	\$ :		
Less: Financial services interest expense	14	22			
Manufacturing interest expense	\$ 55	\$ 47	\$		

## Adjusted EBITDA Reconciliation:

		Quarters End October 31		
(in millions)	2020	1		
EBITDA (reconciled above)	\$ (197)	\$		
Adjusted for significant items of:	-			
Adjustments to pre-existing warranties(A)	14			
Asset impairment charges(B)	3			
Restructuring of manufacturing operations(C)	(3)			
MaxxForce Advanced EGR engine lawsuits(D)		_		
Legal settlement (E)	58			
Shy profit-sharing accrual(F)	289			
Gain (loss) on sales(G)	_			
Debt refinancing charges(H)	5			
Pension settlement(I)	_			
Settlement gain(J)	_			
Total adjustments	366			

## Adjusted Net Income (Loss) attributable to NIC:

	Quart
	Oct
(in millions)	2020
Net loss attributable to NIC	\$ (236)
Adjusted for significant items of:	
Adjustments to pre-existing warranties(A)	14
Asset impairment charges(B)	3
Restructuring of manufacturing operations(C)	(3)
MaxxForce Advanced EGR engine lawsuits(D)	_
Legal settlement(E)	58
Shy profit-sharing accrual(F)	289
Gain on sales(G)	_
Debt refinancing charges(H)	5
Pension settlement(I)	_
Settlement gain(J)	_
Total adjustments	366
Tax effect (K)	(69)
Adjusted net income (loss) attributable to NIC	\$ 61

- (A) Adjustments to pre-existing warranties reflect changes in our estimate of warranty costs for products sold in prior periods. So occur when claims experience deviates from historical and expected trends. Our warranty liability is generally affected by costs, and the timing of failures. Future events and circumstances related to these factors could materially change our estimate our liability. In addition, new product launches require a greater use of judgment in developing estimates until historical exp
- (B) During 2020, we recorded \$28 million of asset impairment charges, comprised of \$16 million of asset impairment charges operating leases and certain other long-lived assets in our Truck segment and \$12 million of asset impairment charges related Brazil asset group in our Global Operations segment. During 2019, we recorded \$7 million of asset impairment charges related operating leases in our Truck segment. During 2018, we recorded \$14 million of impairment charges related to the exit of c Cherokee, Alabama, certain long-lived assets and certain assets under operating leases in our Truck and Financial Service
- (C) During 2020, we recorded net restructuring charges of \$2 million due to restructuring activity throughout the organization. I charges of \$14 million primarily related to cost reduction actions recorded in *Costs of product sold* and *Restructuring charg* segment. During 2018, we recognized a benefit of \$1 million related to adjustments for restructuring charges in our Truck, Corporate segments.
- (D) During 2019, we recognized a net charge of \$129 million related to the MaxxForce Advanced EGR engine class action set our Truck segment. During 2018, we recognized a charge of \$1 million for a jury verdict related to the MaxxForce Advance Truck segment.
- (E) During 2020, we recorded a charge of \$58 million, including \$8 million of legal and other fees, related to a proposed legal \$ of Justice, related to Navistar Defense.
- (F) During 2020, we recorded a charge of \$289 million related to the Shy profit-sharing accrual.
- (G) During 2019, we recognized a gain of \$51 million related to the sale of a majority interest in the Navistar Defense business gain of \$5 million related to the sale of our joint venture in China with JAC in our Global Operations segment.

- (H) During 2020 we recorded a charge of \$5 million for the write-off of debt issuance costs and discounts associated with the € During 2019, we recorded a charge of \$6 million for the write-off of debt issuance costs and discounts associated with the we recorded a charge of \$46 million for the write off of debt issuance costs and discounts associated with the repurchase € the refinancing of our previously existing Term Loan.
- (I) During 2020, 2019 and 2018, we purchased group annuity contracts for certain retired pension plan participants resulting i result, we recorded pension settlement charges of \$7 million, \$142 million and \$9 million, respectively, in *Other expense*, n
- (J) During 2020 and 2019, we recorded interest income of \$1 million and \$3 million, respectively, in *Other expense, net* derived settlement of a business economic loss claim. During 2018, we settled a business economic loss claim relating to our Alak facility from the Deepwater Horizon Settlement Program. As a result, we recorded the net present value of the settlement c interest income of \$2 million in *Other expense, net*.
- (K) Tax effect is calculated by excluding the tax impact of the non-GAAP adjustments from the tax provision calculations.

## Manufacturing segment cash and cash equivalents reconciliation:

	As of October 31, 2020							
	Financial							
	Manufacturing			Services		Consolidated		
(in millions)	Operations		Operations		<b>Balance Sheet</b>			
Total cash and cash equivalents	\$	1,749	\$	94	\$	1,843		

For further information: Media contact, Darwin Minnis, Darwin.Minnis@Navistar.com, 331-332-5243; Investor contact, Marty Ketelaar, Marty.Ketelaar@Navistar.com, 331-332-2706; www.Navistar.com/newsroom

https://news.international.com/2020-12-17-Navistar-Reports-Fourth-Quarter-And-Full-Year-2020-Results