

NAVISTAR INTERNATIONAL CORP

Form 10-Q

September 03, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended July 31, 2008

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)

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Delaware
(State or other jurisdiction of

36-3359573
(I.R.S. Employer

incorporation or organization)

Identification No.)

4201 Winfield Road, P.O. Box 1488,

Warrenville, Illinois
(Address of principal executive offices)

60555
(Zip Code)

Registrant's telephone number, including area code (630) 753-5000

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of larger 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

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

As of July 31, 2008, the number of shares outstanding of the registrant's common stock was 71,174,848, net of treasury shares.

Documents incorporated by reference: None.

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Table of Contents**PART I****Item 1. Condensed Consolidated Financial Statements****Navistar International Corporation and Subsidiaries****Consolidated Statements of Operations****(Unaudited)**

	Three Months Ended		Nine Months Ended	
	2008	2007	2008	2007
(in millions, except per share data)				
Sales and revenues				
Sales of manufactured products, net	\$ 3,879	\$ 2,852	\$ 10,592	\$ 8,802
Finance revenues	75	104	265	292
Sales and revenues, net	3,954	2,956	10,857	9,094
Costs and expenses				
Costs of products sold	3,115	2,428	8,762	7,505
Selling, general and administrative expenses	386	368	1,071	1,010
Engineering and product development costs	108	86	289	284
Interest expense	88	125	357	367
Other income, net	(5)	(34)	(10)	(21)
Total costs and expenses	3,692	2,973	10,469	9,145
Equity in income of non-consolidated affiliates	18	22	63	62
Income before income tax	280	5	451	11
Income tax expense	(8)	(9)	(17)	(28)
Net income (loss)	\$ 272	\$ (4)	\$ 434	\$ (17)
Basic earnings (loss) per share	\$ 3.85	\$ (0.05)	\$ 6.16	\$ (0.24)
Diluted earnings (loss) per share	\$ 3.68	\$ (0.05)	\$ 5.92	\$ (0.24)
Weighted average shares outstanding				
Basic	70.8	70.3	70.5	70.3
Diluted	74.0	70.3	73.3	70.3

See Notes to Condensed Consolidated Financial Statements

Table of Contents**Navistar International Corporation and Subsidiaries****Consolidated Balance Sheets****(Unaudited)**

	As of	
	July 31, 2008	October 31, 2007
(in millions, except per share data)		
ASSETS		
Current assets		
Cash and cash equivalents	\$ 678	\$ 777
Marketable securities	18	6
Finance and other receivables (net of allowance for losses of \$74 and \$60 as of July 31, 2008 and October 31, 2007, respectively)	3,051	2,941
Inventories	1,544	1,412
Deferred taxes, net	116	115
Other current assets	171	194
Total current assets	5,578	5,445
Restricted cash and cash equivalents		
	687	419
Finance and other receivables (net of allowance for losses of \$28 and \$41 as of July 31, 2008 and October 31, 2007, respectively)	2,246	2,478
Investments in and advances to non-consolidated affiliates	177	154
Property and equipment (net of accumulated depreciation and amortization of \$2,347 and \$2,199 as of July 31, 2008 and October 31, 2007, respectively)	1,963	2,086
Goodwill	378	353
Intangible assets (net of accumulated amortization of \$71 and \$53 as of July 31, 2008 and October 31, 2007, respectively)	273	286
Pension assets	143	103
Deferred taxes, net	31	35
Other noncurrent assets	81	89
Total assets	\$ 11,557	\$ 11,448
LIABILITIES AND STOCKHOLDERS DEFICIT		
Liabilities		
Current liabilities		
Notes payable and current maturities of long-term debt	\$ 803	\$ 798
Accounts payable	2,049	1,770
Other current liabilities	1,225	1,423
Total current liabilities	4,077	3,991
Long-term debt	5,730	6,083
Postretirement benefits liabilities	1,220	1,327
Other noncurrent liabilities	758	781
Total liabilities	11,785	12,182
Stockholders deficit		
Series D convertible junior preference stock	4	4
Common stock and additional paid in capital (par value \$0.10 per share, 75.4 shares issued as of July 31, 2008 and October 31, 2007)	2,103	2,101
Accumulated deficit	(2,091)	(2,519)

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Accumulated other comprehensive loss	(105)	(155)
Common stock held in treasury, at cost (4.2 and 5.1 shares as of July 31, 2008 and October 31, 2007, respectively)	(139)	(165)
Total stockholders deficit	(228)	(734)
Total liabilities and stockholders deficit	\$ 11,557	\$ 11,448

See Notes to Condensed Consolidated Financial Statements

Table of Contents**Navistar International Corporation and Subsidiaries****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

(in millions)	Nine Months Ended July 31,	
	2008	2007
Cash flows from operating activities		
Net income (loss)	\$ 434	\$ (17)
Adjustments to reconcile net income (loss) to cash provided by operating activities		
Depreciation and amortization	241	229
Depreciation of equipment held for or under lease	44	41
Deferred taxes	(3)	(6)
Amortization of debt issuance costs	15	7
Stock-based compensation	2	6
Provision for doubtful accounts	51	23
Equity in income of non-consolidated affiliates	(63)	(62)
Dividends from non-consolidated affiliates	54	74
Gain on sales of affiliates	(4)	(9)
Loss on sale of property and equipment		8
Loss on repurchases of debt		31
Changes in other assets and liabilities	(124)	(258)
Total adjustments	213	84
Net cash provided by operating activities	647	67
Cash flows from investing activities		
Purchases of marketable securities	(43)	(178)
Sales or maturities of marketable securities	31	309
Net change in restricted cash and cash equivalents	(268)	69
Capital expenditures	(145)	(207)
Purchase of equipment held for or under lease	(47)	(41)
Proceeds from sale of property and equipment	22	16
Investments and advances to non-consolidated affiliates	(12)	(5)
Proceeds from sales of affiliates	20	26
Business acquisitions, net of cash acquired		(7)
Other investing activities	5	6
Net cash used in investing activities	(437)	(12)
Cash flows from financing activities		
Proceeds from issuance of securitized debt	1,057	885
Principal payments on securitized debt	(1,448)	(1,068)
Proceeds from issuance of non-securitized debt	161	1,566
Principal payments on non-securitized debt	(15)	(1,558)
Net decrease in notes and debt outstanding under revolving credit facilities	(46)	(357)
Principal payments under financing arrangements and capital lease obligations	(60)	(36)
Debt issuance costs	(11)	(24)
Proceeds from exercise of stock options	26	

Net cash used in financing activities	(336)	(592)
Effect of exchange rate changes on cash and cash equivalents	27	54
Decrease in cash and cash equivalents	(99)	(483)
Cash and cash equivalents at beginning of period	777	1,157
Cash and cash equivalents at end of the period	\$ 678	\$ 674

See Notes to Condensed Consolidated Financial Statements

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Navistar International Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Summary of significant accounting policies

Organization and Description of the Business

Navistar International Corporation (NIC), incorporated under the l