

NAVISTAR INTERNATIONAL CORP
Form 10-Q
June 27, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended April 30, 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)

Edgar Filing: NAVISTAR INTERNATIONAL CORP - Form 10-Q

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 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 "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

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

As of April 30, 2008, the number of shares outstanding of the registrant's common stock was 70,239,785, net of treasury shares.

Documents incorporated by reference: None.

NAVISTAR INTERNATIONAL CORPORATION FORM 10-Q

INDEX

	Page
<u>PART I</u>	
Item 1. <u>Condensed Consolidated Financial Statements (Unaudited)</u>	3
<u>Consolidated Statements of Operations for the three and six months ended April 30, 2008 and 2007</u>	3
<u>Consolidated Balance Sheets as of April 30, 2008 and October 31, 2007</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the six months ended April 30, 2008 and 2007</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	28
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	52
Item 4. <u>Controls and Procedures</u>	52
<u>PART II</u>	
Item 6. <u>Exhibits</u>	54
<u>Signature</u>	55

PART I

Item 1. Condensed Consolidated Financial Statements

Navistar International Corporation and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2008	2007	2008	2007
(in millions, except per share data)				
Sales and revenues				
Sales of manufactured products, net	\$ 3,853	\$ 2,900	\$ 6,713	\$ 5,950
Finance revenues	96	90	190	188
Sales and revenues, net	3,949	2,990	6,903	6,138
Costs and expenses				
Costs of products sold	3,196	2,472	5,647	5,077
Selling, general and administrative expenses	364	345	685	642
Engineering and product development costs	99	95	181	198
Interest expense	102	131	269	242
Other (income) expenses, net	(4)	(16)	(5)	13
Total costs and expenses	3,757	3,027	6,777	6,172
Equity in income of non-consolidated affiliates	21	18	45	40
Income (loss) before income tax	213	(19)	171	6
Income tax benefit (expense)	2	(6)	(9)	(19)
Net income (loss)	\$ 215	\$ (25)	\$ 162	\$ (13)
Basic earnings (loss) per share	\$ 3.06	\$ (0.36)	\$ 2.30	\$ (0.19)
Diluted earnings (loss) per share	\$ 2.94	\$ (0.36)	\$ 2.22	\$ (0.19)
Weighted average shares outstanding				
Basic	70.3	70.3	70.3	70.3
Diluted	73.2	70.3	72.9	70.3

See Notes to Condensed Consolidated Financial Statements

Navistar International Corporation and Subsidiaries

Consolidated Balance Sheets

(Unaudited)

	As of	
	April 30, 2008	October 31, 2007
(in millions, except per share data)		
ASSETS		
Current assets		
Cash and cash equivalents	\$ 675	\$ 777
Marketable securities	38	6
Finance and other receivables (net of allowance for losses of \$53 and \$60 as of April 30, 2008 and October 31, 2007, respectively)	3,142	2,941
Inventories	1,364	1,412
Deferred taxes, net	115	115
Other current assets	167	194
Total current assets	5,501	5,445
Restricted cash and cash equivalents		
	735	419
Finance and other receivables (net of allowance for losses of \$40 and \$41 as of April 30, 2008 and October 31, 2007, respectively)	2,330	2,478
Investments in and advances to non-consolidated affiliates	175	154
Property and equipment (net of accumulated depreciation and amortization of \$2,266 and \$2,199 as of April 30, 2008 and October 31, 2007, respectively)	1,980	2,086
Goodwill	359	353
Intangible assets (net of accumulated amortization of \$65 and \$53 as of April 30, 2008 and October 31, 2007, respectively)	273	286
Pension assets	121	103
Deferred taxes, net	20	35
Other noncurrent assets	120	89
Total assets	\$ 11,614	\$ 11,448
LIABILITIES AND STOCKHOLDERS DEFICIT		
Liabilities		
Current liabilities		
Notes payable and current maturities of long-term debt	\$ 856	\$ 798
Accounts payable	2,027	1,770
Other current liabilities	1,203	1,423
Total current liabilities	4,086	3,991
Long-term debt	6,028	6,083
Postretirement benefits liabilities	1,235	1,327
Other noncurrent liabilities	827	781
Total liabilities	12,176	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 million shares issued as of April 30, 2008 and October 31, 2007)	2,107	2,101
Accumulated deficit	(2,362)	(2,519)
Accumulated other comprehensive loss	(146)	(155)
Common stock held in treasury, at cost (5.1 million shares as of April 30, 2008 and October 31, 2007)	(165)	(165)

Total stockholders deficit	(562)	(734)
Total liabilities and stockholders deficit	\$ 11,614	\$ 11,448

See Notes to Condensed Consolidated Financial Statements

Navistar International Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in millions)	Six Months Ended	
	2008	April 30, 2007
Cash flows from operating activities		
Net income (loss)	\$ 162	\$ (13)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities		
Depreciation and amortization	156	151
Depreciation of equipment held for or under lease	30	27
Deferred taxes		(4)
Amortization of debt issuance costs	10	5
Stock-based compensation	2	4
Provision for doubtful accounts	18	16
Equity in income of non-consolidated affiliates	(45)	(40)
Dividends from non-consolidated affiliates	29	52
Gain on sale of affiliate	(4)	
(Gain) loss on sale of property and equipment	(2)	6
Loss on repurchases of debt		31
Changes in other assets and liabilities	(45)	(468)
Total adjustments	149	(220)
Net cash provided by (used in) operating activities	311	(233)
Cash flows from investing activities		
Purchases of marketable securities	(42)	(148)
Sales or maturities of marketable securities	11	264
Net change in restricted cash and cash equivalents	(316)	163
Capital expenditures	(103)	(139)
Purchase of equipment held for or under lease	(27)	(29)
Proceeds from sale of property and equipment	20	10
Investments and advances to non-consolidated affiliates	(4)	(7)
Proceeds from sale of affiliate	19	
Business acquisitions, net of cash acquired		(7)
Other investing activities	1	(1)
Net cash provided by (used in) investing activities	(441)	106
Cash flows from financing activities		
Proceeds from issuance of securitized debt	813	473
Principal payments on securitized debt	(980)	(671)
Proceeds from issuance of non-securitized debt	101	1,548
Principal payments on non-securitized debt	(8)	(1,525)
Net increase (decrease) in notes and debt outstanding under revolving credit facilities	143	(186)
Principal payments under financing arrangements and capital lease obligations	(51)	(30)
Debt issuance costs	(7)	(19)
Net cash provided by (used in) financing activities	11	(410)

Edgar Filing: NAVISTAR INTERNATIONAL CORP - Form 10-Q

Effect of exchange rate changes on cash and cash equivalents	17	28
Decrease in cash and cash equivalents	(102)	(509)
Cash and cash equivalents at beginning of period	777	1,157
Cash and cash equivalents at end of the period	\$ 675	\$ 648

See Notes to Condensed Consolidated Financial Statements

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 laws of the state of Delaware in 1993, is a holding company whose principal operating subsidiaries are Navistar, Inc. and Navistar Financial Corporation (NFC). References herein to the company, we, our, or us refer collectively to NIC, its subsidiaries, and certain variable interest entities (VIEs) of which we are the primary beneficiary. We operate in four principal industry segments: Truck, Engine, Parts (collectively called manufacturing operations), and Financial Services. The Financial Services segment consists of NFC and our foreign finance operations (collectively called financial services operations).

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements include the assets, liabilities, revenues, and expenses of our manufacturing operations, majority owned dealers, wholly-owned financial services subsidiaries, and VIEs of which we are the primary beneficiary. The effects of transactions among consolidated entities have been eliminated to arrive at the consolidated amounts. Certain reclassifications were made to prior year s amounts to conform to the 2008 presentation.

We prepared the accompanying unaudited condensed consolidated financial statements in accordance with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X issued by the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and notes required by U.S. GAAP for comprehensive annual financial statements.