

NAVISTAR INTERNATIONAL CORP
Form 10-Q/A
December 31, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

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.

Table of Contents**NAVISTAR INTERNATIONAL CORPORATION FORM 10-Q****EXPLANATORY NOTE**

On December 23, 2008, management of Navistar International Corporation (NIC), with the concurrence of the audit committee of our Board of Directors, concluded that the condensed consolidated financial statements as of and for the three and nine months ended July 31, 2008 presented in NIC 's previously issued Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2008 (Third Quarter Form 10-Q), filed on September 3, 2008, should be restated. This conclusion was reported in a Current Report on Form 8-K filed on December 24, 2008. NIC hereby amends Items 1, 2, and 4 of Part I and Item 6 of Part II of the Third Quarter Form 10-Q to correct errors that resulted in misstatements of inventories, accounts receivable, accounts payable, sales of manufactured products, net, and costs of products sold in the Truck segment. The corrections of the errors have the effect of increasing net income by \$59 million and \$43 million for the three and nine months ended July 31, 2008, respectively. A detailed description of the restatement is presented in Note 19, *Restatement and revision of previously issued condensed consolidated financial statements*. This Third Quarter Form 10-Q/A reflects changes to the condensed consolidated financial statements; Note 5, *Inventories*; Note 13, *Segment reporting*; Note 14, *Comprehensive income (loss)*; Note 16, *Earnings (loss) per share*; Note 18, *Condensed consolidating guarantor and non-guarantor financial information*; and the addition of Note 19. In addition, this Third Quarter Form 10-Q/A reflects the revision of management 's discussion and analysis of financial condition and results of operations in Item 2 of Part I; the revision of disclosures regarding controls and procedures in Item 4 of Part I; and new certifications filed as exhibits. This Third Quarter Form 10-Q/A has not been updated for events or information subsequent to the date of filing of the original Third Quarter Form 10-Q except in connection with the foregoing. Accordingly, this Third Quarter Form 10-Q/A should be read in conjunction with the Company 's other filings made with the Securities and Exchange Commission (SEC).

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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)**

(in millions, except per share data)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2008 (Restated)	2007	2008 (Restated)	2007
Sales and revenues				
Sales of manufactured products, net	\$ 3,876	\$ 2,852	\$ 10,589	\$ 8,802
Finance revenues	75	104	265	292
Sales and revenues, net	3,951	2,956	10,854	9,094
Costs and expenses				
Costs of products sold	3,052	2,428	8,715	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	(6)	(34)	(11)	(21)
Total costs and expenses	3,628	2,973	10,421	9,145
Equity in income of non-consolidated affiliates	18	22	63	62
Income before income tax	341	5	496	11
Income tax expense	(10)	(9)	(19)	(28)
Net income (loss)	\$ 331	\$ (4)	\$ 477	\$ (17)
Basic earnings (loss) per share	\$ 4.68	\$ (0.05)	\$ 6.78	\$ (0.24)
Diluted earnings (loss) per share	\$ 4.47	\$ (0.05)	\$ 6.52	\$ (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)**

(in millions, except per share data)	July 31, 2008 (Restated and Revised)	As of October 31, 2007 (Revised)
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)	3,048	2,941
Inventories	1,692	1,412
Deferred taxes, net	116	115
Other current assets	171	194
Total current assets	5,723	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	\$ 11,702	\$ 11,448
LIABILITIES, REDEEMABLE EQUITY SECURITIES AND STOCKHOLDERS DEFICIT		
Liabilities		
Current liabilities		
Notes payable and current maturities of long-term debt	\$ 803	\$ 798
Accounts payable	2,148	1,770
Other current liabilities	1,228	1,423
Total current liabilities	4,179	3,991
Long-term debt	5,730	6,083
Postretirement benefits liabilities	1,220	1,327
Other noncurrent liabilities	758	781
Total liabilities	11,887	12,182
Redeemable equity securities	145	140
Stockholders deficit		
Series D convertible junior preference stock	4	4

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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)	1,958	1,961
Accumulated deficit	(2,048)	(2,519)
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	(330)	(874)
Total liabilities, redeemable equity securities and stockholders deficit	\$ 11,702	\$ 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 (Restated and Revised)	2007 (Revised)
Cash flows from operating activities		
Net income (loss)	\$ 477	\$ (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	(8)	(6)
Amortization of debt issuance costs	15	6
Stock-based compensation	2	6
Provision for doubtful accounts	52	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	(132)	(242)
Net cash provided by operating activities	678	82
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 leased to others	(29)	(25)
Proceeds from sale of property and equipment	20	14
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		2
Net cash used in investing activities	(426)	(2)
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	127	1,574
Principal payments on non-securitized debt	(15)	(1,558)
Net decrease in notes and debt outstanding under revolving credit facilities	(19)	(356)
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	(343)	(583)

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Effect of exchange rate changes on cash and cash equivalents	(8)	20
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	