

Q2 2017 EARNINGS PRESENTATION

June 7, 2017

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NYSE: NAV

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Information provided and statements contained in this presentation 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 presentation and Navistar International Corporation assumes no obligation to update the information included in this presentation. Such forward-looking statements include information concerning our possible or assumed future results of operations, including the results of our alliance with Volkswagen Truck & Bus and 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 year ended October 31, 2016. Although we believe that these forward-looking statements are based on reasonable assumptions, there are many factors that could affect our 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 herein 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.

The financial information herein contains audited and unaudited information and has been prepared by management in good faith and based on data currently available to the Company.

Certain non-GAAP measures are used in this presentation to assist the reader in understanding our core manufacturing business. We believe this information is useful and relevant to assess and measure the performance of our core manufacturing business as it illustrates manufacturing performance. It also excludes financial services and other items that may not be related to the core manufacturing business or underlying results. Management often uses this information to assess and measure the underlying 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. The non-GAAP numbers are reconciled to the most appropriate GAAP number in the appendix of this presentation.

Q2 Highlights

- Ramped up deliveries of LT series trucks and unveiled RH series



- Strong Class 8 orders and backlog leading to production increase in 2nd half of 2017
- Closed VW T&B alliance and identified initial material cost saving opportunities
- Named Persio Lisboa Chief Operating Officer

Executing on our Strategy



Recent Accomplishments

	• Further product cost reductions • Lower used truck inventory balances
	• LT series deliveries commenced • Unveiled RH Series
	• Surpassed 300,000 OCC subscribers • Reached planned run-rate production of GM's cutaway G van

Weathering Weaker Industry Conditions

($ in millions, except per share and units)

	Quarters Ended April 30	
	2017	**2016**
Chargeouts[(A)]	**15,000**	15,800
Sales and Revenues	**$2,096**	$2,197
Net income (loss)[(B)]	**($80)**	$4
Diluted income (loss) per share[(B)]	**($0.86)**	$0.05
Adjusted EBITDA	**$65**	$187

(A) Includes U.S. and Canada School buses and Class 6-8 trucks.
(B) Amounts attributable to Navistar International Corporation, net of tax

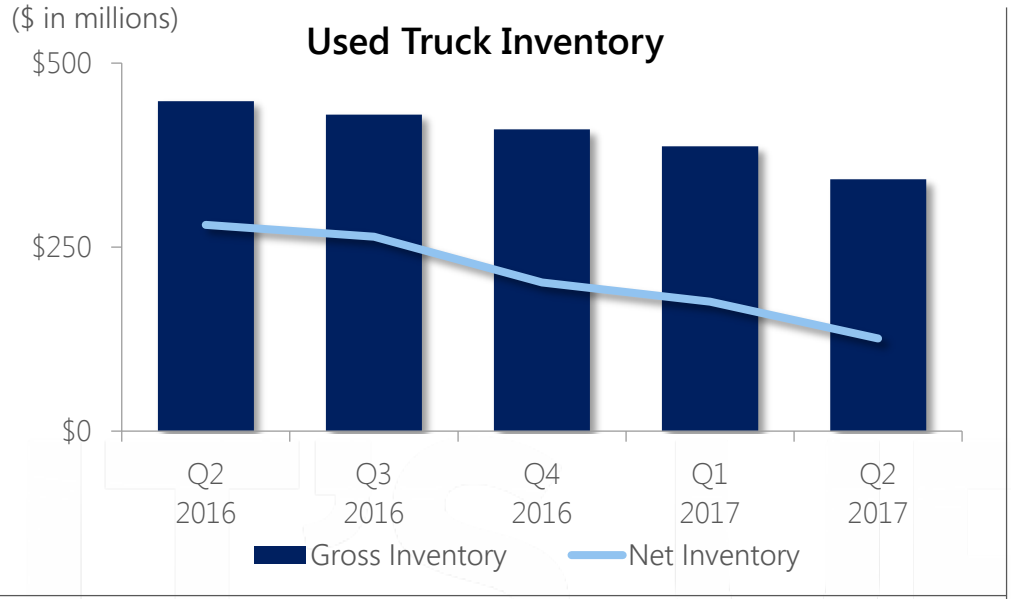
Note: This slide contains non-GAAP information; please see the REG G in appendix for a detailed reconciliation.

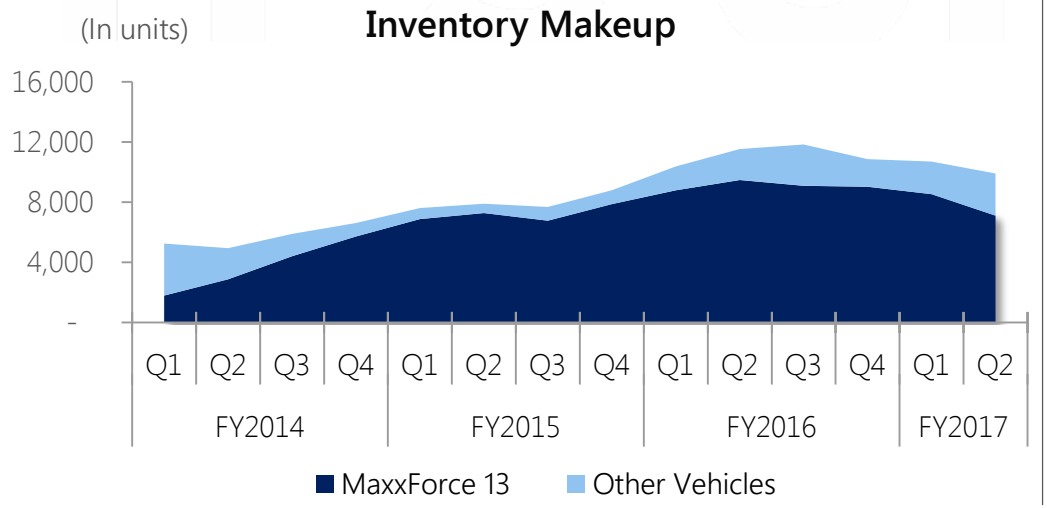
Second Quarter Segment Results

($ in millions)

	Sales and Revenues		Segment Profit	
	Quarters Ended April 30		Quarters Ended April 30	
	2017	2016	2017	2016
Truck	**$1,398**	$1,480	**($56)**	($23)
Parts	**$610**	$647	**$153**	$176
Global Operations	**$70**	$77	**($7)**	($1)
Financial Services	**$56**	$58	**$15**	$25

Used Truck Strategy to Focus on Export Markets





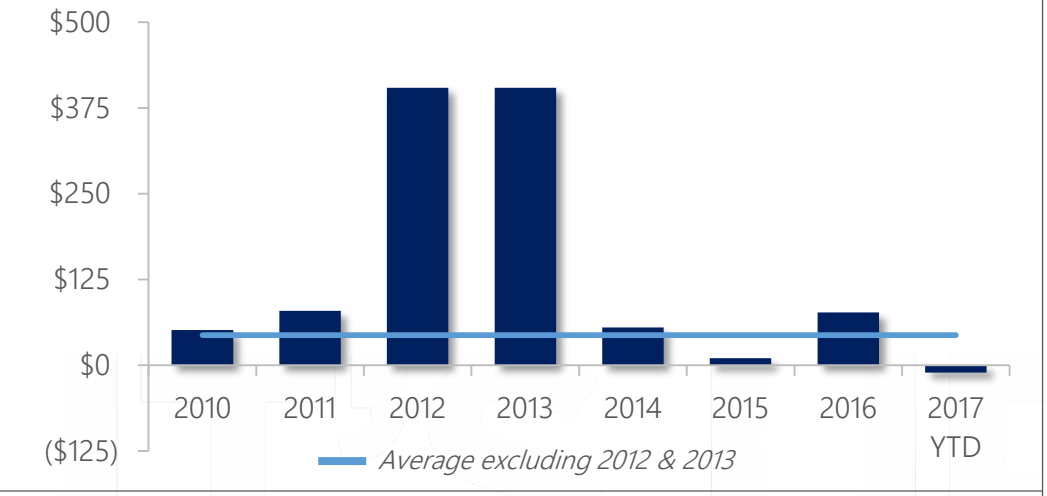
- Gross inventory balance: $342 million
- Net inventory balance: $126 million
- Strategy to accelerate disposition of legacy trucks
- Q2 Inventory reserve addition: $60 million
- Expect significantly less reserve additions 2H 2017

Minimal MaxxForce 13 trucks to remain in inventory by end of 2018

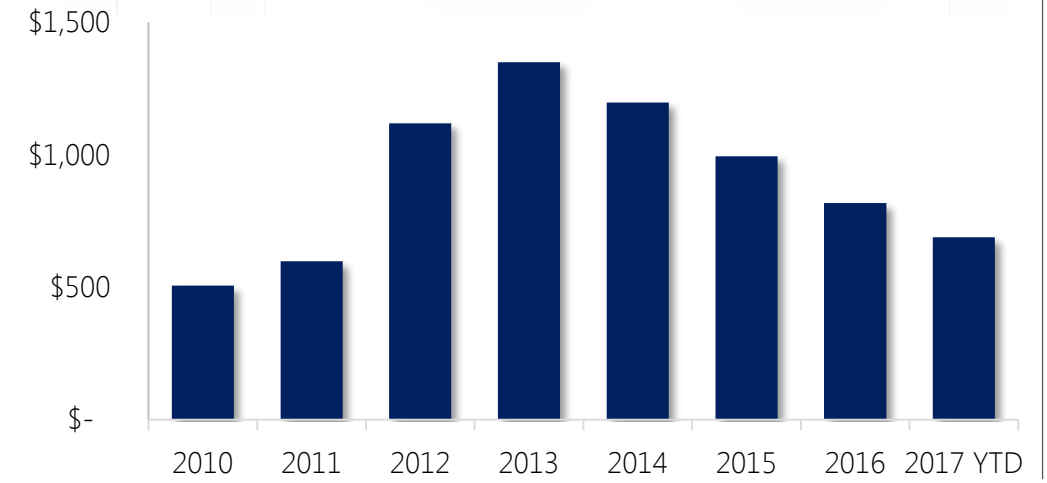
Warranty Expense Normalization

($ in millions)

Pre-Existing (P/E) Warranty Expense



Warranty Liability Balance

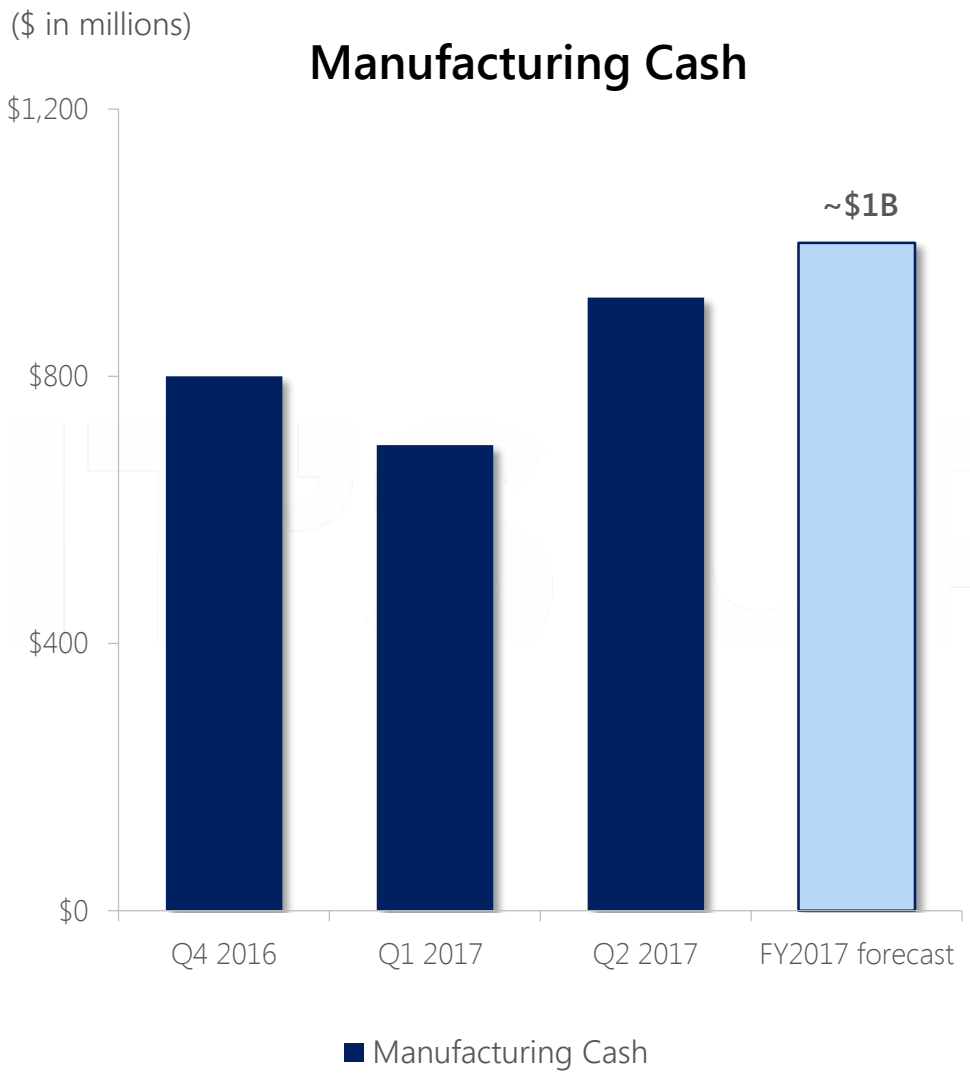


- First half P/E warranty reversal: $10 million
- Q2 warranty expense as a percentage of revenue: 2.4%*
- Seeing improved reliability from newer products
- Warranty period of MaxxForce EGR units to expire by end of 2018

P/E warranty approaching pre-EGR levels

* Excluding pre-existing warranty

Improving Financial Flexibility



- 2017 Q2 Cash Balance
  - Consolidated Cash: $949 million*
  - Manufacturing Cash: $918 million*
- Senior Term Loan repricing reduced interest rate by 150 basis points
- FY expectations of ≈$1 billion manufacturing cash

Note: This slide contains non-GAAP information; please see the REG G in appendix for a detailed reconciliation.
* Amounts include manufacturing cash, cash equivalents, and marketable securities.

Guidance Summary

	2016	2017
Class 8 industry	226.8K	**190-220K**
Core markets industry	346.4K	**305-335K**
Revenue	$8.1B	
Cost reductions	>$350M	 (A)
Adjusted EBITDA	$508M	
Manufacturing cash	$800M	**~$1B**(B)

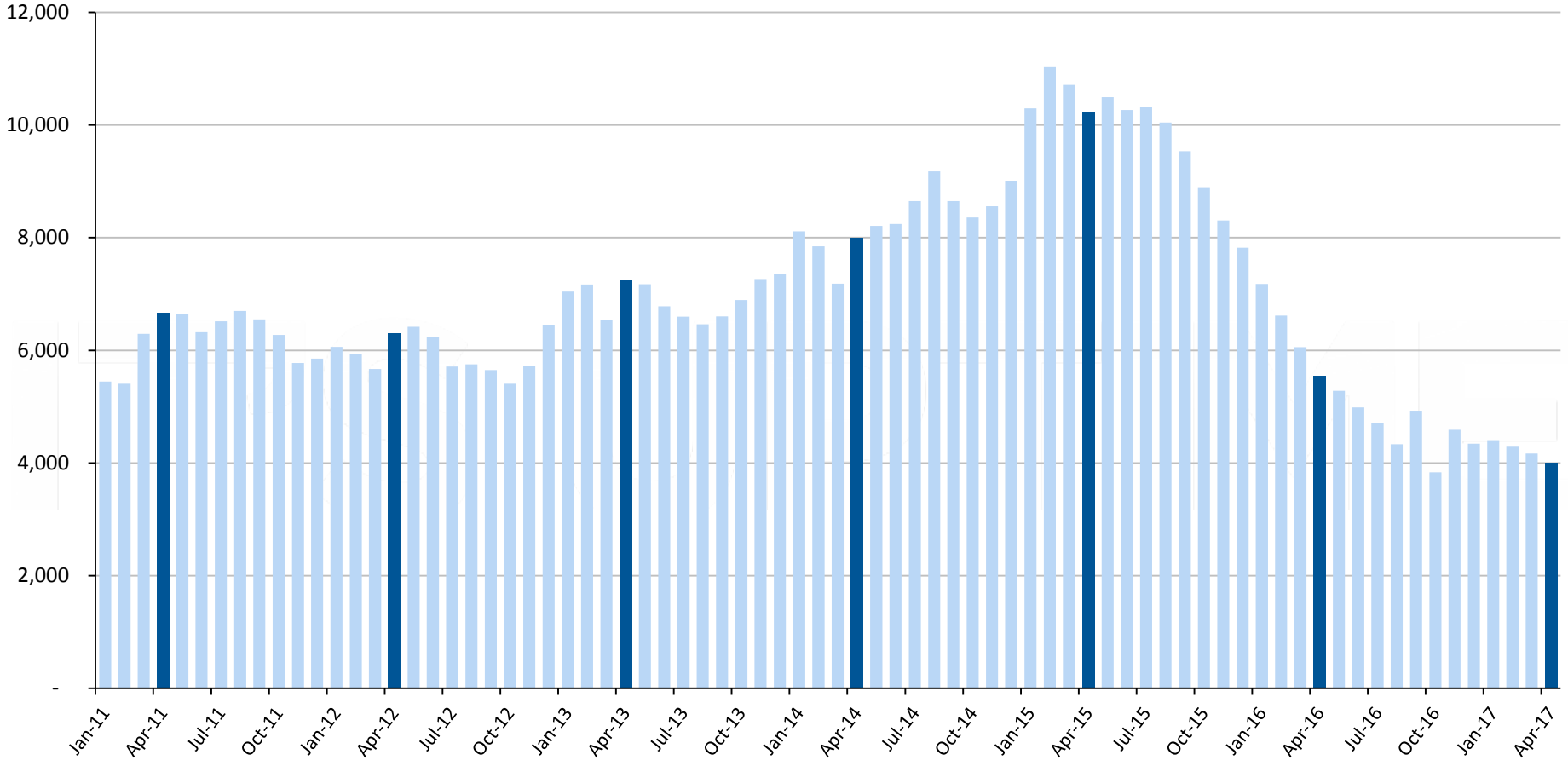
(A) Expected incremental cost reductions in 2017 to be less than 2016.
(B) Including senior note tack-on & capital injection from Volkswagen Truck and Bus.

Note: This slide contains non-GAAP information; please see the REG G in appendix for a detailed reconciliation.

Appendix



U.S. and Canada Dealer Stock Inventory*



*Includes U.S. and Canada Class 4-8 truck inventory, but does not include U.S. IC Bus.

Retail Market Share in Commercial Vehicle Segments

	Three Months Ended				
	April 30, 2017	January 31, 2017	October 31, 2016	July 31, 2016	April 30, 2016
Core Markets (U.S. and Canada)					
Class 6 and 7 medium trucks	**29 %**	20%	18%	20%	27%
Class 8 heavy trucks	**11 %**	9%	13%	9%	11%
Class 8 severe service trucks[(A)]	**11 %**	13%	14%	12%	11%
Combined class 8 trucks	**11 %**	10%	13%	10%	11%

(A) Retail delivery market share includes CAT-branded units sold to Caterpillar under our North America Supply agreement during 2016.



Class 6/7
Medium-Duty



Class 8
Heavy



Class 8
Severe Service

Worldwide Truck Chargeouts

(in units)	Three Months Ended April 30, 2017	2016	Change	% Change
Core Markets (U.S. and Canada)				
School buses[A]	**2,700**	2,800	(100)	(4) %
Class 6 and 7 medium trucks	**7,000**	6,200	800	13 %
Class 8 heavy trucks	**3,400**	4,900	(1,500)	(31) %
Class 8 severe service trucks[B]	**1,900**	1,900	--	-- %
Total Core Markets	**15,000**	15,800	(800)	(5) %
Non "Core" Military	**100**	200	(100)	(50) %
Other markets[C]	**2,300**	1,400	900	64 %
Total worldwide units	**17,400**	17,400	--	-- %
Combined class 8 trucks	**5,300**	6,800	(1,500)	(22) %

N.M. Not Meaningful

We define chargeouts as trucks that have been invoiced to customers. The units held in dealer inventory represent the principal difference between retail deliveries and chargeouts. The above table summarizes our approximate worldwide chargeouts.

We define our Core markets to include U.S. and Canada School bus and Class 6 through 8 trucks. Our Core markets include CAT-branded units sold to Caterpillar under our North America supply agreement during 2016.

(A) The School bus chargeouts include buses classified as B, C, and D and are being reported on a one-month lag.
(B) Chargeouts include CAT-branded units sold to Caterpillar under our North America supply agreement during 2016.
(C) Other markets primarily consist of Export Truck and Mexico.

Highlights

- Financial Services segment profit of $15 million for Q2 2017, $28 million YTD
- U.S. financing availability of $406 million as of April 30, 2017
- Financial Services debt/equity leverage of 3.5:1 as of April 30, 2017
- Variable dealer floor-plan funding facility renewed for one year in May 2017

Dealer Floor Plan

- **NFSC wholesale trust as of April 30, 2017**
  - $1 billion funding facility
  - Variable portion matures May 2018
  - Term portions mature June 2017 and September 2018
- **On balance sheet**

Retail Notes

NAVISTAR® CAPITAL
Funded by BMO Financial Group

- **Program management continuity**
- **Broad product offering**
- **Ability to support large fleets**
- **Access to less expensive capital**

Bank Facility

- **Facility capacity was reduced to $357 million in December 2016**
- **Option to increase up to $700 million based on commitments**
  - Funding for retail notes, wholesale notes, retail accounts, and dealer open accounts
- **On balance sheet**

Frequently Asked Questions

Q1: What is included in Corporate and Eliminations?

A: The primary drivers of Corporate and Eliminations are Corporate SG&A, pension and OPEB expense (excluding amounts allocated to the segments), annual incentive, manufacturing interest expense, and the elimination of intercompany sales and profit between segments.

Q2: What is included in your equity in loss of non-consolidated affiliates?

A: Equity in loss of non-consolidated affiliates is derived from our ownership interests in partially-owned affiliates that are not consolidated.

Q3: What is your net income attributable to non-controlling interests?

A: Net income attributable to non-controlling interests is the result of the consolidation of subsidiaries in which we do not own 100%, and is primarily comprised of Ford's non-controlling interest in our Blue Diamond Parts joint venture.

Q4: What are your expected 2017 and beyond pension funding requirements?

A: For the three and six months ended April 30, 2017, we contributed $24 million and $46 million, respectively, and for the three and six months ended April 30, 2016, we contributed $21 million and $40 million, respectively, to our U.S. and Canadian pension plans (the "Plans") to meet regulatory minimum funding requirements. We currently anticipate additional contributions of approximately $65 million during the remainder of 2017. Future contributions are dependent upon a number of factors, principally the changes in values of plan assets, changes in interest rates, the impact of any future funding relief, and the impact of funding resulting from the closure of our Chatham, Ontario plant. We currently expect that from 2018 through 2020, we will be required to contribute $135 million to $205 million per year to the Plans, depending on asset performance and discount rates.

Q5: What is your expectation for future cash tax payments?

A: Our cash tax payments are expected to remain low in 2017 and will gradually increase as we utilize available net operating losses (NOLs) and tax credits in future years.

Frequently Asked Questions

Q6: What is the current balance of net operating losses as compared to other deferred tax assets?

A: As of October 31, 2016 the Company had deferred tax assets for U.S. federal NOLs valued at $945 million, state NOLs valued at $150 million, and foreign NOLs valued at $229 million, for a total undiscounted cash value of $1.3 billion. In addition to NOLs, the Company had deferred tax assets for accumulated tax credits of $262 million and other deferred tax assets of $2.0 billion resulting in net deferred tax assets before valuation allowances of approximately $3.6 billion. Of this amount, $3.4 billion was subject to a valuation allowance at the end of FY2016.

Q7: How does your FY 2017 Class 8 industry outlook compare to ACT Research?

A:

Reconciliation to ACT – Retail Sales	2017	
ACT*	198,700	
CY to FY adjustment	(2,965)	
Total (ACT comparable Class 8 Navistar)	195,735	
Navistar Industry Retail Deliveries Combined Class 8 Trucks**	190,000	220,000
Navistar difference from ACT	(5,735)	24,265
*Source: ACT N.A. Commercial Vehicle Outlook – May 2017	(2.9%)	12.4%
**Q1 2017 Earnings call range was 190k-220k		

Q8: Please discuss the process from an order to a retail delivery?

A: Orders* are customers' written commitments to purchase vehicles. Order backlogs* are orders yet to be built as of the end of a period. Chargeouts are vehicles that have been invoiced to customers. Retail deliveries occur when customers take possession and register the vehicle. Units held in dealer inventory represent the principal difference between retail deliveries and chargeouts.

* Orders and units in backlog do not represent guarantees of purchases and are subject to cancellation.

Frequently Asked Questions

Q9: How do you define manufacturing free cash flow?

A:

(in millions)	Qtr Ended Apr. 30, 2017	Qtr Ended Jan. 31, 2017	Qtr Ended Oct. 31, 2016	Qtr Ended Jul. 31, 2016	Qtr Ended Apr. 30, 2016
Consolidated Net Cash from Operating Activities	$ (129)	$ 22	$ 281	$ 90	$ (2)
Less: Net Cash from Financial Services Operations	(136)	251	(3)	95	(24)
Net Cash from Manufacturing Operations	7	(229)	284	(5)	22
Capital Expenditures	(20)	(46)	(32)	(29)	(53)
Manufacturing Free Cash Flow	$ (13)	$ (275)	$ 252	$ (34)	$ (31)

Q10: What were your Worldwide Engine Shipments in the period?

A:

(in units)	Three Months Ended April, 2017			
	2017	2016	Change	% Change
OEM sales-South America	**5,100**	6,200	(1,100)	(18)%
Intercompany sales	**2,100**	4,900	(2,800)	(57)%
Other OEM sales	**700**	900	(200)	(22)%
Total sales	**7,900**	12,000	(4,100)	(34)%

Note: This slide contains non-GAAP information

Outstanding Debt Balances

(in millions)	April 30, 2017	October 31, 2016
Manufacturing operations		
Senior Secured Term Loan Credit Facility, as amended, due 2020, net of unamortized discount of $12 and $14, respectively, and unamortized debt issuance costs of $7 at both dates	$ 1,002	$ 1,009
8.25% Senior Notes, due 2022 net of unamortized discount of $14 and $15, respectively and unamortized debt issuance costs of $15 and $12, respectively	1,421	1,173
4.50% Senior Subordinated Convertible Notes, due 2018, net of unamortized discount of $8 and $10, respectively, and unamortized debt issuance costs of $1 at both dates	192	189
4.75% Senior Subordinated Convertible Notes, due 2019, net of unamortized discount of $19 and $24, respectively, and unamortized debt issuance costs of $4 at both dates	388	383
Financing arrangements and capital lease obligations	38	42
Loan Agreement related to 6.5% Tax Exempt Bonds, due 2040, net of unamortized debt issuance costs of $5 at both dates	220	220
Financed lease obligations	102	52
Other	20	28
Total Manufacturing operations debt	3,383	3,096
Less: Current portion	85	71
Net long-term Manufacturing operations debt	$ 3,298	$ 3,025

(in millions)	April 30, 2017	October 31, 2016
Financial Services operations		
Asset-backed debt issued by consolidated SPEs, at fixed and variable rates, due serially through 2022, net of unamortized debt issuance costs of $5 and $6, respectively	$ 735	$ 753
Bank credit facilities, at fixed and variable rates, due dates from 2017 through 2021, net of unamortized debt issuance costs of $2 and $3, respectively	766	861
Commercial paper, at variable rates, program matures in 2022	93	96
Borrowings secured by operating and finance leases, at various rates, due serially through 2021	88	98
Total Financial Services operations debt	1,682	1,808
Less: Current portion	659	836
Net long-term Financial Services operations debt	$ 1,023	$ 972

SEC Regulation G Non-GAAP Reconciliation

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:

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.

Manufacturing Cash, Cash Equivalents, and Marketable Securities:

Manufacturing cash, cash equivalents, and marketable securities represents 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 Cost consists of Selling, general and administrative expenses and Engineering and product development costs.

Free Cash Flow consists of Net cash from operating activities and Capital Expenditures.

SEC Regulation G Non-GAAP Reconciliation

Manufacturing segment cash and cash equivalents and marketable securities reconciliation:

(in millions)	Apr. 30, 2017	Jan. 31, 2017	Oct. 31, 2016
Manufacturing Operations:			
Cash and cash equivalents	$ 747	$ 506	$ 761
Marketable securities	171	191	39
Manufacturing Cash and cash equivalents and Marketable securities	$ 918	$ 697	$ 800
Financial Services Operations:			
Cash and cash equivalents	$ 24	$ 67	$ 43
Marketable securities	7	7	7
Financial Services Cash and cash equivalents and Marketable securities	$ 31	$ 74	$ 50
Consolidated Balance Sheet:			
Cash and cash equivalents	$ 771	$ 573	$ 804
Marketable securities	178	198	46
Consolidated Cash and cash equivalents and Marketable securities	$ 949	$ 771	$ 850

SEC Regulation G Non-GAAP Reconciliations

Earnings (loss) before interest, taxes, depreciation, and amortization ("EBITDA") reconciliation

(in millions)	Quarters Ended April 30, 2017	2016
Loss attributable to NIC, net of tax	$ (80)	$ 4
Plus:		
Depreciation and amortization expense	53	53
Manufacturing interest expense (A)	68	62
Less:		
Income tax expense	(6)	(16)
EBITDA	$ 47	$ 135

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

(in millions)	Quarters Ended April 30, 2017	2016
Interest expense	$ 89	$ 81
Less: Financial services interest expense	21	19
Manufacturing interest expense	$ 68	$ 62

(in millions)	Quarters Ended April 2017	2016
EBITDA (reconciled above)	$ 47	$ 135
Less significant items of:		
Adjustments to pre-existing warranties (A)	7	46
North America asset impairment charges (B)	5	3
Restructuring of North American manufacturing operations (C)	2	—
Cost reduction and other strategic initiatives	—	3
Debt refinancing charges (D)	4	—
Total adjustments	18	52
Adjusted EBITDA	$ 65	$ 187

For more detail on the items noted, please see the footnotes on slide 23.

Significant Items Included Within Our Results

(in millions)	Quarter Ended April 30,	
Expense (income):	2017	2016
Adjustments to pre-existing warranties (A)	$ 7	$ 46
North America asset impairment charges (B)	5	3
Restructuring of North American manufacturing Operations (C)	2	—
Cost reduction and other strategic initiatives	—	3
Debt refinancing charges (D)	4	—

(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 historic 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) In the second quarter of 2017, the Truck segment recorded $5 million of asset impairment charges relating to certain assets under operating leases. In the second quarter of 2016, the Truck segment recorded $3 million of asset impairment charges relating to certain long lived assets.

(C) In the second quarter of 2017, we recorded $2 million of Corporate restructuring charges.

(D) In the second quarter of 2017, we recorded $4 million of third party fees and unamortized debt issuance costs associated with the repricing of our Term Loan.