NAVISTAR



THE NEW NAVISTAR

February 26, 2018

J.P. MORGAN 2018 GLOBAL HIGH YIELD & LEVERAGED FINANCE CONFERENCE

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NYSE: NAV

Safe Harbor Statement and Other Cautionary Notes

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, 2017. 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.

Today's Agenda

- Who We Are
- Strategy
- Financial Highlights



Who We Are

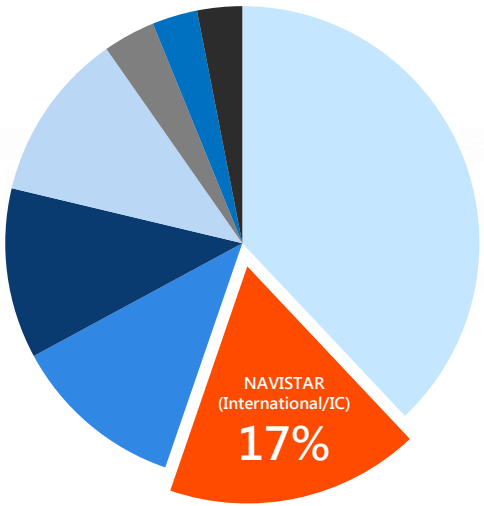


Leading North American Truck Company

- **Major manufacturer** of commercial trucks, buses and defense vehicles
- Headquartered in **Lisle, IL**
- **11,400 active employees**
- **Largest dealer network** in North America
- One of the **largest commercial parts distribution networks** in North America
- **Customer-centric** DNA

Strong North America market position in multiple segments

Navistar's share of 2017 retail sales in its core markets(A)



(A) Fiscal 2017 U.S. and Canada school bus and class 6-8 truck retail sales by name plate.

Diverse and Expanding Product Lineup

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Renewing and expanding entire vehicle portfolio by 2018

On Highway





- Industry retail deliveries: **146,200**
- Navistar chargeouts: **16,800**

Severe Service





- Industry retail deliveries: **60,600**
- Navistar chargeouts: **8,300**

Medium





- Industry retail deliveries: **86,100**
- Navistar chargeouts: **20,900**

Bus





- Industry retail deliveries: **35,100**
- Navistar chargeouts: **11,300**

All figures are for FY 2017.

Transforming Navistar

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- Lowered Break-Even Point
- Improved EBITDA
- Reduced Working Capital
- Invested in New Products and Technologies
- Strengthened Management Team

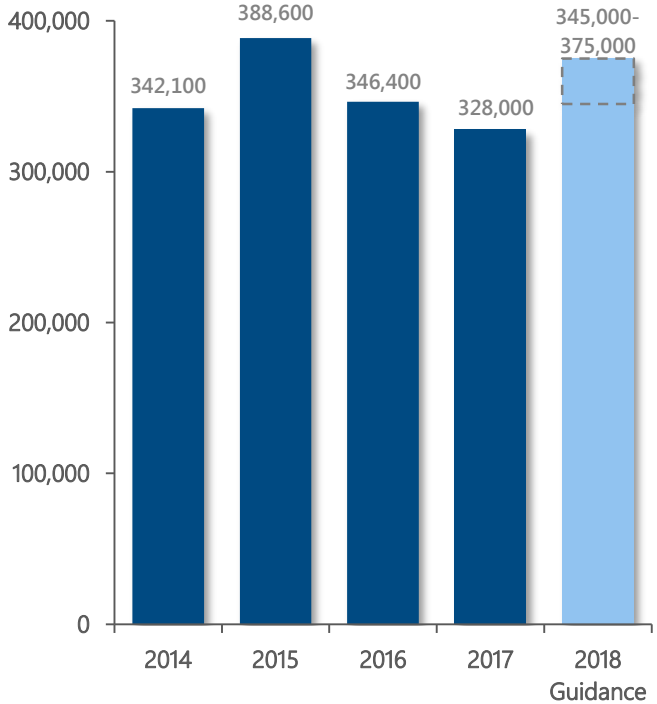


- Divested Non-Core Businesses
- Implemented Lean Initiatives
- Focused Factory Manufacturing Approach
- Reduced Warranty
- Improved Quality

Achieved 10 years' worth of progress in a three-year period

Stronger Industry Conditions

Core Markets[A] Industry Retail Deliveries



Action Plans

- **Launch new products**
  - New Class 8 heavy and vocational vehicles
  - A26 (13L) powertrain
  - ISL engine offering
  - New MV Class 6/7 in 2018
- **Engage the dealer network**
  - Industry leader in Uptime
  - Increase dealer sales resources
  - Increase focus on small fleet and vocational customers
- **Focus on the customer**
  - Large fleet customers
  - Detailed customer segmentation
  - Growing share with rental/leasing companies

Recapturing lost market share in strong industry conditions

(A) U.S. and Canada school bus and class 6-8 truck. 2018 Guidance provided on December 19, 2017

Turbocharging our Strategy: Volkswagen Truck & Bus Alliance

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Procurement Joint Venture



Pursue joint global sourcing opportunities

Technology & Supply Partnership



Source technology for powertrains and other advanced technologies

Equity Investment



Volkswagen took an 16% equity stake in Navistar by way of a capital increase and has grown it to nearly 17%

A common vision of the industry and its future

Strategy



Strategic Direction

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DRIVE OPERATIONAL EXCELLENCE

- Quality and Reliability
- Product Cost
- Structural Cost



GROW THE CORE BUSINESS

- New Product Introductions
- Sales Effectiveness
- Service Parts Growth



INNOVATIVE TECHNOLOGY SOLUTIONS

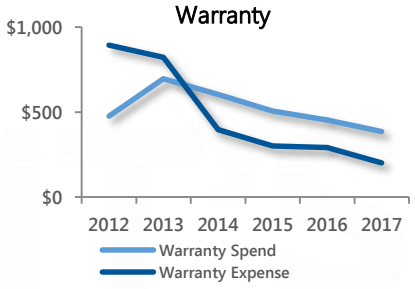
- Digital Supply-Chain
- Autonomous Driving
- Electrification

Goal: Steadily grow revenue and be profitable at all points of the cycle

Drive Operational Excellence

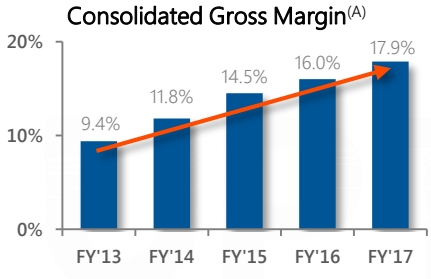
Quality and Reliability

- Improved reliability of new products
- Predictive analytics from OCC improves Uptime by reducing unscheduled maintenance events



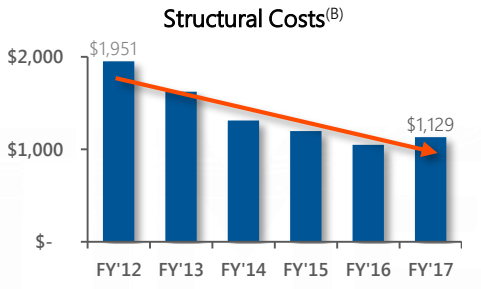
Product Costs

- **Material:** Leveraging Volkswagen Truck & Bus alliance
- **Manufacturing:** Contract manufacturing for General Motors



Structural Costs(B)

- Strengthening engineering productivity, while driving SG&A costs to best in class



Since 2013, consolidated gross margin has nearly doubled

Impact of Volkswagen Truck & Bus Alliance:

- **Procurement JV** uses global scale to drive new cost reduction opportunities
- **Technology alliance** enables more efficient R&D spend
- **Cumulative synergies**: at least $500 million of savings for Navistar over first five years, with annual run rate expected to reach $200 million by year five

$'s in millions

(A) Consolidated gross margin is defined as Sales and revenues, net less Costs of products sold, divided by Sales and revenues, net.

(B) Structural costs consists of selling, general and administrative expenses and engineering and product development costs. Dollars in millions.

Grow the Core Business

New Product Introductions

- Product refresh (Project Horizon)
- GM-VISTA (Class 4/5)



Sales Effectiveness

- Dedicated product teams to address customer segments
- Reduced dwell time by 50%



Service Parts Growth

- Private-label brand sales growing at double-digit pace
  - Surpassed $500 million



During turnaround, Navistar continued to make strategic investments in products, services and network

Impact of Volkswagen Truck & Bus Alliance:

- **Enhances product and component offerings**: source of powertrain options and other high-value technologies, including advanced driver assistance systems, connected vehicle solutions, platooning and autonomous technologies, electric vehicles, and cab and chassis subsystems
- **Increases consideration** as part of a leading global truck alliance
- **Creates increasing parts sales and growth opportunities** afforded by integrated systems

Expanding Product Configurations



HX INTERNATIONAL

2016 2017 2018

X15 — Feb. 2016

A26 — Sept. 2017



LT INTERNATIONAL

X15 — Sept. 2016

A26 — Apr. 2017



RH INTERNATIONAL

A26 — Apr. 2017



LONESTAR

X15 — Sept. 2017



HV INTERNATIONAL

A26 — Sept. 2017

L9 B6.7 — Jan. 2018

Renewed product line-up to grow market share

Innovative Technology Solutions

Digital Supply Chain

- Leading open architecture telematics product with more than 400,000 active VINs
- Digital backbone providing solutions for supply chain needs (i.e. load matching)



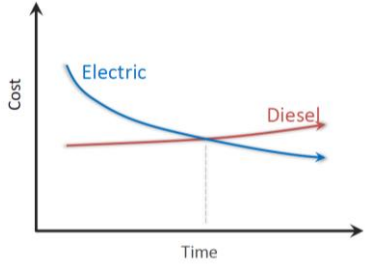
Autonomous Revolution

- Platooning technology as a first step to full autonomy
- Led by developments in auto sector, advancements in ADAS will lead to fully autonomous commercial vehicles



Electric Commercial Vehicles

- Electric and diesel cost inflection point is rapidly approaching
- Initial applications – Last mile delivery vehicles and school buses



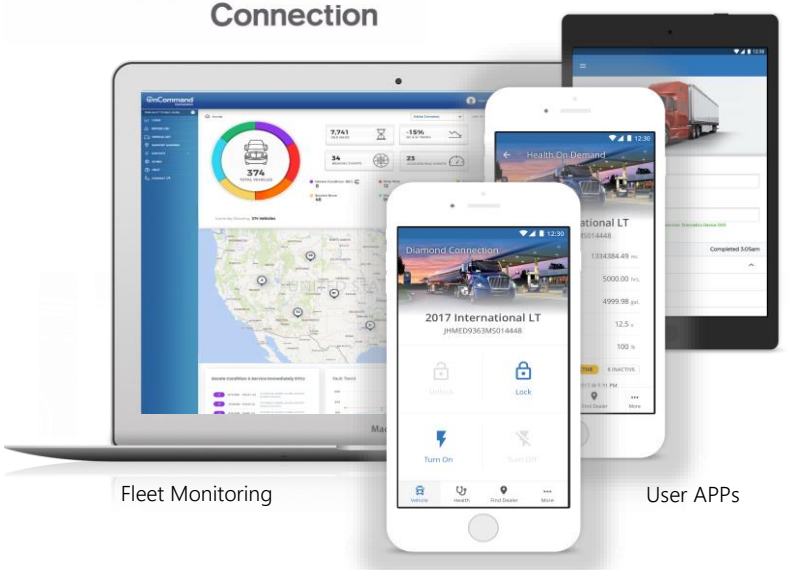
Three-prong strategy enabling us to provide offerings to operate at the speed of the industry transformation

Impact of Volkswagen Truck & Bus Alliance:

- **Similar vision for role of technology**: Driver-focused open architecture solutions
- Becoming a **broader solution provider**, not just a hardware manufacturer
- Opportunity to **leverage technology developments** through access to Volkswagen family

Industry Leading Connected Vehicle Solutions

OnCommand Connection



Fleet Monitoring

User APPs

- **OnCommand Connection**
  - Over 400,000 Active VINs
  - Complete telematics offering
  - Electronic Driver Log
  - App Marketplace
- **Over-the-Air Programming**
- **Live Fault Code Action Plans**
- **Automated Driver Vehicle Inspection Reports**
- **GPS Fleet Trailer Tracking**

FIRST TO MARKET

OnCommand Connection is expected to be the digital backbone, providing solutions for the digital supply chain

Electric Vehicles – Leveraging Alliance Partner



chargE™ – Zero Emissions Electric Bus

- Powertrain incorporates electric drivetrain technologies from Volkswagen Truck & Bus
- Bus and medium-duty truck expected to come to market as early as 2019
- Expect to be a leading OEM in electric vehicle revolution

Alliance with Volkswagen Truck & Bus allows us to move faster into new powertrains and other advanced technologies

Financial Highlights



Financial Summary – Return to Profitability in 2017

($ in millions, except per share and units)

	Years Ended October 31		
	2017	2016	2015
Chargeouts[(A)]	57,300	52,900	65,000
Sales and Revenues	$8,570	$8,111	$10,140
Loss from Continuing Operations, Net of Tax[(B)]	$30	($97)	($187)
Diluted Loss Per Share from Continuing Operations[(B)]	$0.32	($1.19)	($2.29)
Adjusted EBITDA	$582	$508	$494

(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.

Delivering Year-Over-Year Adjusted EBITDA Dollar and Margin Improvement

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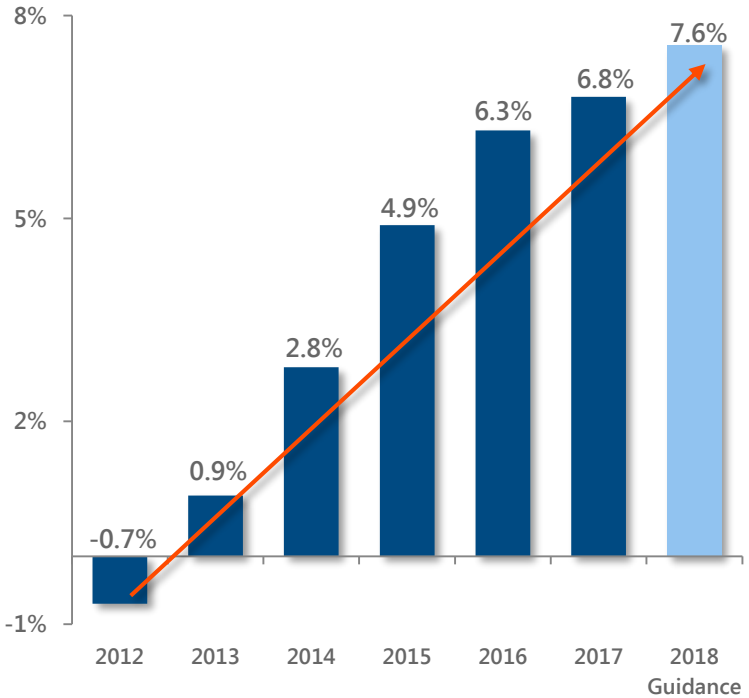
Adjusted EBITDA Margin



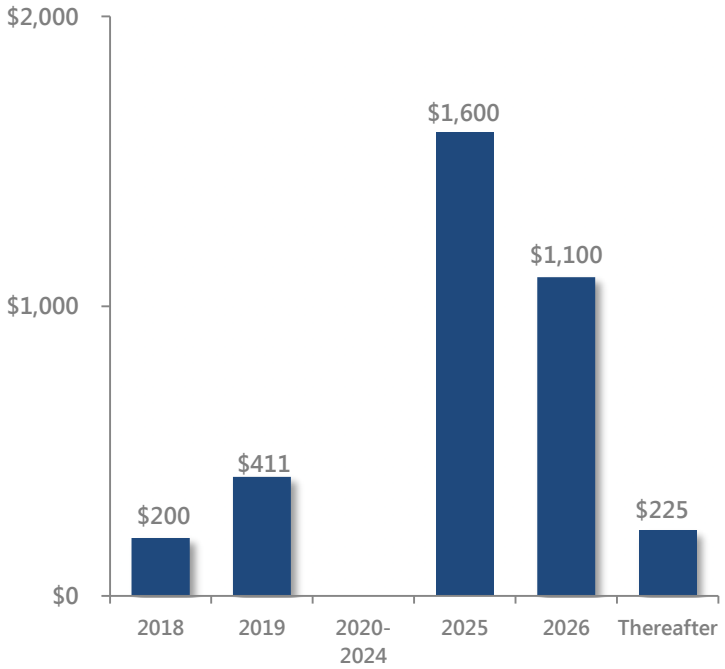
- Margin improvement from higher sales and cost management
- Well-positioned to participate in growth of North American truck industry

Continued improvement in adjusted EBITDA

Note: This slide contains non-GAAP information; please see the REG G in appendix for a detailed reconciliation.
2018 Guidance based on mid-point of guidance of $9.0-$9.5 billion for revenue and $675-$725 million for adjusted EBITDA.

Manageable Debt Maturities

Manufacturing Debt Maturity Schedule[A/B]



- **Completed 2 capital market transactions in November 2017**
  - Incremental cash proceeds expected to be used to repay maturing 2018 Convertible Notes
  - Extends maturities and lowers interest expense
- **2017 YE Cash Balance[C]**
  - Consolidated: $1.1 billion
  - Manufacturing: $1.0 billion
  - Pro Forma[B] cash of $1.2 billion

Long-term goal to de-lever balance sheet

Dollars in millions.

(A) Total manufacturing debt of $3.4B as of October 31, 2017. Graph does not include financed lease obligations and other, totaling $173 million. Pro Forma manufacturing debt balance of $3.6B. Dates are based on calendar year.

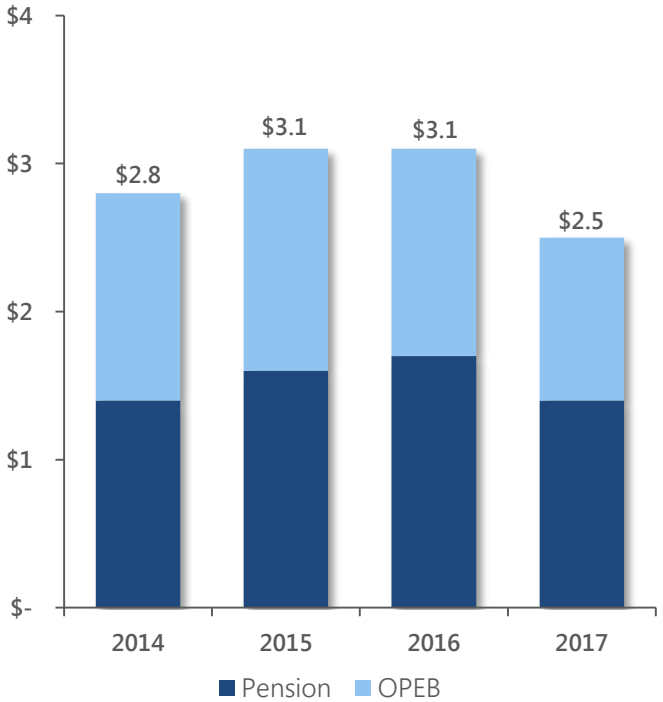
(B) Reflects November 2017 capital market transactions.

(C) Amounts as of October 31, 2017 and include manufacturing cash, cash equivalents, and marketable securities.

Inflection Point Reached in Under-Funded Status

Pension and OPEB Under-Funded Obligation Status

Graph in billions of dollars.



- **Under-funded status decreased by $554 million in 2017**
- **Estimate 1.0% increase in interest rates to decrease under-funded status by $466 million(A)**
- **2018 pension contributions: $134 million**
  - Contributions expected to gradually increase to $190 million by 2021

Expect to be fully funded by 2025

Dollars in millions, unless otherwise noted.

(A) Based on status as of October 31, 2017. Sensitivity is based upon changing one assumption, but often economic factors impact multiple assumptions simultaneously.

Journey to Consistent Cash Flow Generation



- Invest in product portfolio
- Restructure operations and implement lean principles
- Divest non-core operations
- Lower cost structure and working capital needs
- Address legacy items
  - Warranty, Used truck inventory
- Form strategic alliances/ partnerships to increase asset utilization

- Grow market share
- Lead in technology
- Deliver sustainable annual profitability
- Generate free cash flow from operations
- De-leverage the balance sheet
  - Debt, Pension and OPEB

Goal: Investment Grade Rating

The New Navistar is Here!

- **A Leading North American Truck Manufacturer with Strong Market Position in Multiple Segments**
- **Poised for Growth in a Strong Industry**
  - Significant Investment in New Products
  - Largest Dealer Network in North America
- **New Products Driving Market Share Growth**
- **Strategic Alliance with Volkswagen Truck & Bus Tracking to Expectations**
- **Focused on Driving Operational Excellence**
- **Significant Margin Expansion and Cash Flow Improvement Opportunities**
- **Experienced Management Team Focused on Value Creation**




Thank you
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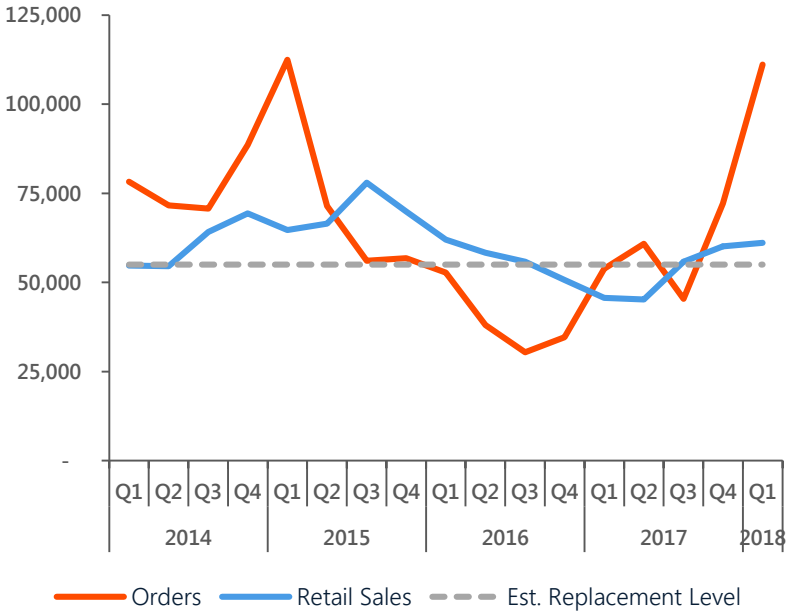
Appendix



Strong Class 8 Industry Conditions

Class 8 Quarterly Industry Orders and Retail Deliveries



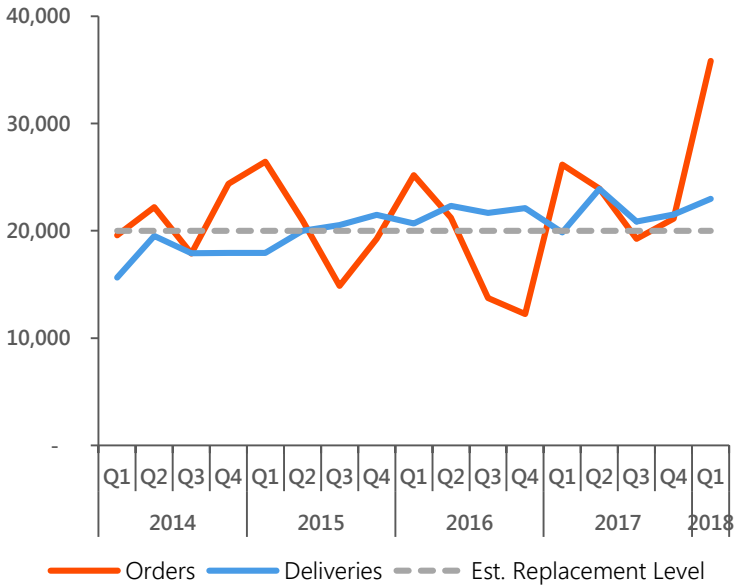
Action Plans

- **Launch new products**
  - New Class 8 heavy and vocational vehicles
  - A26 (13L) powertrain
- **Engage the dealer network**
  - Industry leader in Uptime
  - Increase dealer sales resources
- **Focus on the customer**
  - Large fleet customers
  - Detailed customer segmentation

Recapturing lost market share in strong industry conditions

Solid Class 6/7 Industry Outlook

Class 6/7 Quarterly Industry Orders and Retail Deliveries



Action Plans

- **Launch new products**
  - ISL engine offering
  - New MV Class 6/7 in 2018
- **Engage the dealer network**
  - Increase focus on small fleet and vocational customers
- **Focus on customer**
  - Growing share with rental/leasing companies

Medium market share grew to 25% in 2017

SEC Regulation G Non-GAAP Reconciliations

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) from continuing operations 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 EBITDA Margin: 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 define Adjusted EBITDA margin as a percentage of the Company's consolidated sales and revenues. 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.

Structural Cost consists of Selling, general and administrative expenses and Engineering and product development costs.

Manufacturing Gross Margin: We define manufacturing gross margin as Sales of manufactured products, net less Costs of products sold, divided by Sales of manufactured products, net.

	Years Ended October 31,					
(in millions)	2017	2016	2015	2014	2013	2012
Loss from continuing operations attributable to NIC, net of tax	$ 29	$ (97)	$ (187)	$ (622)	$ (857)	$ (2,939)
Plus:						
Depreciation and amortization expense	223	225	281	332	417	323
Manufacturing interest expense (A)	265	247	233	243	251	171
Less:						
Income tax expense	(10)	(33)	(51)	(26)	171	(1,780)
EBITDA	$ 527	$ 408	$ 378	$ (21)	$ (360)	$ (665)

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

Interest expense	$ 351	$ 327	$ 307	$ 314	$ 321	$ 259
Less: Financial services interest expense	86	80	74	71	70	88
Manufacturing interest expense	$ 265	$ 247	$ 233	$ 243	$ 251	$ 171
EBITDA (reconciled above)	$ 527	$ 408	$ 378	$ (21)	$ (360)	$ (665)
Less: Significant items (B)	55	100	116	327	462	574
Adjusted EBITDA	$ 582	$ 508	$ 494	$ 306	$ 102	$ (91)
Adjusted EBITDA Margin	6.8%	6.3%	4.9%	2.8%	0.9%	-0.7%

(B) Amounts reported in our quarterly earnings presentations under "Significant items included within our reports"

SEC Regulation G Non-GAAP Reconciliations

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.

(in millions)	Oct. 31, 2017	Oct. 31, 2016
Manufacturing Operations:		
Cash and cash equivalents	$ 666	$ 761
Marketable securities	370	39
Manufacturing Cash and cash equivalents and Marketable securities	$ 1,036	$ 800
Financial Services Operations:		
Cash and cash equivalents	$ 40	$ 43
Marketable securities	0	7
Financial Services Cash and cash equivalents and Marketable securities	$ 40	$ 50
Consolidated Balance Sheet:		
Cash and cash equivalents	$ 706	$ 804
Marketable securities	370	46
Consolidated Cash and cash equivalents and Marketable securities	$ 1,076	$ 850