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Navistar Reports Second Quarter Results

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Today, Navistar announced a second quarter 2015 net loss of $64 million, or $0.78 per diluted share, compared to a second quarter 2014 net loss of $297 million, or $3.65 per diluted share. Revenues in the quarter were $2.7 billion. Chargeouts in our core markets (Class 6-8 trucks and buses in the United States and Canada) were up 38 percent over last quarter.

Second quarter 2015 EBITDA was $85 million versus an EBITDA loss of $119 million in the same period one year ago. The $204 million year-over-year improvement was driven by an increase in truck segment sales, favorable product mix and the continuation of lower warranty expense and cost reductions. Prior year results included $149 million in asset impairment charges related to the company's South American engine operations.

Second quarter 2015 adjusted EBITDA was $102 million compared to $82 million in the second quarter of 2014. The second quarter included one-time net charges of $17 million, compared to one-time charges of $201 million in the second quarter of 2014.

The company was cash flow positive in the second quarter 2015 and finished the quarter with $784 million in manufacturing cash, cash equivalents and marketable securities.

"Our results reflect continued progress in improving enterprise-wide business operations and positive momentum in the North American industry," said CEO Troy Clarke. "We continue to make solid improvements in our North American truck and parts businesses and are especially encouraged by increased market share in our medium-duty business, where we saw significant improvement in sales to major rental and leasing fleets and strong results in dealer-led sales. Additionally, bus market share is up significantly year-to-date."

Highlights from the quarter include a 10 percent year-over-year increase in chargeouts in our core markets (Class 6-8 trucks and buses in the United States and Canada). This included a 24 percent increase in Class 6 and 7 medium trucks and a 9 percent increase in combined Class 8 trucks.

During the quarter, we continued our best-in-class technology integration strategy with our first-to-market announcement of Bendix Wingman Fusion—the industry's most advanced safety system—available on the company's International brand Class 8 on-highway tractors.

In addition, we continued our mission to be the 'Uptime' leader in the industry with the purchase of a test track and proving grounds in New Carlisle, Ind. The Navistar Proving Grounds is a key strategic addition to our product development operations, allowing for comprehensive testing and validation of new vehicles and innovative technologies. The site will also be used as a customer center to showcase new products and give customers an opportunity to experience new products firsthand.

We continued to take actions to reduce fixed costs and improve our manufacturing capacity utilization with the sale of our foundry operations in Waukesha, Wis. We will complete our exit from the foundry business as operations in Indianapolis wind down by the end of the summer. As a result, Navistar anticipates more than $13 million in annual savings.

We provided the following guidance for the third quarter:

- Q3-2015 EBITDA of $125 million – $175 million, excluding pre-existing warranty and one-time items.
- Q3-2015 manufacturing cash, cash equivalents and marketable securities between $750 million – $850 million.

In addition, we project a continued strong North American industry for FY2016 with retail deliveries of Class 6-8 trucks and buses in the United States and Canada to be in the same range as FY2015—350,000 to 380,000 units—with a stronger mix of school buses and medium-duty trucks.

"We continue to take the right actions to improve the business and expect to achieve in excess of an 8-percent EBITDA margin run rate as we exit the year," Troy added. "We think 2016 will be another strong year for the North American industry, and we believe we're well positioned to take advantage of favorable market conditions for our core businesses."

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