

NAVISTAR INTERNATIONAL CORP

Form 424B5

October 26, 2009

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Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Offering Price per Note	Aggregate Offering Price	Amount of Registration Fee(3)
3.00% Senior Subordinated Convertible Notes due 2014	\$625,000,000(2)	100.00%	\$550,000,000	\$34,875.00
Common Stock, \$0.10 par value per share	12,431,875(4)	(5)	(5)	(5)

- (1) Includes 3.00% Senior Subordinated Convertible Notes due 2014 (the Notes) to be sold upon exercise of the underwriters over-allotment option. See Underwriting.
- (2) These amounts are estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(r) of the Securities Act of 1933, as amended (the Securities Act).
- (3) Calculated in accordance with Rule 457(o) and Rule 457(r) of the Securities Act, and relates to the registration statement on Form S-3 (File No. 333-162588) filed by the Registrant.
- (4) There is also registered hereby 12,431,875 shares of Common Stock, par value \$0.10 per share, initially issuable upon conversion of the Notes, at a rate of 19.8910 shares of Common Stock per \$1,000 principal amount of the Notes, plus, in accordance with Rule 416 under the Securities Act, an indeterminate number of additional shares of Common Stock that may be issued from time to time upon conversion of the Notes as a result of adjustments in circumstances described in the prospectus that is part of this registration statement.
- (5) Pursuant to Rule 457(i) under the Securities Act, there is no filing fee with respect to the shares of Common Stock issuable upon conversion of the Notes because no additional consideration will be received in connection with the exercise of the conversion privilege.

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-162588

Prospectus supplement

(To Prospectus dated October 20, 2009)

Navistar International Corporation

\$550,000,000

3.00% Senior Subordinated Convertible Notes due 2014

We are offering \$550,000,000 principal amount of our 3.00% Senior Subordinated Convertible Notes due 2014. The notes will bear interest at a rate of 3.00% per year, payable semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2010. The notes will mature on October 15, 2014.

Holders may convert their notes at their option prior to April 15, 2014, only under the following circumstances: (1) during any fiscal quarter commencing after January 31, 2010, if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each such trading day; (2) during the five business day period after any five consecutive trading day period (the measurement period) in which the trading price per \$1,000 principal amount of notes for each trading day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events. On and after April 15, 2014 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances.

Upon conversion, we will have the right to deliver shares of our common stock, cash, or a combination of cash and shares of our common stock, at our election. The initial conversion rate will be 19.8910 shares of common stock per \$1,000 principal amount of notes, equivalent to an initial conversion price of approximately \$50.27 per share of common stock. The conversion rate will be subject to adjustment in some events but will not be adjusted for accrued interest. Following certain corporate transactions that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate transaction in certain circumstances. We may not redeem the notes prior to the maturity date of the notes.

If we undergo a fundamental change, as defined in this prospectus supplement, holders may require us to purchase all or a portion of their notes for cash at a price equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest (including additional interest, if any) to, but excluding, the fundamental change purchase date.

The notes will be our senior subordinated unsecured obligations and will be subordinated in right of payment to all of our existing and future senior debt, will rank equal in right of payment to all of our existing and future senior subordinated indebtedness and will rank senior in right of payment to all of our future subordinated indebtedness. Payment of principal and interest on the notes will be structurally subordinated to the liabilities of our subsidiaries. The notes also rank junior to our secured indebtedness, whether or not such indebtedness would otherwise constitute senior indebtedness.

The notes will not be listed on any securities exchange. Our common stock is listed on the New York Stock Exchange under the symbol NAV. The last reported sale price of our common stock on the New York Stock Exchange on October 22, 2009 was \$37.24 per share.

Concurrently with this offering of notes, under a separate prospectus supplement, we are offering \$1,000,000,000 aggregate principal amount of our 8.25% senior notes due 2021. The completion of this offering is not conditioned on the completion of our concurrent public offering of senior notes.

For a more detailed description of the notes, see Description of the notes beginning on page S-51.

Investing in the notes involves risks, including those described in the Risk factors section beginning on page S-21 of this prospectus supplement.

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	Per note	Total
Public offering price(1)	100.00%	\$550,000,000
Underwriting discounts and commissions	3.00%	\$16,500,000
Proceeds, before expenses, to us	97.00%	\$533,500,000

(1) Plus accrued interest from October 28, 2009, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters may also purchase up to an additional \$75,000,000 principal amount of notes at the public offering price, less underwriting discounts and commissions, to cover over-allotments, if any, within the 13-day period from the date of the original issuance of the notes. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be \$18,750,000, and our total proceeds, before expenses, will be \$606,250,000.

We expect that delivery of the notes will be made to investors in book-entry form through The Depository Trust Company on or about October 28, 2009.

Joint Book-Running Managers

J.P. Morgan

Credit Suisse

BofA Merrill Lynch

Citi

Deutsche Bank Securities

Goldman, Sachs & Co.

Co-Managers

RBC Capital Markets

The date of this prospectus supplement is October 22, 2009.

Scotia Capital

UBS Investment Bank

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About this prospectus supplement

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which describes more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described below under the headings "Where you can find more information" and "Incorporation of certain documents by reference."

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference in this prospectus supplement modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement. See "Incorporation of certain documents by reference."

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus together with any free writing prospectus used in connection with this offering. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of the respective dates of those documents in which this information is contained. Our business, financial condition, results of operations and prospects may have changed since those dates.

Certain defined terms

Unless otherwise indicated or the context otherwise requires, as used in this prospectus supplement:

the Company, us, we, our and Navistar refer collectively to Navistar International Corporation and its consolidated subsidiaries and their respective predecessors;

NIC refers to Navistar International Corporation, exclusive of its consolidated subsidiaries;

NFC refers to Navistar Financial Corporation, a wholly-owned subsidiary of Navistar, Inc., which, together with NIC's Mexican financial services subsidiaries that provide financial services to its dealers and customers in Mexico, comprise substantially all of our financial services operations;

mid-range diesel engines refers to 160-325 horsepower diesel fuel-powered engines;

North America refers to the United States and Canada; and

OEMs refer to original equipment manufacturers.

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Market and industry data

Market data and other statistical information used throughout this prospectus supplement and in the documents incorporated by reference into this prospectus supplement are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data is also based on good faith estimates by our management, which are derived from their review of internal surveys, as well as the independent sources listed above. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness.

Where you can find more information

Navistar is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act) and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (SEC). The reports and other information filed by it with the SEC in accordance with the Exchange Act may be inspected and copied at the Public Reference Room maintained by the SEC at Room 1024, Judiciary Plaza, 100 F Street, N.E., Washington, D.C. 20549. Copies of such material or parts thereof may also be accessed electronically by means of the SEC s home page on the Internet at <http://www.sec.gov>. Information on the operations of the Public Reference Room maintained by the SEC may be obtained by calling the SEC at 1-800-SEC-0330.

This prospectus supplement and the accompanying prospectus, which forms a part of the registration statement, do not contain all the information that is included in the registration statement. You will find additional information about us in the registration statement. Any statements made in this prospectus supplement or the accompanying prospectus concerning the provisions of legal documents are not necessarily complete and you should read the documents that are filed as exhibits to the registration statement or otherwise filed with the SEC for a more complete understanding of the document or matter.

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Summary

The following summary is qualified in its entirety by the more detailed information and consolidated financial statements and related notes in the documents incorporated and by reference in this prospectus supplement, including our Quarterly Report on Form 10-Q for the quarter ended July 31, 2009 (Third Quarter 10-Q) and our 2008 Annual Report on Form 10-K for the fiscal year ended October 31, 2008 (2008 Annual Report). Our fiscal year ends on October 31. Our fiscal years are identified in this prospectus supplement according to the calendar year in which they end. For example, our fiscal year ended October 31, 2008 is referred to as fiscal 2008. All references to a particular year that is not preceded with the word fiscal refers to the calendar year.

Our business

Overview

We are a leading international manufacturer of *International* brand commercial and military trucks, *MaxxForce* brand diesel engines, *IC Bus* brand school and commercial busses, *Monaco RV* brands of recreational vehicles, *Workhorse Custom Chassis (WCC)* brand chassis for motor homes and step vans, and a provider of service parts for diesel engines and all makes of trucks and trailers. Additionally, we are a private-label designer and manufacturer of diesel engines for the pickup truck, van, and sport utility vehicles (SUV) markets. Through our financial services operations, we also provide retail, wholesale, and lease financing of our trucks, and financing for our wholesale and retail accounts. For the nine months ended July 31, 2009 and fiscal 2008, our manufacturing operations had net sales of manufactured products to third parties of approximately \$8,069 million and \$14,399 million, respectively, EBITDA (as defined below) of approximately \$516 million and \$697 million, respectively, and net income of approximately \$211 million and \$147 million, respectively. See Supplemental financial and operating data and Note (5) thereto for a reconciliation of net income (loss) to EBITDA for these periods and Selected consolidating financial data.

We market our truck products, parts and services through the industry's largest independent dealer network in North America, specializing in medium and heavy trucks and school buses. As of October 31, 2008, our dealer network was comprised of 820 locations in North America. In addition, as of October 31, 2008, we had 85 dealer locations in Mexico. Our dealer network offers a comprehensive range of service, financing and other support functions to our customers. We also operate seven North American regional parts distribution centers that provide 24-hour availability. We provide certain financial services to our customers and dealers through NFC and our foreign finance subsidiaries.

We operate in four industry segments: Truck, Engine, Parts and Financial Services. For accounting purposes, we also have a Corporate segment, which contains those items that are not included in our four other segments. For ease of reference, we collectively refer to our Truck, Engine and Parts segments and corporate items as our manufacturing operations, and our Financial Services segment as our financial services operations.

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Set forth below is certain information regarding our industry segments based on our results for fiscal 2008:

Industry segment	Fiscal 2008 revenues (\$ in millions)	% of Fiscal 2008 revenues, net	Fiscal 2008 chargeouts(A)
Truck	\$ 10,314	70%	102,200
Engine	2,499	17	345,500
Parts	1,586	11	N/A
Financial Services	325	2	N/A
Total	\$ 14,724	100%	N/A

(A) Chargeouts are defined by management as trucks or engines, as applicable, that have been invoiced to customers, with units held in dealer inventory primarily representing the principal difference between retail deliveries and chargeouts with respect to trucks.

Truck segment

Our Truck segment manufactures and distributes a full line of class 4 through 8 trucks and buses in the common carrier, private carrier, government/service, leasing, construction, energy/petroleum, military vehicles, and student and commercial transportation markets under the *International* and *IC Bus* brands. This segment also produces chassis for motor homes and commercial step-van vehicles under the *WCC* brand and recreational vehicles under the *Monaco RV* brands. Additionally, we design, produce, and market a brand of light commercial vehicles for the truck market in India under the *Mahindra International* (Mahindra) brands through a 49% owned joint venture.

Set forth below is certain information regarding our truck products:

Description	Fiscal 2008 chargeouts(A)	Estimated market share(B)
School Bus	13,500	55%
Medium Trucks	20,300	36
Heavy Trucks	18,800	19
Severe Service Trucks (excl. U.S. Military)	12,800	27
Total U.S. and Canada (excl. U.S. Military)	65,400	29%
U.S. Military	7,500	N/A
Expansion Markets(C)	29,300	N/A
Total Truck	102,200	N/A

(A) Chargeouts are defined by management as trucks that have been invoiced to customers, with units held in dealer inventory primarily representing the principal difference between retail deliveries and chargeouts.

(B) Based on chargeouts made by us in fiscal 2008.

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(C) Expansion Markets include all markets outside the U.S. and Canada, and include chargeouts of all of our truck products on an aggregate basis. We recently established a joint venture with Caterpillar Inc. (known as NC² Global LLC) for the purpose of developing, designing, testing, manufacturing, assembling, branding, marketing and selling, and distributing and providing product support for, heavy and certain medium duty trucks outside of North America and the Indian subcontinent. In addition to this joint venture, we also entered into a strategic alliance with Caterpillar involving the development, design, manufacture and sale of *Caterpillar*-branded heavy duty severe service trucks in North America.

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Engine segment

Our Engine segment designs and manufactures diesel engines across the 50 through 475 horsepower range for use primarily in our class 6 and 7 medium trucks, military vehicles, buses, and selected class 8 heavy truck models, and for sale to OEMs in North and South America for SUVs and pick-ups. This segment also sells engines for industrial and agricultural applications, and supplies engines for WCC, Low-Cab Forward (LCF), class 5 vehicles, and began producing our new *MaxxForce* 11 and 13 Big-Bore engines in 2008. Our Engine segment, together with the Ford Motor Company (Ford), has made a substantial investment in the Blue Diamond Parts (BDP) joint venture, which is responsible for the sale of service parts to Ford.

Parts segment

Our Parts segment supports our brands of *International* commercial and military trucks, *IC Bus* school and commercial buses, *WCC* chassis and *MaxxForce* engines by providing customers with proprietary products together with a wide selection of other standard truck, trailer, and engine service parts. We distribute service parts in North America and the rest of the world through the dealer network that supports our Truck and Engine segments.

Financial Services segment

Our Financial Services segment provides retail, wholesale, and lease financing of products sold by our Truck segment and its dealers within the U.S. and Mexico. Our Financial Services segment also finances wholesale and retail accounts receivable. In addition, the segment will finance sales of new products (including trailers) of other manufacturers, regardless of whether designed or customarily sold for use with our truck products. Our Mexican financial services operations primary business is providing wholesale, retail, and lease financing to our Mexican operations dealers and retail customers.

Our business strategy

Our long term strategy is focused on three pillars:

Great Products

Growing our Class 8 tractor line, including an expanded line of *ProStar* and *LoneStar* trucks

Focusing engine research and development in order to have a competitive advantage in meeting the 2010 emissions standards

Introducing our advanced engine technology in new markets

Competitive Cost Structure

Increasing our seamless integration of *MaxxForce* branded engine lines in our products, including the establishment of our new *MaxxForce* 11 and 13 engines

Reducing materials cost by increasing global sourcing, leveraging scale benefits, locating synergies among strategic partnerships and making product design improvements

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Profitable Growth

Working in cooperation with the U.S. military to provide an extensive line of defense vehicles and product support, including vehicles derived from our existing truck platforms

Minimizing the impact of our traditional markets cyclical by growing our Parts segment and expansion markets sales, such as Mexico, international export, military export, recreational vehicle, commercial bus, and commercial step van

Broadening our Engine segment customer base

Entering foreign military sales markets

We believe the two key enablers to the above strategy are as follows:

Leverage the resources we have and those of our partners

Grow in our traditional markets and globally through partnerships and joint ventures to reduce investment, increase speed to market, and reduce risk

Maintain product and plant flexibility to fully utilize our existing facilities, people and technologies

Combine global purchasing relationships to achieve scale and sourcing anywhere in the world to contain costs

Control our destiny

Control the development process and associated intellectual property of our products

Leverage key supplier competencies to reduce costs of components and improve quality

Ensure the health and growth of our distribution network to provide our products to key markets

Recent developments

Proposed SEC Settlement

As previously disclosed, we are currently subject to an investigation by the SEC with respect to our restatement of our financial results for 2002 and 2003 and the first three quarters of 2004 and the subsequent restatement of our financial results for 2002 through 2004 and for the first three quarters of 2005. The events underlying the subsequent restatement were the subject of an internal investigation completed by a Special Committee of the Board of Directors in December 2007. We have been providing information to and fully cooperating with the SEC on this investigation. To resolve this matter we, along with our chief executive officer, have made offers of settlement to the investigative staff of the

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SEC and the investigative staff has decided to recommend those offers of settlement to the SEC. As a result of the proposed settlement, in each case without admitting or denying wrongdoing, we would consent to the entry of an administrative settlement and would not pay a civil penalty and our chief executive officer would consent to the entry of an administrative settlement regarding our system of internal accounting controls and return to us a portion of his bonus for 2004. These proposed settlements are subject to mutual agreement on the specific language of the orders and to final approval by the SEC.

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Chinese joint venture

On September 28, 2009, we announced that our recently established joint venture with Caterpillar (known as NC² Global LLC) had signed a framework agreement with Anhui Jianghuai Automobile Co., Ltd., a Chinese manufacturer of automobiles and trucks, to potentially establish a joint venture in China to develop, manufacture and sell trucks and truck parts primarily in China and certain export markets. The framework agreement contemplates that we will work to finalize the joint venture by mid-2010.

NFC refinancing plan

Our financial services operations rely upon the asset-backed securitization and commercial paper markets as an important part of their funding sources. Pricing and liquidity in these markets were negatively impacted due to market volatility in capital and credit markets. Although the credit markets have stabilized recently and pricing within the asset-backed securitization and commercial paper markets has improved, pricing remains higher than historical norms. Over the last several months, our financial services operations have been able to access credit markets and we continue to believe that we will have sufficient liquidity to fund our financial services operations for the foreseeable future. Nevertheless, we expect that borrowings could be more costly than in the past. In addition, NFC's senior credit facility is currently scheduled to mature in July 2010, and any refinancing of NFC's outstanding borrowings thereunder is likely to be at higher interest rates. In light of the foregoing, we have engaged in discussions with multiple parties regarding a strategic alliance involving NFC that would ensure funding and liquidity, reduce the need for capital, lower our funding costs, expand the products and services we can offer to our customers and reduce overall leverage at NFC. Various types of transactions are currently being considered and we expect our discussion on these strategic arrangements to continue through the end of 2009 with an agreement on terms of any such alliance to be completed by the spring of 2010.

In addition, NFC has completed and is actively pursuing a number of financing transactions to improve its liquidity position and extend near-term maturities. For example, on August 26, 2009 NFC renewed a \$650 million conduit-based dealer floor plan funding facility for a period of one year. NFC also extended its retail receivables securitization facility (known as TRAC) in August 2009 and expects to renew the TRAC securitization facility again in November 2009. NFC expects to complete an additional wholesale bank conduit facility and/or a capital markets transaction by the end of 2009. Finally, NFC has begun work with its relationship banks to refinance NFC's bank facilities by the end of 2009, likely at a reduced level. As part of this refinancing, NFC expects to complete a retail securitization or asset sale in excess of \$300 million. Once the above-described strategic alliance is completed, NFC believes that it would most likely not be necessary to refinance its revolving retail warehouse facility for its retail receivables (known as TRIP) that is currently scheduled to mature on June 15, 2010.

Concurrent senior notes offering

Concurrently with this offering, under a separate prospectus supplement, dated the date hereof, we are offering \$1,000 million of 8.25% senior notes due 2021. The senior notes will be guaranteed by our wholly-owned subsidiary, Navistar, Inc. We estimate that the net proceeds from our concurrent senior notes offering will be approximately \$945 million, after deducting the underwriters' discounts and commissions and estimated offering expenses payable by us.

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We expect to use a portion of the net proceeds from the concurrent senior notes offering and the net proceeds from this offering to repay all amounts outstanding under our existing term loan facility and synthetic revolving facility (collectively, the Credit Facilities), together with any accrued and unpaid interest thereon, and to cash collateralize approximately \$19 million of outstanding letters of credit. The remaining proceeds from these offerings will be used for general corporate purposes, including to fund capital expenditures and strategic initiatives.

The foregoing description and other information in this prospectus supplement regarding the concurrent senior notes offering is included solely for informational purposes. Nothing in this prospectus supplement should be construed as an offer to sell, or a solicitation of an offer to buy, any senior notes. There is no assurance that our concurrent public offering of senior notes will be completed or, if completed, that it will be completed for the amounts contemplated. This offering is not conditioned upon the completion of the concurrent senior notes offering.

Corporate structure

NIC is a holding company that conducts its manufacturing operations principally through Navistar, Inc. and, to a lesser extent, certain other wholly-owned foreign and domestic subsidiaries and joint ventures, including its Blue Diamond joint ventures with Ford. We also have majority-owned subsidiaries whose principal business is owning an *International* dealership. These subsidiaries are acquired and disposed of by us from time to time in order to facilitate the transition of *International* dealerships from one independent owner to another. Our manufacturing operations are supported by our financial services operations, including NFC. Our financial services operations provide wholesale, retail and lease financing for sales of our new and used trucks, truck chassis, buses and trailers, service parts and engines and retail and lease financing for sales of such products by *International* dealers to their customers.

Except as noted below, our financial services operations generally fund their operations on an independent basis. Our financial services operations obtain funds to provide financing to our dealers and retail customers from sales of receivables, medium- and long-term debt securities and short- and long-term bank borrowings. As of July 31, 2009, NFC had \$1,023 million of combined funding availability from its bank credit facility and other on- and off-balance sheet funding conduits.

We provide credit support to NFC under NFC's bank credit facility through an agreement whereby Navistar, Inc. has agreed not to permit NFC's consolidated income before income taxes, interest expense and dividends on preferred stock, if any, to be less than 125% of NFC's consolidated interest expense and dividends on preferred stock, if any, for any period of four fiscal quarters immediately preceding the date of measurement. Due to the recent challenging conditions within the U.S. financial markets, Navistar, Inc. made capital contributions to NFC under this arrangement of \$20 million and \$60 million in the nine months ended July 31, 2009 and fiscal 2008, respectively. Navistar, Inc. had not previously made any payments to NFC under this arrangement since 1984. In addition, NIC has guaranteed an aggregate of \$88 million of outstanding borrowings by its Mexican financial services subsidiaries under various bank credit facilities as of July 31, 2009.

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In general, we sell to NFC on a regular basis for cash a majority of the wholesale and retail notes and wholesale accounts that we generate in the regular course of our business from the sale of trucks and related equipment to our dealers and retail customers. As a result, such sales to NFC provide us with significant working capital during periods of increasing unit sales volume.

The following chart summarizes our principal operating structure as discussed above:

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The offering

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the notes section of this prospectus supplement contain a more detailed description of the terms and conditions of the notes. As used in this section, Company, we, us, and our refer to Navistar International Corporation and not to any of its subsidiaries.

Issuer	Navistar International Corporation, a Delaware corporation.
Securities	\$550 million principal amount of 3.00% Senior Subordinated Convertible Notes due 2014 (plus up to an additional \$75 million principal amount to cover over-allotments, if any).
Maturity	October 15, 2014, unless earlier repurchased or converted.
Issue price	100.00% plus accrued interest, if any, from October 28, 2009.
Interest	3.00% per year. Interest will accrue from October 28, 2009 and will be payable semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2010.
Conversion rights	<p>Holders may convert their notes at their option prior to April 15, 2014, in multiples of \$1,000 principal amount, at the option of the holder only under the following circumstances:</p> <p style="padding-left: 40px;">during any fiscal quarter commencing after January 31, 2010, if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the conversion price on each such trading day;</p> <p style="padding-left: 40px;">during the five business day period after any five consecutive trading day period (the measurement period) in which the trading price (as defined under Description of the notes Conversion rights Conversion upon satisfaction of trading price condition) per \$1,000 principal amount of notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such day; or</p> <p style="padding-left: 40px;">upon the occurrence of specified corporate transactions described under Description of the notes Conversion rights Conversion upon specified corporate transactions.</p> <p>On and after April 15, 2014 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes, in multiples of \$1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.</p>

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The conversion rate for the notes is initially 19.8910 shares per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$50.27 per share of common stock), subject to adjustment as described in this prospectus supplement.

Upon conversion, we will satisfy our conversion obligation by delivering, at our election, shares of our common stock (plus cash in lieu of fractional shares), cash, or any combination of cash and shares of our common stock as described under [Description of the notes](#) [Conversion rights](#) [Settlement upon conversion](#). If we elect to settle in cash or a combination of cash and shares, the amounts due upon conversion will be based on a daily conversion value (as described herein) calculated on a proportionate basis for each trading day in a 40 trading-day observation period (as described herein). If you convert your notes on or after April 15, 2014, and we elect physical settlement as described above, you will not receive the shares of common stock into which the notes are convertible until after the expiration of the observation period described above, even though the number of shares you will receive upon settlement will not change. We currently intend to satisfy our conversion obligation by delivering a combination of cash and shares of our common stock, and the cash amount used in the settlement calculation set forth under

[Description of the notes](#) [Conversion Rights](#) [Settlement upon conversion](#) [Combination settlement](#) will be \$1,000. See [Description of the notes](#) [Conversion rights](#) [Settlement upon conversion](#).

In addition, following certain corporate transactions that occur prior to maturity, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate transaction in certain circumstances as described under [Description of the notes](#) [Conversion rights](#) [Adjustment to shares delivered upon conversion upon a make-whole fundamental change](#).

You will not receive any additional cash payment or additional shares representing accrued and unpaid interest and additional interest, if any, upon conversion of a note, except in limited circumstances. Instead, interest will be deemed paid by the cash and shares, if any, of our common stock, together with any cash payment for any fractional share, into which a note is convertible.

No redemption at our option

We may not redeem the notes prior to the maturity date of the notes.

Fundamental change

If we undergo a [fundamental change](#) (as defined in this prospectus supplement under [Description of the notes](#) [Fundamental change](#) permits holders to require us to purchase notes), subject to certain conditions, you will have the option to require us to purchase all or

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any portion of your notes for cash. The fundamental change purchase price will be 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest, including any additional interest, to, but excluding, the fundamental change purchase date.

Ranking

The notes will be our senior subordinated unsecured obligations and will be subordinated in right of payment to all of our existing and future senior debt, will rank equal in right of payment to all of our existing and future senior subordinated indebtedness and will rank senior in right of payment to all of our future subordinated indebtedness. Payment of principal and interest on the notes will be structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, of our subsidiaries. The notes also rank junior to our secured indebtedness, whether or not such indebtedness would otherwise constitute senior indebtedness.

At July 31, 2009, on an as adjusted basis to give effect to the sale of notes in this offering and the concurrent senior notes offering and the application of the net proceeds therefrom, our indebtedness to which the notes would have been contractually or effectively subordinated, including indebtedness of our subsidiaries, would have been approximately \$4,840 million, of which approximately \$3,401 million was indebtedness of our financial services operations and \$162 million was indebtedness of our majority-owned dealership subsidiaries.

The indenture governing the notes (the "indenture"), does not limit the amount of debt that we or our subsidiaries may incur.

Book-entry form

The notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company ("DTC") and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.

Absence of a public market for the notes

The notes will be new securities and there is currently no established market for the notes. Accordingly, we cannot assure you as to the development or liquidity of any market for the notes. The underwriters have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and they may discontinue any market making with respect to the notes without notice. We do not intend to apply for a listing of the notes on any securities exchange or any automated dealer quotation system.

NYSE trading symbol

Our common stock is listed on the New York Stock Exchange under the symbol "NAV".

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Certain U.S. federal income tax considerations

You should consult your tax advisor with respect to the U.S. federal income tax consequences of the holding, disposition and conversion of the notes, and the holding and disposition of shares of our common stock in light of your own particular situation and with respect to any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction. See Certain U.S. federal income tax considerations.

Convertible note hedge and warrant transactions

In connection with the offering of the notes, we entered into convertible note hedge transactions with affiliates of certain of the underwriters (the hedge counterparties), which are expected to reduce the potential dilution upon conversion of the notes. We also entered into separate warrant transactions with the hedge counterparties. The convertible note hedge transactions are expected to reduce potential dilution to our common stock upon any such conversion. However, the warrant transactions could separately have a dilutive effect on our earnings per share to the extent that the market value per share of our common stock exceeds the applicable strike price of the warrants. If the underwriters exercise their over-allotment option to purchase additional notes, we may sell additional warrants and use a portion of the net proceeds from the sale of the additional notes and from the sale of additional warrants to enter into additional convertible note hedge transactions.

In connection with establishing their initial hedge of the convertible note hedge and warrant transactions, the hedge counterparties or their affiliates expect to enter into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the notes. This activity could increase (or reduce the size of any decrease in) the market price of our common stock or the notes at that time.

In addition, the hedge counterparties or their affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock in secondary market transactions following the pricing of the notes and prior to the maturity of the notes (and are likely to do so following conversion of the notes and during any related observation period). This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the notes, which could affect your ability to convert the notes and, to the extent the activity occurs following conversion of the notes and during any related observation period, could affect the number of

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shares and value of the consideration that you will receive upon conversion of the notes.

For a discussion of the potential impact of any market or other activity by the hedge counterparties or their affiliates in connection with these convertible note hedge and warrant transactions, see **Risk factors** **Risks related to the notes** **The convertible note hedge and warrant transactions** may affect the value of the notes and our common stock and **Underwriting**.

Use of proceeds

We estimate that the proceeds from this offering will be approximately \$532.5 million (\$605.25 million if the underwriters exercise their option to purchase additional notes in full), after deducting estimated underwriting discounts and offering expenses.

We expect to use a portion of the net proceeds from this offering and the concurrent senior notes offering to repay all amounts outstanding under our Credit Facilities, together with any accrued and unpaid interest thereon, and to cash collateralize approximately \$19 million of outstanding letter of credit. The remaining proceeds from these offerings will be used for general corporate purposes, including to fund capital expenditures and strategic initiatives. See **Use of proceeds**.

If the underwriters exercise their over-allotment option to purchase additional notes, we may sell additional warrants and use a portion of the net proceeds from the sale of the additional notes and from the sale of additional warrants to enter into additional convertible note hedge transactions.

Trustee, Paying Agent and Conversion Agent

The Bank of New York Mellon Trust Company, N.A.

Risk factors

Investment in the notes involves risks. You should carefully consider the information under **Risk factors** beginning on page S-21 and all other information included or incorporated by reference in this prospectus supplement and accompanying prospectus before investing in the notes.

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Additional information

NIC was incorporated under the laws of the State of Delaware in 1993 and is the successor to the truck and engine business of International Harvester Company, which business began in 1907. Our principal executive offices are located at 4201 Winfield Road, Warrenville, Illinois 60555, and our telephone number is (630) 753-5000. Our Web site is www.navistar.com. Our Web site, and the information contained therein, are expressly not included in or as part of this prospectus supplement.

The marks *International*, *MaxxFo[®]ce*, *Workho[®]se*, *Mon[®]do*, *ProStar* and *LoneStar* and our logo are registered United States trademarks of Navistar and the mark *IC Bus* is a trademark of Navistar. All other trademarks and trade names appearing in this prospectus supplement and accompanying prospectus are the property of their respective owners.

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