

Press Release:

S&P Global Ratings maintains Navistar Financial's rating on CreditWatch, now with Positive implications, after a similar action respect of its parent company

October 22, 2020

Overview

- On October 21, 2020, we revised [Navistar International Corp.](#)'s rating from Negative to Positive CreditWatch (NIC; B/Watch Positive), because NIC and TRATON SE agreed that TRATON will acquire all Navistar's outstanding shares. Currently, TRATON owns 16.8% of the company.
- The Positive implications of the CreditWatch reflects our view that, in the event this transaction is completed, the merged entity would have a credit quality sounder than NIC individually.
- Considering how close the commercial relationship between Navistar Financial and its parent company is, we limited the Mexican subsidiary's ratings to the group credit profile. Consequently, we revised to Positive from Negative the implications on CreditWatch of the Navistar Financial's long-term and short-term issuer credit ratings at national scale, which corresponds to 'mxBBB-' and 'mxA-3', respectively.
- We expect to resolve the placement on CreditWatch once the acquisition transaction is completed or when it is announced that such transaction does not proceed.

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Rating Action

On October 22, 2020, S&P Global Ratings maintains its CreditWatch designation on Navistar Financial, S.A. de C.V. SOFOM, E.R. (Navistar Financial)'s long-term and short-term issuer credit ratings at national scale -CaVal-, which corresponds to 'mxBBB-' and 'mxA-3', now with Positive implications, which reflects this same action respect of its parent company.

Rationale

The placement on Positive Credit Watch of the Navistar Financial's ratings reflects a similar designation of its parent company, NIC, because, although the Mexican subsidiary is deemed non strategic for NIC, in our view, there is a close commercial relationship between them. Therefore, any potential deterioration of NIC or any other subsidiary of the group might directly affect Navistar Financial's financial performance, business volume and capitalization.

The revision to Positive on the CreditWatch is made due to the announcement that TRATON and Navistar agreed the terms of TRATON's offer to acquire the remnant ownership of Navistar, in the amount of US\$44.50 per share (or US\$3.8 billion). Navistar and TRATON have maintained a strategic alliance since 2017. In our view, the merged entity would have a credit quality sounder than Navistar

individually. Currently, 89.7% of the TRATON's shares are held by Volkswagen AG.

CreditWatch

The Positive CreditWatch reflects a strong probability that we upgrade NIC's ratings, possibly several notches, if the acquisition transaction is completed. Therefore, if we upgrade NIC's rating, we would also perform a positive rating action respect of Navistar Financial.

Moreover, we might revise the Navistar Financial's ratings to Stable CreditWatch if we do so with NIC's ratings.

We expect to solve the placement on CreditWatch once this transaction is completed or when it is announced that it will not proceed.

Criteria and Related Articles

Criteria

- [Principles Of Credit Ratings](#), February 16, 2011.
- [Nonbank Financial Institutions Rating Methodology](#), December 9, 2014.
- [Banking Industry Country Risk Assessment Methodology And Assumptions \(BICRA\)](#), November 9, 2011.
- [Quantitative Metrics For Rating Banks Globally:Methodology And Assumptions](#), July 17, 2013.
- [Risk-Adjusted Capital Framework Methodology](#), July 20, 2017.
- [Group Rating Methodology](#), July 1, 2019.
- [Methodology For National And Regional Scale Credit Ratings](#), June 25, 2018.

Related Articles

- [General Description of the Credit Rating Process](#).
- [MEXICO - Definiciones de calificación en Escala CaVal \(Nacional\)](#). [Mexico- Ratings Definitions in CaVal (Mexico) national scale].
- [S&P Global Ratings Definitions](#).
- [S&P Global Ratings coloca calificaciones de Navistar Financial en Revisión Especial Negativa tras acción similar sobre su casa matriz](#), [S&P Global Ratings places Navistar Financial's on Negative CreditWatch after similar action respect of its parent company], April 17, 2020.
- *Credit Conditions Emerging Markets: Fragile And Uneven Recovery, Virus Resurgence Looms*, September 29, 2020.
- *Navistar International Corp. CreditWatch Implications Revised To Positive On Announced Acquisition By TRATON SE*, October 21, 2020.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com Use the Ratings search box located in the left column.

ADDITIONAL REGULATORY INFORMATION

1) *Financial Information as of June 30, 2020.*

2) *This rating is based on the information provided to S&P Global Ratings by the issuer and/or the issuer's agents or advisers. This information may include, among others, the following features, depending on the type of operation, value or entity rated: issue terms and conditions, prospectus, quarterly financial statements, annual audited financial statements, operating statistics (including those of the controlling companies, where applicable), projected information (for example, financial projections), annual reports, information about the market characteristics, related legal information, information obtained from interviews with the administration office and information obtained from other external sources, such as the Mexican Banking and Securities Commission, Mexican Stock Exchange, Mexican Insurance and Bonding Commission, Banco de Mexico, International Monetary Fund, Boost Financial Stability.*

The rating is based on information provided prior this press release date; therefore, any change or additional information thereto might modify the stated rating.

3) *During the immediate prior fiscal year, S&P Global Ratings received compensations from Navistar Financial S.A. de C. V. SOFOM, E. R due to services different from this rating service, and such compensations represent 39.7% of the total compensations received for rating services in the said year.*

4) *S&P Global Ratings' regulatory disclosures (PCRs) are published as of a point-in-time, which is current as of the date a Credit Rating Action was last published. S&P Global Ratings updates the PCR for a given Credit Rating to include any changes to PCR disclosures only when a subsequent Credit Rating Action is published. Thus, disclosure information in this PCR may not reflect changes to data within PCR disclosures that can occur over time subsequent to the publication of a PCR but that are not otherwise associated with a Credit Rating Action.*

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