



## Position Close Update: Navistar International (NAV)

### Navistar International (NAV) – Closing Short Position – down 30% vs. S&P up 59%

Navistar International (NAV: \$27/share) was originally selected as a [Danger Zone Idea on 1/13/14](#). At the time of the initial report, the stock received an Unattractive [rating](#). Our short thesis pointed out the firm’s declining market share, accounting red flags, and expensive valuation.

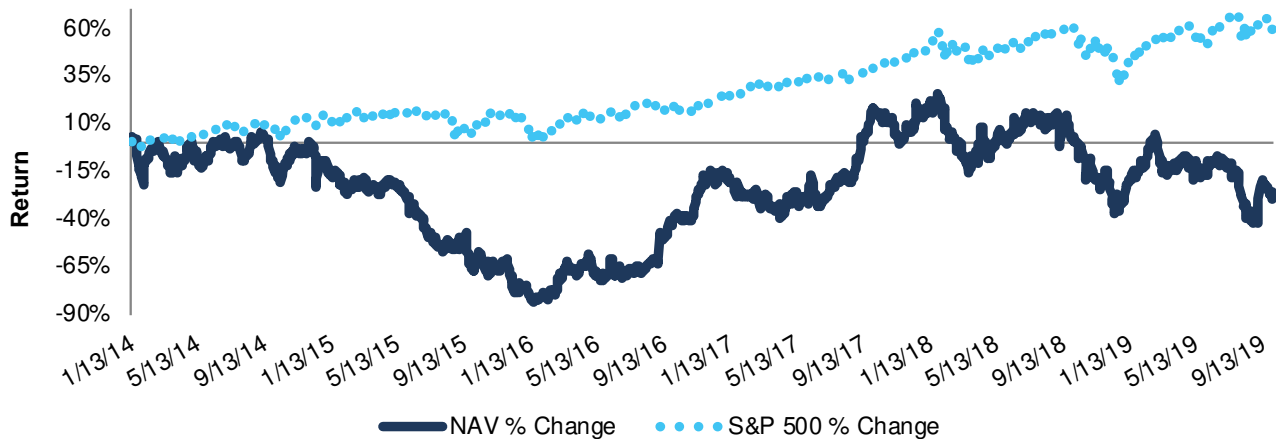
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During the nearly 6-year holding period, NAV outperformed as a short position, declining 30% compared to a 59% gain for the S&P 500.

Since our original report, NAV has bounced around, falling as low as \$6/share in early 2016 and rising as high as \$47/share in early 2018. Recently, the company’s fundamentals have shown signs of improvement, and its return on invested capital (ROIC) has continued to improve (from 6% in 2016 to 17% TTM). NAV has grown revenue year-over-year in each of the past two years, and its improved profitability, combined with its cheaper valuation, means the stock no longer presents the same risk/reward. We believe it is time to take the gains and close this short position.

Figure 1: NAV vs. S&P 500 – Price Return – Successful Short Call

### NAV Performance During Holding Period



Sources: New Constructs, LLC and company filings

Note: Gain/Decline performance analysis excludes transaction costs and dividends.

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Disclosure: David Trainer, Kyle Guske II, and Sam McBride receive no compensation to write about any specific stock, style, or theme.

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