

VISTEON CORP
Form 10-Q
August 06, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2009, or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-15827

VISTEON CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

38-3519512
(I.R.S. employer
Identification number)

One Village Center Drive, Van Buren Township, Michigan
(Address of principal executive offices)

48111
(Zip code)

Registrant's telephone number, including area code: (800)-VISTEON

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant: has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting

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company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 3, 2009, the Registrant had outstanding 130,378,272 shares of common stock, par value \$1.00 per share.

Exhibit index located on page number 59.

VISTEON CORPORATION AND SUBSIDIARIES
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2009	2008	2009	2008
	(Dollars in Millions, Except Per Share Data)			
Net sales				
Products	\$ 1,482	\$ 2,781	\$ 2,777	\$ 5,520
Services	87	128	144	251
	1,569	2,909	2,921	5,771
Cost of sales				
Products	1,403	2,551	2,654	5,096
Services	86	127	142	249
	1,489	2,678	2,796	5,345
Gross margin	80	231	125	426
Selling, general and administrative expenses	97	156	205	304
Restructuring expenses	18	29	45	75
Reimbursement from escrow account		18	62	42
Reorganization items	7		7	
Deconsolidation gain			95	
Asset impairments and loss on divestitures		11		51
Operating (loss) income	(42)	53	25	38
Interest expense	47	55	102	112
Interest income	2	13	6	28
Equity in net income of non-consolidated affiliates	19	15	26	30
(Loss) income before income taxes	(68)	26	(45)	(16)
Provision for income taxes	31	49	45	100

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Net loss	(99)	(23)	(90)	(116)
Net income attributable to noncontrolling interests	13	19	20	31

Net loss attributable to Visteon Corporation	\$ (112)	\$ (42)	\$ (110)	\$ (147)
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Per Share Data:

Net loss per share attributable to Visteon Corporation	\$ (0.87)	\$ (0.32)	\$ (0.85)	\$ (1.14)
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See accompanying notes to the consolidated financial statements.

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**VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
CONSOLIDATED BALANCE SHEETS**

	(Unaudited)		
	June 30	December 31	
	2009	2008	
	(Dollars in Millions)		
ASSETS			
Cash and equivalents	\$ 647	\$ 1,180	
Restricted cash	95		
Accounts receivable, net	998	989	
Inventories, net	329	354	
Other current assets	208	249	
Total current assets	2,277	2,772	
Property and equipment, net	2,053	2,162	
Equity in net assets of non-consolidated affiliates	237	220	
Other non-current assets	80	94	
Total assets	\$ 4,647	\$ 5,248	
LIABILITIES AND SHAREHOLDERS DEFICIT			
Short-term debt, including current portion of long-term debt and debt in default	\$ 136	\$ 2,697	
Accounts payable	780	1,058	
Accrued employee liabilities	161	228	
Other current liabilities	200	288	
Total current liabilities	1,277	4,271	
Long-term debt	62	65	
Employee benefits	409	1,031	
Deferred income taxes	136	139	
Other non-current liabilities	343	365	
Liabilities subject to compromise	3,142		
Shareholders' deficit:			
Preferred stock (par value \$1.00, 50 million shares authorized, none outstanding)			
Common stock (par value \$1.00, 500 million shares authorized, 131 million shares issued, 130 million and 131 million shares outstanding, respectively)	131	131	
Stock warrants	127	127	
Additional paid-in capital	3,407	3,407	
Accumulated deficit	(4,814)	(4,704)	
Accumulated other comprehensive income	165	157	
Other	(5)	(5)	
Total Visteon Corporation shareholders' deficit	(989)	(887)	
Noncontrolling interests	267	264	

Total shareholders deficit	(722)	(623)
Total liabilities and shareholders deficit	\$ 4,647	\$ 5,248

See accompanying notes to the consolidated financial statements.

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**VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)**

	Six Months Ended June 30	
	2009	2008
	(Dollars in Millions)	
Operating activities		
Net loss	\$ (90)	\$ (116)
Adjustments to reconcile net loss to net cash (used by) provided from operating activities:		
Depreciation and amortization	162	225
Deconsolidation gain	(95)	
Asset impairments and loss on divestitures		51
Gain on asset sales	(2)	(17)
Equity in net income of non-consolidated affiliates, net of dividends remitted	(20)	(26)
Other non-cash items	(6)	(26)
Changes in assets and liabilities:		
Accounts receivable	(39)	(35)
Inventories	24	(17)
Accounts payable	(64)	43
Other assets and liabilities	(105)	(75)
Net cash (used by) provided from operating activities	(235)	7
Investing activities		
Capital expenditures	(58)	(154)
Cash associated with deconsolidation	(11)	
Proceeds from divestitures and asset sales	4	59
Other		4
Net cash used by investing activities	(65)	(91)
Financing activities		
Short-term debt, net	(19)	34
Cash restriction	(95)	
Proceeds from issuance of debt, net of issuance costs	56	185
Principal payments on debt	(119)	(32)
Repurchase of unsecured debt securities		(337)
Other, including book overdrafts	(58)	(32)
Net cash used by financing activities	(235)	(182)
Effect of exchange rate changes on cash	2	14
Net decrease in cash and equivalents	(533)	(252)
Cash and equivalents at beginning of year	1,180	1,758
Cash and equivalents at end of period	\$ 647	\$ 1,506

See accompanying notes to the consolidated financial statements.

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**VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

NOTE 1. Description of Business and Company Background

Visteon Corporation (the *Company* or *Visteon*) is a leading global supplier of climate, interiors and electronics systems, modules and components to global automotive original equipment manufacturers (*OEMs*). Headquartered in Van Buren Township, Michigan, Visteon has a workforce of approximately 30,000 employees and a network of manufacturing operations, technical centers, sales offices and joint ventures in every major geographic region of the world.

Reorganization under Chapter 11 of the U.S. Bankruptcy Code

On May 28, 2009 (the *Petition Date*), Visteon and certain of its U.S. subsidiaries (the *Debtors*) filed voluntary petitions for reorganization relief under chapter 11 of the United States Bankruptcy Code (the *Bankruptcy Code*) in the United States Bankruptcy Court for the District of Delaware (the *Court*). The reorganization cases are being jointly administered as Case No. 09-11786 under the caption *In re Visteon Corporation, et al* (hereinafter referred to as the *Chapter 11 Proceedings*). The Debtors continue to operate their businesses as debtors-in-possession (*DIP*) under the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Court. The Company's other subsidiaries, primarily non-U.S. subsidiaries, have been excluded from the Chapter 11 Proceedings and continue to operate their businesses without supervision from the Court and are not subject to the requirements of the Bankruptcy Code.

The Chapter 11 Proceedings were initiated in response to sudden and severe declines in global automotive production during the latter part of 2008 and early 2009 and the adverse impact on the Company's cash flows and liquidity. Under the Chapter 11 Proceedings, the Debtors expect to develop and implement a plan to restructure their capital structure to reflect the current automotive industry demand. Additional details regarding the status of the Company's Chapter 11 Proceedings are included herein under Note 4, *Voluntary Reorganization under Chapter 11 of the United States Bankruptcy Code*, to the consolidated financial statements.

Visteon UK Limited Administration

On March 31, 2009, in accordance with the provisions of the United Kingdom Insolvency Act of 1986 and pursuant to a resolution of the board of directors of Visteon UK Limited, a company organized under the laws of England and Wales (the *UK Debtor*) and an indirect, wholly-owned subsidiary of the Company, representatives from KPMG (the *Administrators*) were appointed as administrators in respect of the UK Debtor (the *UK Administration*). The UK Administration was initiated in response to continuing operating losses of the UK Debtor and mounting labor costs and their related demand on the Company's cash flows, and does not include the Company or any of the Company's other subsidiaries. Under the UK Administration, the UK Debtor, which has operations in Enfield, UK, Basildon, UK and Belfast, UK, is expected to be wound down. The effect of the UK Debtor's entry into administration was to place the management, affairs, business and property of the UK Debtor under the direct control of the Administrators.

The UK Debtor recorded sales, negative gross margin and net loss of \$32 million, \$7 million and \$10 million, respectively for the three months ended March 31, 2009. As of March 31, 2009 total assets of \$64 million, total liabilities of \$132 million and related amounts deferred as *Accumulated other comprehensive income* of \$84 million, were deconsolidated from the Company's balance sheet resulting in a deconsolidation gain of \$152 million. The

Company also recorded \$57 million for contingent liabilities related to the UK Administration, including \$45 million of costs associated with former employees of the UK Debtor, for which the Company was reimbursed from the escrow account, on a 100% basis.

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**VISTEON CORPORATION AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

NOTE 1. Description of Business and Company Background (Continued)

Additional amounts related to these items or other contingent liabilities for potential claims under the UK Administration, which may result from (i) negotiations; (ii) actions of the Administrators; (iii) resolution of contractual arrangements, including unexpired leases; (iv) material adverse developments; or other events, may be recorded in future periods. No assurance can be provided that the Company will not be subject to future litigation and/or liabilities related to the UK Administration. Additional liabilities, if any, will be recorded when they become probable and estimable and could materially affect the Company's results of operations and financial condition in future periods.

Transactions with Ford Motor Company

The Company transacts a significant amount of commercial activity with Ford Motor Company (Ford). The financial statement impact of these commercial activities is summarized in the table below.

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2009	2008	2009	2008
	(Dollars in Millions)			
Net Sales				
Products	\$ 428	\$ 1,010	\$ 826	\$ 1,988
Services	\$ 86	\$ 124	\$ 143	\$ 241

	June 30	December 31
	2009	2008
	(Dollars in Millions)	
Accounts receivable, net	\$ 228	\$ 174
Postretirement employee benefits	\$	\$ 113
Liabilities subject to compromise	\$ 228	\$

On May 13, 2009, the Company entered into certain transactions, whereby Ford purchased, assumed and took an assignment of all of the outstanding loans, obligations and other interests of the lenders under the ABL Credit Agreement. As of June 30, 2009, the balance owed to Ford under the ABL Credit Agreement approximated \$89 million.

NOTE 2. Basis of Presentation

Interim Financial Statements: The unaudited consolidated financial statements of the Company have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with

accounting principles generally accepted in the United States (GAAP) have been condensed or omitted pursuant to such rules and regulations.

These interim consolidated financial statements include all adjustments (consisting of normal recurring adjustments, except as otherwise disclosed) that management believes are necessary for a fair presentation of the results of operations, financial position and cash flows of the Company for the interim periods presented. The Company's management believes that the disclosures are adequate to make the information presented not misleading when read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as filed with the SEC. Interim results are not necessari