

VISTEON CORP  
Form 10-Q  
October 27, 2010

**Table of Contents**

**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 September 30, 2010, 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 000-54138**

**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

Edgar Filing: VISTEON CORP - Form 10-Q

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

As of October 25, 2010, the Registrant had outstanding 50,271,098 shares of common stock, par value \$.01 per share.

**Exhibit index located on page number 63.**

---

**VISTEON CORPORATION AND SUBSIDIARIES**  
**FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010**

**INDEX**

	<b>Page No.</b>
<u>Part I Financial Information</u>	
<u>Item 1 Financial Statements</u>	
<u>Consolidated Statements of Operations</u>	2
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Cash Flows</u>	4
<u>Notes to Consolidated Financial Statements</u>	5
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	40
<u>Item 3 Quantitative and Qualitative Disclosures about Market Risk</u>	60
<u>Item 4 Controls and Procedures</u>	60
<u>Part II Other Information</u>	
<u>Item 1 Legal Proceedings</u>	61
<u>Item 1A Risk Factors</u>	61
<u>Item 6 Exhibits</u>	61
<u>Signature</u>	62
<u>Exhibit Index</u>	63
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	

Table of Contents**PART I****FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>(Dollars in Millions, Except Per Share Data)</b>			
Net sales				
Products	\$ 1,702	\$ 1,676	\$ 5,437	\$ 4,453
Services	28	61	142	205
	1,730	1,737	5,579	4,658
Cost of sales				
Products	1,663	1,557	4,877	4,211
Services	27	60	140	202
	1,690	1,617	5,017	4,413
<b>Gross margin</b>	40	120	562	245
Selling, general and administrative expenses	91	95	292	300
Reorganization expenses, net	54	23	123	30
Restructuring expenses	3	27	20	72
Reimbursement from escrow account				62
Deconsolidation gain				95
Asset impairments and loss on divestitures			25	
<b>Operating (loss) income</b>	(108)	(25)	102	
Interest expense	35	8	170	110
Interest income	4	2	10	8
Equity in net income of non-consolidated affiliates	35	26	100	52
<b>(Loss) income before income taxes</b>	(104)	(5)	42	(50)
Provision for income taxes	19	18	94	63

Edgar Filing: VISTEON CORP - Form 10-Q

<b>Net loss</b>	(123)	(23)	(52)	(113)
Net income attributable to noncontrolling interests	17	15	56	35
<b>Net loss attributable to Visteon</b>	\$ (140)	\$ (38)	\$ (108)	\$ (148)
<b><u>Per Share Data:</u></b>				
Net loss per share attributable to Visteon	\$ (1.08)	\$ (0.29)	\$ (0.83)	\$ (1.14)

See accompanying notes to the consolidated financial statements.

**Table of Contents**

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

	<b>(Unaudited)</b>	
	<b>September 30</b>	<b>December 31</b>
	<b>2010</b>	<b>2009</b>
	<b>(Dollars in Millions)</b>	
<b>ASSETS</b>		
Cash and equivalents	\$ 918	\$ 962
Restricted cash	195	133
Accounts receivable, net	1,086	1,055
Inventories, net	395	319
Other current assets	283	236
<b>Total current assets</b>	<b>2,877</b>	<b>2,705</b>
Property and equipment, net	1,812	1,936
Equity in net assets of non-consolidated affiliates	378	294
Other non-current assets	80	84
<b>Total assets</b>	<b>\$ 5,147</b>	<b>\$ 5,019</b>
<b>LIABILITIES AND SHAREHOLDERS DEFICIT</b>		
Short-term debt, including current portion of long-term debt	\$ 128	\$ 225
Accounts payable	1,043	977
Accrued employee liabilities	196	161
Other current liabilities	326	302
<b>Total current liabilities</b>	<b>1,693</b>	<b>1,665</b>
Long-term debt	12	6
Employee benefits	632	568
Deferred income taxes	175	159
Other non-current liabilities	251	257
Liabilities subject to compromise	3,121	2,819
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 shares outstanding)	131	131
Stock warrants	127	127
Additional paid-in capital	3,408	3,408
Accumulated deficit	(4,684)	(4,576)
Accumulated other comprehensive (loss) income	(74)	142
Other	(4)	(4)

Edgar Filing: VISTEON CORP - Form 10-Q

Total Visteon shareholders' deficit	(1,096)	(772)
Noncontrolling interests	359	317
<b>Total shareholders' deficit</b>	<b>(737)</b>	<b>(455)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>\$ 5,147</b>	<b>\$ 5,019</b>

See accompanying notes to the consolidated financial statements.



**Table of Contents**

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

	<b>Nine Months Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Dollars in Millions)</b>	
<b>Operating activities</b>		
Net loss	\$ (52)	\$ (113)
Adjustments to reconcile net loss to net cash provided from (used by) operating activities:		
Depreciation and amortization	207	255
OPEB and pension amortization and curtailment	(346)	(16)
OPEB reinstatement	305	
Reorganization expenses, net	123	30
Equity in net income of non-consolidated affiliates, net of dividends remitted	(87)	(46)
Asset impairments and loss on divestitures	25	
Deconsolidation gain		(95)
Changes in assets and liabilities:		
Accounts receivable	(79)	(142)
Inventories	(75)	6
Accounts payable	55	50
Other assets and liabilities	147	(80)
Net cash provided from (used by) operating activities	223	(151)
<b>Investing activities</b>		
Capital expenditures	(117)	(87)
Cash associated with deconsolidation		(11)
Other, including proceeds from divestitures and asset sales	42	5
Net cash used by investing activities	(75)	(93)
<b>Financing activities</b>		
Increase in restricted cash, net	(62)	(102)
Short-term debt, net	(9)	(24)
Principal payments on debt	(99)	(119)
Proceeds from issuance of debt, net of issuance costs	9	56
Other, including overdrafts	(32)	(56)
Net cash used by financing activities	(193)	(245)
Effect of exchange rate changes on cash	1	21
Net decrease in cash and equivalents	(44)	(468)
<b>Cash and equivalents at beginning of year</b>	<b>962</b>	<b>1,180</b>
<b>Cash and equivalents at end of period</b>	<b>\$ 918</b>	<b>\$ 712</b>

See accompanying notes to the consolidated financial statements.

**Table of Contents**

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

**NOTE 1. Description of Business**

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 26,500 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) (Consolidated Case No. 09-11786). On August 31, 2010 (the Confirmation Date), the Court entered an order (the Confirmation Order) confirming the Debtors joint plan of reorganization (as amended and supplemented, the Plan), which was comprised of two mutually exclusive sub plans, the Rights Offering Sub-Plan and the Claims Conversion Sub-Plan. On October 1, 2010 (the Effective Date), all conditions precedent to the effectiveness of the Rights Offering Sub-Plan and related documents were satisfied or waived and the Debtors emerged from bankruptcy.

The consolidated financial statements as of and for all periods as included herein have not been adjusted to reflect any changes in the Company's capital structure as a result of the Plan nor have they been adjusted to reflect any changes in the fair value of assets and liabilities as a result of the adoption of fresh start accounting. Such adjustments will be applied to the Company's financial statements from the October 1, 2010 effective date and will be reported in the Company's Form 10-K for the year ending December 31, 2010. Accordingly, the Company's financial statements for periods subsequent to the Effective Date will not be comparable to previous periods as such previous periods do not give effect to any adjustments to the carrying values of assets or amounts of liabilities that might be necessary as a consequence of the Plan or the related application of fresh start accounting. 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. 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. Since their appointment, the Administrators have wound down the business of the UK Debtor and closed its operations in Enfield, UK, Basildon, UK and Belfast, UK, and made the employees redundant. The Administrators continue to realize the UK Debtor's assets, primarily comprised of receivables. No assurance can be provided that the Company will not be subject to future litigation and/or liabilities related to the UK Administration, including assertions by the UK Pensions

Regulator.

**Table of Contents**

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

**NOTE 1. Description of Business (Continued)**

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.

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) assertions by the UK Pensions Regulator; and, (v) 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.

	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>(Dollars in Millions)</b>			
<b>Net Sales</b>				
Products	\$ 429	\$ 443	\$ 1,420	\$ 1,269
Services	\$ 28	\$ 61	\$ 133	\$ 205
			<b>September 30</b>	<b>December 31</b>
			<b>2010</b>	<b>2009</b>
			<b>(Dollars in Millions)</b>	
Accounts receivable, net			\$ 240	\$ 230
Liabilities subject to compromise			\$ 231	\$ 245

On September 29, 2010, the Company entered into a Global Settlement and Release Agreement (the Release Agreement ) with Ford and Automotive Components Holdings, LLC ( ACH ) conditioned on the effectiveness of the Company's Plan. The Release Agreement provides, among other things, for: (i) the termination of the Company's future obligations to reimburse Ford for certain pension and retiree benefit costs; (ii) the resolution of and release of claims and causes of actions against the Company and certain claims, liabilities, or actions against the Company's non-debtor affiliates; (iii) withdrawal of all proofs of claim, with a face value of approximately \$163 million, including a claim

for the pension and retiree benefit liabilities described above, filed against the Company by Ford and/or ACH and an agreement to not assert any further claims against the estates, other than with respect to preserved claims; (iv) the rejection of all purchase orders under which the Company is not producing component parts and other agreements which would not provide a benefit to the reorganized Company and waiver of any claims against the Company arising out of such rejected agreements; (v) the reimbursement by Ford of up to \$29 million to the Company for costs associated with restructuring initiatives in various parts of the world; and (vi) a commitment by Ford and its affiliates to source the Company new and replacement business totaling approximately \$600 million in annual sales for vehicle programs launching through 2013. Amounts related to the Release Agreement have not been reflected in the consolidated financial statements as of and for all periods as

**Table of Contents**