

VISTEON CORP
Form 10-Q
November 08, 2007

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, 2007**, 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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 November 2, 2007, the Registrant had outstanding 129,783,659 shares of common stock, par value \$1.00 per share.

Exhibit index located on page number 54

VISTEON CORPORATION AND SUBSIDIARIES
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

INDEX

	Page No.
<u>Part I Financial Information</u>	
<u>Item 1 Financial Statements</u>	
<u>Report of Independent Registered Public Accounting Firm</u>	2
<u>Consolidated Statements of Operations</u>	3
<u>Consolidated Balance Sheets</u>	4
<u>Consolidated Statements of Cash Flows</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	31
<u>Item 3 Quantitative and Qualitative Disclosures about Market Risk</u>	49
<u>Item 4 Controls and Procedures</u>	51
<u>Part II Other Information</u>	
<u>Item 1 Legal Proceedings</u>	52
<u>Item 1A Risk Factors</u>	52
<u>Item 5 Other Information</u>	52
<u>Item 6 Exhibits</u>	52
<u>Signatures</u>	53
<u>Exhibit Index</u>	54
<u>Form of Terms and Conditions of Nonqualified Stock Options</u>	
<u>Statement re: Computation of Ratios</u>	
<u>Letter of PricewaterhouseCoopers LLP</u>	
<u>Rule 13a-14(a) Certification of Chief Executive Officer</u>	
<u>Rule 13a-14(a) Certification of Chief Financial Officer</u>	
<u>Section 1350 Certification of Chief Executive Officer</u>	
<u>Section 1350 Certification of Chief Financial Officer</u>	

Table of Contents

**PART I
FINANCIAL INFORMATION**

ITEM 1. FINANCIAL STATEMENTS (unaudited)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Visteon Corporation

We have reviewed the accompanying consolidated balance sheet of Visteon Corporation and its subsidiaries as of September 30, 2007 and the related consolidated statements of operations for each of the three-month and nine-month periods ended September 30, 2007 and September 30, 2006 and the consolidated statements of cash flows for the nine-month periods ended September 30, 2007 and September 30, 2006. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2006, and the related consolidated statements of operations, shareholders' (deficit) / equity and cash flows for the year then ended (not presented herein), and in our report dated February 28, 2007, except for Note 20, as to which the date is August 3, 2007, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2006 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Detroit, Michigan
November 8, 2007

Table of Contents

VISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three-Months Ended September 30		Nine-Months Ended September 30	
	2007	2006	2007	2006
	(Dollars in Millions, Except Per Share Data)			
Net sales				
Products	\$ 2,410	\$ 2,447	\$ 8,001	\$ 8,032
Services	136	133	407	416
	2,546	2,580	8,408	8,448
Cost of sales				
Products	2,313	2,397	7,635	7,423
Services	134	131	402	412
	2,447	2,528	8,037	7,835
Gross margin	99	52	371	613
Selling, general and administrative expenses	131	176	445	537
Restructuring expenses	27	14	89	35
Reimbursement from Escrow Account	27	14	109	35
Asset impairments	14		65	22
Operating (loss) income	(46)	(124)	(119)	54
Interest expense	59	46	163	146
Interest income	17	6	40	21
Debt extinguishment gain				8
Equity in net income of non-consolidated affiliates	11	8	34	27
Loss before income taxes, minority interests, discontinued operations, change in accounting and extraordinary item	(77)	(156)	(208)	(36)
Provision for income taxes	20	10	65	57
Minority interests in consolidated subsidiaries	12	5	32	22
Net loss from continuing operations before change in accounting and extraordinary item	(109)	(171)	(305)	(115)

Edgar Filing: VISTEON CORP - Form 10-Q

Loss from discontinued operations, net of tax		6	24	13
Net loss before change in accounting and extraordinary item	(109)	(177)	(329)	(128)
Cumulative effect of change in accounting, net of tax				(4)
Net loss before extraordinary item	(109)	(177)	(329)	(132)
Extraordinary item, net of tax				8
Net loss	\$ (109)	\$ (177)	\$ (329)	\$ (124)
<u>Basic and diluted loss per share:</u>				
Continuing operations	\$ (0.84)	\$ (1.33)	\$ (2.36)	\$ (0.90)
Discontinued operations	\$	\$ (0.05)	\$ (0.18)	\$ (0.10)
Net loss	\$ (0.84)	\$ (1.38)	\$ (2.54)	\$ (0.97)

See accompanying notes to the consolidated financial statements.

Table of Contents

**VISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	(Unaudited)	
	September 30 2007	December 31 2006
	(Dollars in Millions)	
ASSETS		
Cash and equivalents	\$ 1,422	\$ 1,057
Accounts receivable, net	1,289	1,245
Interests in accounts receivable transferred	463	482
Inventories, net	535	520
Other current assets	250	261
Total current assets	3,959	3,565
Equity in net assets of non-consolidated affiliates	233	224
Property and equipment, net	2,798	3,034
Other non-current assets	129	115
Total assets	\$ 7,119	\$ 6,938
LIABILITIES AND SHAREHOLDERS DEFICIT		
Short-term debt, including current portion of long-term debt	\$ 109	\$ 100
Accounts payable	1,781	1,825
Accrued employee liabilities	307	323
Other current liabilities	336	320
Total current liabilities	2,533	2,568
Long-term debt	2,604	2,128
Employee benefits, including pensions	641	924
Postretirement benefits other than pensions	629	747
Deferred income taxes	193	170
Other non-current liabilities	393	318
Minority interests in consolidated subsidiaries	288	271
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 129 million shares outstanding, respectively)	131	131
Stock warrants	127	127
Additional paid-in capital	3,405	3,398
Accumulated deficit	(3,973)	(3,606)
Accumulated other comprehensive income (loss)	160	(216)

Other	(12)	(22)
Total shareholders deficit	(162)	(188)
Total liabilities and shareholders deficit	\$ 7,119	\$ 6,938

See accompanying notes to the consolidated financial statements.

Table of Contents

VISTEON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine-Months Ended	
	September 30	
	2007	2006
	(Dollars in Millions)	
Operating Activities		
Net loss	\$ (329)	\$ (124)
Adjustments to reconcile net loss to net cash (used by) provided from operating activities:		
Depreciation and amortization	346	315
Asset impairments	77	22
Non-cash postretirement benefits	15	(72)
Non-cash tax items	(54)	(20)
Equity in net income of non-consolidated affiliates, net of dividends remitted	1	(4)
Extraordinary item, net of tax		(8)
Debt extinguishment gain		(8)
Other non-cash items	(6)	3
Change in receivables sold	(67)	12
Changes in assets and liabilities:		
Accounts receivable and retained interests	95	(7)
Escrow receivable	31	18
Inventories	(39)	11
Accounts payable	(99)	(203)
Postretirement benefits other than pensions	(17)	13
Income taxes deferred and payable, net	(2)	14
Other assets and liabilities	10	80
Net cash (used by) provided from operating activities	(38)	42
Investing Activities		
Capital expenditures	(232)	(265)
Proceeds from divestitures and asset sales	159	18
Other investments	(6)	(6)
Net cash used by investing activities	(79)	(253)
Financing Activities		
Short-term debt, net	30	(364)
Proceeds from debt, net of issuance costs	497	1,182
Principal payments on debt	(58)	(612)
Repurchase of unsecured debt securities		(141)
Other, including book overdrafts	(17)	(5)
Net cash provided from financing activities	452	60
Effect of exchange rate changes on cash	30	26

Net increase (decrease) in cash and equivalents	365	(125)
Cash and equivalents at beginning of year	1,057	865
Cash and equivalents at end of period	\$ 1,422	\$ 740

See accompanying notes to the consolidated financial statements.

Table of Contents

**VISTEON CORPORATION AND SUBSIDIARIES
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 automotive systems, modules and components. The Company sells products primarily to global vehicle manufacturers and also sells to the worldwide aftermarket for replacement and enhancement parts. Headquartered in Van Buren Township, Michigan, with regional headquarters in Kerpen, Germany and Shanghai, China, the Company has a workforce of approximately 43,000 employees and a network of manufacturing operations, technical centers, sales offices and joint ventures in every major geographic region of the world.

The Company maintains significant commercial relationships with Ford Motor Company (Ford) and its affiliates. Accordingly, transactions with Ford constitute a significant amount of the Company's product sales and services revenues, accounts receivable and certain postretirement benefit obligations as summarized below, as adjusted for discontinued operations.

Three-Months Ended		Nine-Months Ended	
September 30		September 30	
2007	2006	2007	2006
(Dollars in Millions)			

Net Sales