



http://subscribers.wardsauto.com/ar/visteon_choice_bankruptcy_090528/wall.html?return=http://subscribers.wardsauto.com/ar/visteon_choice_bankruptcy_090528/

Visteon Had 'No Choice' Besides Bankruptcy

By Eric Mayne and Byron Pope

WardsAuto.com, May 28, 2009 12:28 PM



Visteon Corp.'s plunge into Chapter 11 was unavoidable, spurred by crippling production cuts by its customers and a dearth of "critical" financing, according to filings with Bankruptcy Court in Delaware.

The supplier filed for Chapter 11 protection today, claiming debts of \$5.3 billion against \$4.6 billion in assets.

"Visteon's insolvency cannot be fixed outside of Chapter 11," Chief Financial Officer and Executive Vice President William G. Quigley says in a first-day pleading. "Faced with plunging automobile production, mounting debt, insufficient liquidity and no access to the capital markets, Visteon had no choice but to resolve its financial instability (through bankruptcy)."

Through April, U.S. vehicle production totaled 1.6 million units, 51.9% lower than like-2008's 3.3 million units, according to *Ward's* data.

Having recorded a net income of \$2 million, up from 2008's net loss of

\$663 million,

Visteon finished first-quarter 2009 with total cash reserves of \$767 million. But in the face of historically low auto sales, the supplier has been burning cash at “unsustainable rates,” Quigley’s filing reveals.

Meanwhile, lenders chastened by last year’s mortgage meltdown have tightened their purse strings – particularly when the auto industry came calling.

“Capital is critical in the automotive industry; to secure new business awards, the company must typically take up-front capital and engineering expenditures that are not recovered until years later,” Quigley says, noting Visteon’s suppliers have begun to demand cash in advance for shipments or “otherwise contracted their payment terms.”

To mitigate impact on its healthier overseas operations, Visteon urges the court to expedite bankruptcy proceedings.

“Visteon’s success today depends substantially on the performance of its non-debtor affiliates located overseas in Asia and Europe,” Quigley says in his filing. “Because foreign entities often view the U.S. Chapter 11 process with skepticism, it is imperative that Visteon make a quick and smooth transition (into bankruptcy).”

In the year’s first quarter, more than 75% of Visteon’s sales were outside North America, spokesman Jim Fisher tells *Ward’s*.

Visteon joins a growing list of suppliers in Chapter 11. They comprise players as diverse as Delphi Corp. and Metaldyne Corp., to Noble International Ltd. and Foamex International Inc.

But Van Conway, senior managing partner of Conway MacKenzie, an international financial and management consultancy in Birmingham, MI, takes a dim view of Visteon’s filing.

“When Delphi went in, it was a far different economy,” Conway tells *Ward’s*. “Now there are frozen capital markets and lower annual volumes. Those are reasons Delphi didn’t come out. Every time they did numbers, the numbers deteriorated, and

they decided not to exit because every time they did a quarterly projection it got worse.”

A leading global supplier of climate-control systems, interiors and electronics, Visteon has been in a state of flux since it was spun off from Ford Motor Co. in 2000. Among its previous restructuring maneuvers was the 2005 return of 23 under-performing plants and facilities to Ford.

Dubbed Automotive Component Holdings LLC, it helped Visteon shed significant costs.