DANA HOLDING CORP
Form 10-Q
April 29, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the quarterly period ended: March 31, 2010
Commission File Number: 1-1063
Dana Holding Corporation
(Exact name of registrant as specified in its charter)

Delaware	26-1531856
(State of incorporation)	(IRS Employer Identification Number)
3939 Technology Drive, Maumee, OH	43537
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (419) 887-3000

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 þ No o

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 (§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 o No o

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

Large accelerated filer o Accelerated filer þ
Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

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 þ No o

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding at April 19, 2010
Common stock, $0.01 par value	139,972,735

DANA HOLDING CORPORATION FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2010
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PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
Dana Holding Corporation
Consolidated Statement of Operations (Unaudited)
(In millions except per share amounts)

	Three Months Ended March 31,	
	2010	**2009**
Net sales	$ 1,508	$ 1,216
Costs and expenses		
Cost of sales	1,368	1,228
Selling, general and administrative expenses	102	80
Amortization of intangibles	15	17
Restructuring charges, net	19	50
Other income (expense), net	(13)	29
Loss before interest, reorganization items and income taxes	(9)	(130)
Interest expense	26	35
Reorganization items		1
Loss before income taxes	(35)	(166)
Income tax benefit	3	9
Equity in earnings of affiliates	2	(3)
Net loss	(30)	(160)
Less: Noncontrolling interests net income (loss)	1	(3)
Net loss attributable to the parent company	(31)	(157)
Preferred stock dividend requirements	8	8
Net loss available to common stockholders	$ (39)	$ (165)
Net loss per share available to parent company stockholders:		
Basic	$ (0.28)	$ (1.64)
Diluted	$ (0.28)	$ (1.64)
Average common shares outstanding		
Basic	140	100
Diluted	140	100

The accompanying notes are an integral part of the consolidated financial statements.

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Dana Holding Corporation

Consolidated Balance Sheet (Unaudited)
(In millions except share and per share amounts)

	March 31, 2010	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	$ 1,026	$ 947
Accounts receivable		
Trade, less allowance for doubtful accounts of $15 in 2010 and $18 in 2009	843	728
Other	155	141
Inventories		
Raw materials	281	300
Work in process and finished goods	335	308
Other current assets	62	59
Current assets held for sale	8	99
Total current assets	2,710	2,582
Goodwill	105	111
Intangibles	410	438
Investments and other assets	238	233
Investments in affiliates	113	112
Property, plant and equipment, net	1,411	1,484
Noncurrent assets held for sale	3	104
Total assets	$ 4,990	$ 5,064
Liabilities and equity		
Current liabilities		
Notes payable, including current portion of long-term debt	$ 43	$ 34
Accounts payable	716	601
Accrued payroll and employee benefits	111	103
Accrued restructuring costs	27	29
Taxes on income	45	40
Other accrued liabilities	291	270
Current liabilities held for sale	3	79
Total current liabilities	1,236	1,156
Long-term debt	898	969
Deferred employee benefits and other noncurrent liabilities	1,133	1,160
Commitments and contingencies (Note 14)		
Total liabilities	3,267	3,285
Parent company stockholders equity		
Preferred stock, 50,000,000 shares authorized		

Series A, $0.01 par value, 2,500,000 issued and outstanding	242	242
Series B, $0.01 par value, 5,400,000 issued and outstanding	529	529
Common stock, $.01 par value, 450,000,000 authorized, 139,934,442 issued and outstanding	1	1
Additional paid-in capital	2,583	2,580
Accumulated deficit	(1,208)	(1,169)
Treasury stock, at cost	(1)	
Accumulated other comprehensive loss	(524)	(504)
Total parent company stockholders equity	1,622	1,679
Noncontrolling interests	101	100
Total equity	1,723	1,779
Total liabilities and equity	$ 4,990	$ 5,064

The accompanying notes are an integral part of the consolidated financial statements.

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Dana Holding Corporation

Consolidated Statement of Cash Flows (Unaudited)
(In millions)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Cash flows operating activities		
Net loss	$ (30)	$ (160)
Depreciation	62	73
Amortization of intangibles	19	21
Amortization of deferred financing charges and original issue discount	8	7
Loss on sale of business	5	
Loss on extinguishment of debt	4	
Deferred income taxes	(11)	(13)
Pension expense in excess of (less than) contributions	5	(1)
Change in working capital	(21)	(112)
Other, net	4	11
Net cash flows provided by (used in) operating activities	45	(174)
Cash flows investing activities		
Purchases of property, plant and equipment	(11)	(30)
Proceeds from sale of businesses and assets	113	
Other	1	
Net cash flows provided by (used in) investing activities	103	(30)
Cash flows financing activities		
Net change in short-term debt	9	(24)
Advance received on corporate facility sale		11
Proceeds from long-term debt	1	
Repayment of long-term debt	(78)	(3)
Dividends paid to noncontrolling interests	(1)	
Other	(1)	2
Net cash flows used in financing activities	(70)	(14)
Net increase (decrease) in cash and cash equivalents	78	(218)
Cash and cash equivalents beginning of period	947	777
Effect of exchange rate changes on cash balances	1	(10)
Cash and cash equivalents end of period	$ 1,026	$ 549

The accompanying notes are an integral part of the consolidated financial statements.

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Notes to Consolidated Financial Statements
(In millions, except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies

General

Dana Holding Corporation (Dana), incorporated in Delaware in 2007, is headquartered in Maumee, Ohio. We are a leading supplier of axle, driveshaft, sealing and thermal management products for global vehicle manufacturers. Our people design and manufacture products for every major vehicle producer in the world.

As a result of Dana Corporation s emergence from Chapter 11 of the U.S. Bankruptcy Code (Chapter 11) on January 31, 2008 (the Effective Date), Dana is the successor registrant to Dana Corporation pursuant to Rule 12g-3 under the Securities Exchange Act of 1934. On the Effective Date, we implemented the Third Amended Joint Plan of Reorganization of Debtors and Debtors in Possession as modified (the Plan) and adopted fresh start accounting.

Summary of Significant Accounting Policies

Basis of presentation Our consolidated financial statements include all subsidiaries in which we have the ability to control operating and financial policies and are consolidated in conformity with accounting principles generally accepted in the United States (U.S. GAAP). All significant intercompany balances and transactions have been eliminated in consolidation. Generally, affiliated companies (20% to 50% ownership) are recorded in the statements using the equity method of accounting and less than 20%-owned companies are included in the financial statements at the cost of our investment. Dividends, royalties and fees from these cost basis affiliates are recorded in income when received.

In the first quarter of 2010, the reporting of our operating segment results was reorganized in line with changes in our management structure and internal reporting. The Sealing and Thermal segments have been combined into the Power Technologies segment. Prior period segment results have been conformed to the current year presentation. See Note 18 for segment results.

Recently Adopted Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued additional guidance regarding new disclosures and clarification of existing disclosures of fair value measurements. This guidance covers significant transfers in and out of Levels 1 and 2 fair value measurements. The guidance also clarified existing disclosures regarding the level of disaggregation and disclosures about inputs and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements.

In June 2009, the FASB issued guidance regarding accounting for transfers of financial assets. The guidance seeks to improve the relevance and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows and a transferor s continuing involvement, if any, in transferred financial assets. The guidance eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria and changes the initial measurement of a transferor s interest in transferred financial assets. The guidance was effective January 1, 2010. The adoption of this guidance did not impact our consolidated financial statements.

In June 2009, the FASB issued additional guidance related to Variable Interest Entities (VIEs) and the determination of whether an entity is a VIE. Companies are required to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a VIE. The guidance requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE, requires enhanced disclosures and eliminates the scope exclusion for qualifying special-purpose entities. We adopted the guidance on January 1, 2010 and it did not impact our consolidated financial statements.

Note 2. Divestitures and Acquisitions

Acquisitions In June 2007, our subsidiary Dana Mauritius Limited (Dana Mauritius) purchased 4% of the registered capital of Dongfeng Dana Axle Co., Ltd. (DDAC), a commercial vehicle axle manufacturer in China formerly known as Dongfeng Axle Co., Ltd., from Dongfeng Motor Co., Ltd. (Dongfeng Motor) and certain of its affiliates for $5. Dana Mauritius agreed, subject to certain conditions, to purchase an additional 46% equity interest in DDAC. Under the terms of the agreement, our additional interest is based on a valuation of the business which would result in an additional investment of $54 to $77. The actual investment could vary significantly from this range in the event that the parties mutually agree that the operating results and prospects of the venture at the expected closing date support a higher valuation of the business.

Divestiture of Structural Products business In December 2009, we signed an agreement to sell substantially all of our Structural Products business to Metalsa S.A. de C.V. (Metalsa), the largest vehicle frame and structures supplier in Mexico. As a result of the sale agreement, we had recorded a $161 charge ($153 net of tax) in December 2009, including an impairment of $150 of the intangible and long-lived assets of the Structures segment and transaction and other expenses associated with the sale of $11 which was recorded in other income (expense), net.

In March 2010, we completed the sale of all but the operations in Venezuela, representing $140 of the $147 total purchase price, and recorded a pre-tax loss of $5 ($3 net of tax) resulting primarily from a $3 negotiated reduction of the purchase price. We received cash proceeds of $113 and recorded a receivable of $27 for the deferred proceeds, including $15 related to an earn-out provision, which we expect to receive in the first quarter of 2011. We recorded an additional receivable of $8 representing recovery of working capital, which we expect to receive in the third quarter of 2010, subject to final agreement with the buyer.

In connection with the sale, leases covering three U.S. facilities were assigned to a U.S. affiliate of Metalsa. Under the terms of the sale agreement, Dana will guarantee the affiliate s performance under the leases, which run through June 2025, including approximately $6 of annual payments. In the event of a required payment by Dana as guarantor, Dana is entitled to pursue full recovery from Metalsa of the amounts paid under the guarantee and to take possession of the leased property.

The sale of our Structural Products business in Venezuela is expected to be completed in the second quarter of 2010.

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The assets and liabilities related to this transaction were reported as held for sale in our consolidated balance sheet and consisted of the following at March 31, 2010 and December 31, 2009.

	March 31, 2010	December 31, 2009
Assets		
Accounts receivable	$ 4	$ 62
Inventories	4	34
Other current assets		3
Current assets held for sale	$ 8	$ 99
Intangibles		16
Investments and other assets		6
Investments in affiliates		17
Property, plant and equipment, net	3	65
Non-current assets held for sale	$ 3	$ 104
Liabilities		
Accounts payable	$ 3	$ 54
Accrued payroll		7
Other accrued liabilities		18
Current liabilities held for sale	$ 3	$ 79

In the consolidated statement of cash flows, we have not segregated the cash flows related to assets and liabilities held for sale.

Note 3. Restructuring of Operations

Restructuring of our manufacturing operations was an essential component of our Chapter 11 reorganization plans and remains a primary focus of management. We continue to eliminate excess capacity by closing and consolidating facilities and repositioning operations in lower cost facilities or those with excess capacity and focusing on reducing and realigning overhead costs. Restructuring expense includes costs associated with current and previously announced actions including various workforce reduction programs, manufacturing footprint optimization actions and other restructuring activities across our global businesses.

During the first quarter of 2009, we continued to implement cost reduction activities initially begun in 2008 in response to adverse economic conditions. As part of the continuation of the voluntary separation program begun in the fourth quarter of 2008, we recorded a $10 charge for severance and related benefit costs for approximately 125 salaried employees, predominantly in the U.S. and Canada, during the first quarter of 2009. We also implemented other employee reduction programs and continued our global business realignment activities, including the closures of our Mississauga, Ontario and McKenzie, Tennessee facilities in our Power Technologies business. Including the $10 associated with the voluntary separation program, these actions resulted in a total charge of $46 for severance and related benefit costs and a global headcount reduction from 29,000 at the end of 2008 to 24,000 as of March 31, 2009. This 24,000 global headcount level was maintained throughout the remainder of 2009. Restructuring charges during the first quarter of 2009 also included $4 of exit costs and long-lived asset impairment costs, including those associated with the previously announced sale of our corporate headquarters.

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In the first quarter of 2010, we announced our plans to consolidate our Heavy Vehicle operations which will result in the closing of the Kalamazoo, Michigan and Statesville, North Carolina facilities. Certain costs associated with this consolidation had been accrued in 2009. We also announced the planned closure of the Yennora, Australia facility in our Light Vehicle Driveline (LVD) business and the associated transfer of certain production activity to other global operations during 2010. Including costs associated with previously announced initiatives, we accrued $19 for these actions during the first quarter of 2010, including $10 of severance and related benefit costs, $6 of exit costs and $3 of long-lived asset impairment costs.

In April 2010, we decided to implement certain additional business realignment and headcount reduction initiatives. Costs associated with these actions will be recorded in the second quarter of 2010 or as the costs are incurred in the future.

Restructuring charges and related payments and adjustments -

	Employee Termination Benefits	Long-lived Asset Impairment	Exit Costs	Total
Balance at December 31, 2009	$ 26	$	$ 3	$ 29
Activity during the period:				
Charges to restructuring	12	3	6	21
Adjustments of accruals	(2)			(2)
Non-cash write-off		(3)		(3)
Cash payments	(11)		(7)	(18)
Balance at March 31, 2010	$ 25	$	$ 2	$ 27

At March 31, 2010, $27 of realignment accruals remained in accrued liabilities, including $25 for the reduction of approximately 900 employees to be completed over the next two years and $2 for lease terminations and other exit costs. The estimated cash expenditures related to these liabilities are projected to approximate $16 in 2010 and $11 thereafter.

Cost to complete The following table provides project-to-date and estimated future expenses for completion of our pending restructuring initiatives for our business segments, including approximately $21 of estimated future expenses for actions approved in April 2010.

	Expense Recognized			Future
	Prior to 2010	Year-to-date 2010	Total to Date	Cost to Complete
LVD	$ 41	$ 12	$ 53	$ 34
Structures	35	1	36	2
Power Technologies	19	2	21	5
Off-Highway	2		2	9
Commercial Vehicle	43	3	46	30
Other		1	1	6
Total	$ 140	$ 19	$ 159	$ 86

The remaining cost to complete includes estimated contractual and noncontractual separation payments, lease continuation costs, equipment transfers and other costs which are required to be recognized as closures are finalized or as incurred during the closure.

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Note 4. Goodwill, Other Intangible Assets and Long-lived Assets

Goodwill We test goodwill for impairment on an annual basis and more frequently if conditions arise that warrant an interim review. The annual impairment tests are performed as of October 31. In assessing the recoverability of goodwill, estimates of fair value are based upon consideration of various valuation methodologies, including projected future cash flows and multiples of current earnings. If these estimates or related projections change in the future, we may be required to record goodwill impairment charges.

Our remaining goodwill balance of $105 at March 31, 2010, which is related to the Off-Highway segment, declined from $111 at December 31, 2009 as a result of foreign exchange translation. In the first quarter of 2009, foreign exchange had decreased the Off-Highway goodwill to $103 from a December 31, 2008 balance of $108.

Other intangible assets Intangible assets include core technology, trademarks and trade names and customer relationships. Core technology includes the proprietary know-how and expertise that is inherent in our products and manufacturing processes. Trademarks and trade names include our trade names related to product lines and the related trademarks including Dana®, Spicer®, Victor-Reinz® and Long®. Customer relationships include the established relationships with our customers and the related ability of these customers to continue to generate future recurring revenue and income.

Structures intangible assets of $16 reported as assets held for sale at December 31, 2009 were retired in the sale of substantially all of the Structural Products business in March 2010.

Components of other intangible assets

	Weighted Average Useful Life (years)	March 31, 2010 Gross Carrying Amount	Accumulated Impairment and Amortization	Net Carrying Amount	December 31, 2009 Gross Carrying Amount	Accumulated Impairment and Amortization	Net Carrying Amount
Amortizable intangible assets							
Core technology	7	$ 94	$ (32)	$ 62	$ 98	$ (31)	$ 67
Trademarks and trade names	17	4	(1)	3	4		4
Customer relationships	8	413	(133)	280	483	(165)	318
Non-amortizable intangible assets							
Trademarks and trade names		65		65	65		65
Less: Assets held for sale					(62)	46	(16)
		$ 576	$ (166)	$ 410	$ 588	$ (150)	$ 438

The net carrying amounts of intangible assets attributable to each of our operating segments at March 31, 2010 were as follows: LVD $22, Power Technologies $52, Commercial Vehicle $183 and Off-Highway $153.

Amortization expense related to intangible assets was $19 and $21 in the quarters ended March 31, 2010 and 2009. Amortization of core technology of $4 in each period was charged to cost of sales and amortization of trademarks and trade names and customer relationships of $15 and $17 was charged to amortization of intangibles.

Estimated aggregate pre-tax amortization expense related to intangible assets for each of the next five years based on March 31, 2010 exchange rates are: remainder of 2010 $47, 2011 $61, 2012 $61, 2013 $61 and 2014 $58. Actual amounts may differ from these estimates due to such factors as currency translation, customer turnover, impairments, additional intangible asset acquisitions and other events.

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Long-lived assets We review long-lived assets for impairment whenever events or changes in circumstances indicate that the assets carrying amounts may not be recoverable. We group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset group is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis or appraisals. At March 31, 2010, we concluded there were no triggering events requiring assessment of impairment of our long-lived assets.

In connection with the planned divestiture of substantially all of the assets of our Structural Products business, we assessed the recoverability of our long-lived assets in the Structures segment in the fourth quarter of 2009. We recorded a charge of $150 to impair this segment s long-lived assets, with $121 related to property, plant and equipment and $29 related to amortizable intangible assets.

Note 5. Capital Stock

Series A and Series B Preferred Stock Dividends on the preferred stock have been accrued from the issue date at a rate of 4% per annum and are payable in cash on a quarterly basis as approved by the Board of Directors. The payment of preferred dividends was suspended in November 2008 under the terms of our Term Facility Credit and Guaranty Agreement as amended on November 21, 2008 (the Amended Term Facility) and was allowed to resume at the discretion of our Board of Directors at the end of 2009 when our total leverage ratio was less than 3.25:1.00. Preferred dividends accrued at March 31, 2010 were $50. In March 2010, our Board authorized the payment of $16 of these preferred dividends in April 2010.

Common Stock As of March 31, 2010, 139,934,442 shares of our common stock are issued and outstanding, net of 178,286 in treasury shares withheld at cost to satisfy tax obligations due upon the payment of stock awards and other taxable distributions of shares.

Note 6. Earnings Per Share

The weighted-average number of shares outstanding for both the basic and diluted earnings per share were 139.5 million and 100.1 million for the three months ended March 31, 2010 and 2009.

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to parent company stockholders, less preferred stock dividend requirements, by the weighted-average numb