

Edgar Filing: JPS INDUSTRIES INC - Form 10-Q

JPS INDUSTRIES INC
Form 10-Q
September 07, 2001

1

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 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 July 28, 2001

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 33-27038

JPS INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|--|
| Delaware | 57-0868166 |
| ----- | ----- |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| 555 North Pleasantburg Drive, Suite 202, Greenville, South Carolina | 29607 |
| ----- | ----- |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number (864) 239-3900

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 X 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 X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 9,284,643 shares of the Company's Common Stock were outstanding as of August 13, 2001.

-1-

2

JPS INDUSTRIES, INC.
INDEX

Edgar Filing: JPS INDUSTRIES INC - Form 10-Q

| | Page Number |
|---|----------------|
| PART I. FINANCIAL INFORMATION | |
| Item 1. Condensed Consolidated Balance Sheets July 28, 2001 (Unaudited) and October 28, 2000..... | 3 |
| Condensed Consolidated Statements of Operations Three Months and Nine Months Ended July 28, 2001 and July 29, 2000 (Unaudited)..... | 4 |
| Condensed Consolidated Statements of Cash Flows Nine Months Ended July 28, 2001 and July 29, 2000 (Unaudited)..... | 5 |
| Notes to Condensed Consolidated Financial Statements (Unaudited).. | 6 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations..... | 9 |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk..... | 11 |
| PART II. OTHER INFORMATION | 12 |

-2-

3

Item 1. Financial Statements

JPS INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)

| | July 28, 2001 ----- (Unaudited) |
|---|--|
| ASSETS | |
| Current assets: | |
| Cash | \$ 1,177 |
| Accounts receivable | 22,321 |
| Inventories (Note 2) | 18,911 |
| Prepaid expenses and other (Note 5) | 3,938 |
| Net assets of discontinued operations (Note 4) | -- |
| Total current assets | ----- 46,347 |
| Property, plant and equipment, net | 44,995 |
| Reorganization value in excess of amounts allocable to identifiable assets | 2,841 |
| Other assets | 19,057 |
| | ----- |

Edgar Filing: JPS INDUSTRIES INC - Form 10-Q

| | | | |
|--|--|------------|-------|
| Total assets | | \$ 113,240 | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | | \$ 9,705 | |
| Accrued interest | | 92 | |
| Accrued salaries, benefits and withholdings | | 2,263 | |
| Other accrued expenses | | 3,662 | |
| Current portion of long-term debt (Note 3 and Note 4) | | 608 | |
| | | ----- | |
| Total current liabilities | | 16,330 | |
| Long-term debt (Note 3 and Note 4) | | 23,706 | |
| Other long-term liabilities | | 18,216 | |
| | | ----- | |
| Total liabilities | | 58,252 | ----- |
| SHAREHOLDERS' EQUITY: | | | |
| Common stock- \$.01 par value; authorized - | | | |
| 22,000,000 shares; issued - 10,000,000 shares; outstanding - | | | |
| 9,282,977 shares in 2001 and 9,732,500 shares in 2000 | | 100 | |
| Additional paid-in capital | | 124,432 | |
| Treasury stock (at cost) - 717,023 in 2001 and | | | |
| 267,500 shares in 2000 | | (2,782) | |
| Accumulated deficit | | (66,762) | |
| | | ----- | |
| Total shareholders' equity | | 54,988 | ----- |
| | | | |
| Total liabilities and shareholders' equity | | \$ 113,240 | ===== |

Note: The condensed consolidated balance sheet at October 28, 2001 has been extracted from the audited financial statements.

See notes to condensed consolidated financial statements.

-3-

4

JPS INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands Except Per Share Data)
(Unaudited)

| | Three Months Ended | | Nine M |
|---------------|--------------------|------------------|------------------|
| | July 28, 2001 | July 29, 2000 | July 28, 2001 |
| | ----- | ----- | ----- |
| Net sales | \$ 34,925 | \$ 43,825 | \$ 113,095 |
| Cost of sales | 28,005 | 32,988 | 88,543 |

Edgar Filing: JPS INDUSTRIES INC - Form 10-Q

| | | | |
|--|-----------|------------|-----------|
| | ----- | ----- | ----- |
| Gross profit | 6,920 | 10,837 | 24,552 |
| Selling, general and administrative expenses | 4,830 | 7,090 | 16,288 |
| Other income, net | 1 | 6 | 1 |
| | ----- | ----- | ----- |
| Operating profit | 2,091 | 3,753 | 8,265 |
| Interest expense | 463 | 836 | 1,948 |
| | ----- | ----- | ----- |
| Income before income taxes and discontinued operations | 1,628 | 2,917 | 6,317 |
| Provision for income taxes | 634 | 953 | 2,460 |
| | ----- | ----- | ----- |
| Income from continuing operations | 994 | 1,964 | 3,857 |
| Loss from discontinued operations | -- | (548) | -- |
| | ----- | ----- | ----- |
| Net income | \$ 994 | \$ 1,416 | \$ 3,857 |
| | ===== | ===== | ===== |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | | | |
| Basic | 9,261,763 | 9,983,750 | 9,357,644 |
| | ===== | ===== | ===== |
| Diluted | 9,537,752 | 10,107,398 | 9,616,722 |
| | ===== | ===== | ===== |
| Basic earnings per common share: | | | |
| Income from continuing operations | \$ 0.11 | \$ 0.19 | \$ 0.41 |
| Discontinued operations, net of taxes: | | | |
| Loss from discontinued operations | -- | (0.05) | -- |
| | ----- | ----- | ----- |
| NET INCOME | \$ 0.11 | \$ 0.14 | \$ 0.41 |
| | ===== | ===== | ===== |
| Diluted earnings per common share: | | | |
| Income from continuing operations | \$ 0.10 | \$ 0.19 | \$ 0.40 |
| Discontinued operations, net of taxes: | | | |
| Loss from discontinued operations | -- | (0.05) | -- |
| | ----- | ----- | ----- |
| NET INCOME | \$ 0.10 | \$ 0.14 | \$ 0.40 |
| | ===== | ===== | ===== |

See notes to condensed consolidated financial statements.

Edgar Filing: JPS INDUSTRIES INC - Form 10-Q

| | Nine Months Ended | |
|---|-------------------|------------------|
| | July 28, 2001 | July 29, 2000 |
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 3,857 | \$ 3,711 |
| | ----- | ----- |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Loss from discontinued operations | -- | 604 |
| Depreciation and amortization | 4,613 | 4,615 |
| Amortization of deferred financing costs | 235 | 391 |
| Deferred income tax provision (benefit) | 2,460 | 4,048 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 5,319 | (666) |
| Inventories | (328) | 1,032 |
| Prepaid expenses and other assets | 595 | (1,251) |
| Accounts payable | (3,598) | (426) |
| Accrued expenses and other liabilities | (6,442) | 1,914 |
| Other, net | 408 | (4,178) |
| | ----- | ----- |
| Total adjustments | 3,262 | 6,083 |
| | ----- | ----- |
| Net cash provided by continuing operating activities | 7,119 | 9,794 |
| Net cash from discontinued operations | -- | 12,461 |
| | ----- | ----- |
| Net cash provided by operating activities | 7,119 | 22,255 |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Property and equipment additions | (5,735) | (1,673) |
| Proceeds from assets held for sale | 27,539 | -- |
| | ----- | ----- |
| Net cash provided by (used in) investing activities | 21,804 | (1,673) |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Financing costs incurred | (197) | -- |
| Purchase of treasury stock | (2,104) | (133) |
| Net proceeds from exercise of stock options | 490 | -- |
| Revolving credit facility borrowings (repayments), net | (27,287) | (19,110) |
| Repayment of other long-term debt | (864) | (689) |
| | ----- | ----- |
| Net cash used in financing activities | (29,962) | (19,932) |
| | ----- | ----- |
| NET INCREASE (DECREASE) IN CASH | (1,039) | 650 |
| CASH AT BEGINNING OF PERIOD | 2,216 | 427 |
| | ----- | ----- |
| CASH AT END OF PERIOD | \$ 1,177 | \$ 1,077 |
| | ===== | ===== |
| SUPPLEMENTAL INFORMATION ON CASH FLOWS | | |
| FROM CONTINUING OPERATIONS: | | |
| Cash interest paid | \$ 1,714 | \$ 4,765 |
| Cash income taxes paid, net | 477 | 269 |

Edgar Filing: JPS INDUSTRIES INC - Form 10-Q

See notes to consolidated financial statements.

-5-

6

JPS INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

Unless the context otherwise requires, the terms "JPS" and the "Company" as used in these condensed consolidated financial statements mean JPS Industries, Inc. and JPS Industries, Inc. together with its subsidiaries, respectively.

The Company has prepared, without audit, the interim condensed consolidated financial statements and related notes. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at July 28, 2001 and for all periods presented have been made.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 2000 ("Fiscal 2000"). The results of operations for the interim period are not necessarily indicative of the operating results for the full year. Certain amounts have been reclassified to conform to the current presentation, including amounts related to the sale of the Company's Apparel Division on November 17, 2000.

2. Inventories (in thousands):

| | July 28, 2001 | October 28, 2000 |
|----------------------------|------------------|---------------------|
| Raw materials and supplies | \$ 3,901 | \$ 5,796 |
| Work-in-process | 4,999 | 5,135 |
| Finished goods | 10,011 | 7,652 |
| Total | \$18,911 | \$18,583 |

3. Long-Term Debt (in thousands):

Edgar Filing: JPS INDUSTRIES INC - Form 10-Q

| | July 28, 2001 ----- | October 28, 2000 ----- |
|--|---------------------------|------------------------------|
| Senior credit facility, revolving line of credit | \$ 21,011 | \$ 48,000 |
| Equipment financing | -- | 736 |
| Capital lease obligation | 3,303 | 3,729 |
| | ----- | ----- |
| Total | 24,314 | 52,465 |
| Less current portion | (608) | (936) |
| | ----- | ----- |
| Long-term portion | \$ 23,706 | \$ 51,529 |
| | ===== | ===== |

On May 9, 2001, the Company replaced the existing syndicated senior revolving credit facility with a new Revolving Credit and Security Agreement with First Union National Bank. The new facility provides for a revolving credit loan facility and letters of credit ("the Revolving Credit Facility") in a

-6-

7

maximum principal amount equal to the lesser of (a) \$35 million or (b) a specified borrowing base (the "Borrowing Base"), which is based upon eligible receivables, eligible inventory, and a specified dollar amount (currently \$10,000,000 subject to reduction). The Revolving Credit Facility restricts investments, acquisitions, and dividends. The Credit Agreement contains financial covenants relating to minimum levels of net worth, as defined, and a minimum debt to EBITDA ratio, as defined. The Company is currently in compliance with all of the restrictions and covenants of its new Revolving Credit Facility. All loans outstanding under the Revolving Credit Facility bear interest at the 30-day LIBOR rate plus an applicable margin (the "Applicable Margin") based upon the Company's debt to EBITDA ratio. As of July 28, 2001, the Company's effective interest rate was 5.0%, and it had approximately \$14 million available for borrowing under the Revolving Credit Facility.

4. Discontinued Operations

Apparel Fabric Business - On November 17, 2000, the Company sold the assets of its greige apparel fabric business which included three manufacturing facilities in South Boston, Virginia; Greenville, South Carolina; and Laurens, South Carolina; and administrative offices in Greenville, South Carolina, New York and Los Angeles, thereby exiting its apparel business. The business accounted for sales of \$90.1 million and operating income of \$2.4 million in the Nine Months Ended July 29, 2000. The consideration for the sale consisted of approximately \$27.5 million in cash and future consideration in the form of an earn-out based on earnings before interest, depreciation and amortization, as defined, for the 24-month period following the transaction plus certain assumed liabilities. The Company has accounted for the results of the Apparel Fabric Business as a discontinued operation and a charge for loss on disposal of discontinued operations of \$47.4 million was recorded in Fiscal 2000 related primarily to the writedown of disposed plant assets and related Reorganization Value to realizable value and other exit costs. The net proceeds from the sale of \$26.2 million were used to reduce the Company's outstanding indebtedness on its Revolving

Edgar Filing: JPS INDUSTRIES INC - Form 10-Q

Credit Facility which was amended in connection with the transaction to reflect the Company's lower borrowing requirements.

5. Contingencies

At July 28, 2001, the Company had net operating loss carryforwards for regular federal income tax purposes of approximately \$85.0 million (subject to adjustment by the Internal Revenue Service). The net operating loss carryforwards expire in years 2003 through 2021. The Company also has federal alternative minimum tax net operating loss carryforwards of approximately \$104.5 million (subject to adjustment) which expire in 2004 through 2021. In addition, the Company has alternative minimum tax credits of approximately \$1.8 million that can be carried forward indefinitely and used as a credit against regular federal taxes, subject to limitation. The increase in net operating loss carryforwards from year end results primarily from the sale of the Apparel Division which was recorded in the first quarter for tax purposes.

The Company's ability to utilize its net operating loss carryforwards is limited under the income tax laws as a result of a change in the ownership of the Company's stock. The effect of such ownership change is to limit the annual utilization of the net operating loss carryforwards to an amount equal to the value of the Company immediately after the time of the change (subject to certain adjustments) multiplied by the Federal long-term tax exempt rate. Due to the Company's operating history, it is uncertain that it will be able to utilize all deferred tax assets. Therefore, a valuation allowance of approximately \$29.2 million has been provided.

-7-

8

The Company is exposed to a number of asserted and unasserted potential claims encountered in the normal course of business including certain asbestos-based claims. Except as discussed below, management believes that none of this litigation, if determined unfavorable to the Company, would have a material adverse effect on the financial condition or results of operations of the Company.

In June 1997, Sears Roebuck and Co. ("Sears") filed a multi-count complaint against JPS Elastomerics Corp. ("Elastomerics"), a wholly-owned subsidiary of JPS, and two other defendants alleging an unspecified amount of damages in connection with the alleged premature deterioration of the Company's roofing membrane installed on approximately 150 Sears stores. No trial date has been established. The Company believes it has meritorious defenses to the claims and intends to defend the lawsuit vigorously. Management, however, cannot determine the outcome of the lawsuit or estimate the range of loss, if any, that may occur. Accordingly, no provision has been made for any loss which may result. An unfavorable resolution of the actions could have a material adverse effect on the business, results of operations or financial condition of the Company.

6. Business Segments

The Company's reportable segments are JPS Elastomerics and JPS Glass. The reportable segments were determined using the Company's method of internal reporting, which divides and analyzes the business by the nature of the products manufactured and sold, the customer base,

Edgar Filing: JPS INDUSTRIES INC - Form 10-Q

manufacturing process, and method of distribution. The Elastomerics segment principally manufactures and markets extruded products including high performance roofing products, environmental geomembranes, and various polyurethane products. The Glass segment produces and markets specialty substrates mechanically formed from fiberglass and other specialty synthetics for a variety of applications such as printed circuit boards, filtration, advanced composites, building products, defense, and aerospace.

The Company evaluates the performance of its reportable segments and allocates resources principally based on the segment's operating profit, defined as earnings before interest and taxes. Indirect corporate expenses allocated to each business segment are based on management's analysis of the costs attributable to each segment. The following table presents certain information regarding the business segments (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------------|-------------------|--------------|
| | July 28, 2001 | July 29, 2000 | July 28, 2001 | July 2000 |
| Net sales: | | | | |
| Elastomerics | \$ 19,913 | \$ 22,403 | \$ 60,729 | \$ 61, |
| Glass | 15,012 | 22,866 | 52,366 | 62, |
| | 34,925 | 45,269 | 113,095 | 124, |
| Less intersegment sales(1) | -- | (1,444) | -- | (4, |
| Net sales | \$ 34,925 | \$ 43,825 | \$ 113,095 | \$ 120, |
| Operating profit(2): | | | | |
| Elastomerics | \$ 1,043 | \$ 1,825 | \$ 3,235 | \$ 5, |
| Glass | 1,048 | 1,928 | 5,030 | 4, |
| Operating profit | 2,091 | 3,753 | 8,265 | 9, |
| Interest expense | 463 | 836 | 1,948 | 2, |
| Income before income taxes and discontinued operations | \$ 1,628 | \$ 2,917 | \$ 6,317 | \$ 7, |

-8-

9

| | July 28, 2001 | October 28, 2000 |
|----------------------|------------------|---------------------|
| Identifiable assets: | | |
| Elastomerics | \$ 55,624 | \$ 74,801 |
| Glass | 57,616 | 74,569 |
| Eliminations | -- | (1,128) |
| Total assets | \$ 113,240 | \$ 148,242 |

Edgar Filing: JPS INDUSTRIES INC - Form 10-Q

- (1) Intersegment sales consist primarily of the transfer of certain scrim products manufactured by the Glass segment to the Elastomerics segment and were discontinued in Fiscal 2000. All intersegment revenues and profits are eliminated in the accompanying condensed consolidated financial statements.
- (2) The operating profit of each business segment includes a proportionate share of indirect corporate expenses. The Company's corporate group is responsible for finance, strategic planning, legal, tax, and regulatory affairs for the business segments. Such expense consists primarily of salaries and employee benefits, professional fees, and amortization of Reorganization Value.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The statements contained in this quarterly report on Form 10-Q that are not historical facts are forward-looking statements subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. The Company cautions readers of this quarterly report on Form 10-Q that a number of important factors could cause the Company's actual results in Fiscal 2001 and beyond to differ materially from those expressed in any such forward-looking statements. These factors include, without limitation, the general economic and business conditions affecting manufacturing businesses, actions of a variety of domestic and foreign competitors, changes in demand in the primary markets of JPS, the seasonality of the Company's sales, changes in the Company's costs of claims, raw materials and energy, and the Company's dependence on key personnel.

The following should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing in the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 2000.

RESULTS OF OPERATIONS

Introduction

The Company has repositioned itself from one that was largely textile-oriented to a diversified manufacturing and marketing company that is focused on a broad array of industrial applications. On November 17, 2000, the Company sold its Apparel Division, thereby completely exiting the textile business. The Company is now focusing solely on improving the performance and profitability of its remaining core businesses: JPS Elastomerics and JPS Glass.

Three Months Ended July 28, 2001 (the "2001 Third Quarter") Compared to the Three Months Ended July 29, 2000 (the "2000 Third Quarter")

Consolidated net sales decreased \$8.9 million, or 20.3%, from \$43.8 million in the 2000 third quarter to \$34.9 million in the 2001 third quarter. Operating profit decreased \$1.7 million from an operating profit of \$3.8 million in the 2000 third quarter to an operating profit of \$2.1 million in the 2001 third quarter.

-9-

10

Net sales in the 2001 third quarter in the Elastomerics segment, which includes single-ply roofing, environmental membrane, and extruded urethane products, decreased \$2.5 million, or 11.1%, from \$22.4 million in the 2000 third quarter to \$19.9 million in the 2001 third quarter. This decrease is primarily attributable to lower product demand as a result of the general economic

Edgar Filing: JPS INDUSTRIES INC - Form 10-Q

slowdown.

Operating profit for the Elastomerics segment decreased \$0.8 million from \$1.8 million in the 2000 third quarter to \$1.0 million in the 2001 third quarter. The decrease is due to lower contribution from sales and higher manufacturing, utility, and insurance costs.

Net sales in the Glass segment, which includes mechanically-formed substrates constructed of synthetics and fiberglass for electronic components, construction products, aerospace components, industrial insulation, and filtration applications decreased \$7.9 million, or 34.3%, from \$22.9 million in the 2000 third quarter to \$15.0 million in the 2001 third quarter. The decrease resulted from dramatically lower demand levels for the Company's electronic substrate products partially offset by stronger demand for some of the Company's other industrial products.

Operating profit for the Glass segment decreased \$0.9 million from \$1.9 million in the 2000 third quarter to \$1.0 million in the 2001 third quarter. This decrease reflects lower contribution from sales and higher manufacturing, utility, and insurance costs.

Interest expense in the 2001 third quarter was \$0.4 million less than the 2000 third quarter as a result of lower debt levels and interest rates.

Nine Months Ended July 28, 2001 (the "2001 Nine-Month Period") Compared to the Nine Months Ended July 29, 2000 (the "2000 Nine-Month Period")

Consolidated net sales decreased \$6.9 million, or 5.8%, from \$120.0 million in the 2000 nine-month period to \$113.1 million in the 2001 nine-month period. Operating profit decreased \$1.5 million from \$9.8 million in the 2000 nine-month period to \$8.3 million in the 2001 nine-month period.

Net sales in the 2001 nine-month period in the Elastomerics segment decreased \$0.7 million, or 1.2%, from \$61.4 million in the 2000 nine-month period to \$60.7 million in the 2001 nine-month period. This decrease is primarily attributable to lower product demand as a result of the general economic slowdown beginning in the third quarter.

Operating profit for the Elastomerics segment decreased \$2.1 million from \$5.3 million in the 2000 nine-month period to \$3.2 million in the 2001 nine-month period. This decrease is due to lower contribution from sales and higher manufacturing, utility, and insurance costs.

Net sales in the Glass segment decreased \$10.3 million, or 16.4%, from \$62.7 million in the 2000 nine-month period to \$52.4 million in the 2001 nine-month period. The decrease is primarily attributable to lower demand for the Company's electronic substrate products.

Operating profit for the Glass segment increased \$0.5 million from \$4.5 million in the 2000 nine-month period to \$5.0 million in the 2001 nine-month period as a result of cost reduction efforts, quality enhancements, and improved operating efficiencies offsetting lower contribution from sales and higher insurance and utility costs.

Interest expense in the 2001 nine-month period was \$1.9 million compared to \$2.5 million in the 2000 nine-month period, reflecting lower debt levels and interest rates.

Edgar Filing: JPS INDUSTRIES INC - Form 10-Q

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of liquidity for operations and expansion are funds generated internally and borrowings under its Revolving Credit Facility. See Note 3 for additional discussion of the revolving credit facility.

Year to date for 2001, cash provided by operating activities was \$7.1 million. Working capital, excluding assets held for sale, at October 28, 2000 was \$28.7 million compared with \$30.0 million at July 28, 2001. Accounts receivable decreased by \$5.3 million from October 28, 2000 to July 28, 2001 due to timing and sales levels. Inventories increased \$0.3 million from October 28, 2000 to July 28, 2001. Accounts payable and accrued expenses decreased by \$10.0 million from October 28, 2000 to July 28, 2001 as a result of payment of Fiscal 2000 Incentive Compensation and lower general payables.

The principal uses of cash in 2001 were for capital expenditures of \$5.7 million to upgrade the Company's manufacturing operations and the repayment of long-term debt of approximately \$28.2 million. The Company also used \$2.1 million to repurchase outstanding shares of its common stock. On November 17, 2000, the Company received approximately \$27.5 million in proceeds from the sale of its Apparel division as discussed under the caption "Fiscal 2000 Compared With Fiscal 1999" in the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 2000. Such funds were used to reduce the Company's outstanding indebtedness under its Revolving Credit Facility and certain equipment loans. The Company anticipates that its total capital expenditures in Fiscal 2001 will be approximately \$6 million and expects such amounts to be funded by cash from operations and bank financing sources.

Based upon the ability to generate working capital through its operations and its new Revolving Credit Facility, the Company believes that it has the financial resources necessary to pay its capital obligations and implement its business plan.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk. The Company has exposure to interest rate changes primarily relating to interest rate changes under its Revolving Credit Facility. The Company's Revolving Credit Facility bears interest at rates which vary with changes in the London Interbank Offered Rate (LIBOR). The Company does not speculate on the future direction of interest rates. Currently, all of the Company's debt bears interest at the 30-day LIBOR rate plus an applicable margin based upon the Company's debt to EBITDA ratio. The Company believes that the effect, if any, of reasonably possible near-term changes in interest rates on the Company's consolidated financial position, results of operations, or cash flows would not be material.

Raw material price risk. A portion of the Company's raw materials are commodities and are, therefore, subject to price volatility caused by weather, production problems, delivery difficulties, and other factors which are outside the control of the Company. In most cases, essential raw materials are available from several sources. For several raw materials, however, branded goods or other circumstances may prevent such diversification and an interruption of the supply of these raw materials could have a significant impact on the Company's ability to produce certain products. The Company has established long-term relationships with key suppliers and may enter into purchase contracts or commitments of one year or less for certain raw materials. Such agreements generally include a pricing schedule for the period covered by the contract or commitment. The Company believes that any changes in raw material pricing, which cannot be adjusted for by changes in its product pricing or other strategies, would not be significant.

Edgar Filing: JPS INDUSTRIES INC - Form 10-Q

-11-

12

JPS INDUSTRIES, INC.

PART II - OTHER INFORMATION

Item

- | | | |
|----|---|------|
| 1. | Legal Proceedings | None |
| 2. | Changes in Securities | None |
| 3. | Defaults Upon Senior Securities | None |
| 4. | Submission of Matters to a Vote of Stockholders | None |
| 5. | Other Information | None |
| 6. | Exhibits and Reports on Form 8-K: | |

(a) Exhibits:

- (11) Statement re: Computation of Per Share Earnings - not required since such computation can be clearly determined from the material contained herein.

(b) Current Reports on Form 8-K:

- (i) No reports on Form 8-K were filed for the Third Quarter ended July 28, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JPS INDUSTRIES, INC.

Date: September 7, 2001

/s/ Charles R. Tutterow

Charles R. Tutterow
Executive Vice President, Chief Financial
Officer and Secretary

-12-