

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FILER

FIRST MISSISSIPPI CORP

CIK: **36537** | IRS No.: **640354930** | State of Incorporation: **MS** | Fiscal Year End: **0630**
Type: **10-Q** | Act: **34** | File No.: **001-07488** | Film No.: **96663111**
SIC: **2870** Agricultural chemicals

Mailing Address

700 NORTH ST PO BOX 1249
JACKSON MS 39202

Business Address

700 NORTH ST/PO BOX 1249
JACKSON MS 39215
6019487550

FORM 10-Q

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Quarter Ended September 30, 1996

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: 1-7488

First Mississippi Corporation

(Exact name of registrant as specified in its charter)

Mississippi

64-0354930

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

700 North Street, Jackson, MS

39202-3095

(Address of principal executive offices)

(Zip Code)

Registrant's Telephone Number, including Area Code: 601/948-7550

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
----- -----

Class

Outstanding at October 31, 1996

Common Stock, \$1 Par Value

20,621,736

Item 1. Financial Statements

First Mississippi Corporation
Consolidated Balance Sheets (Unaudited)
(In Thousands of Dollars)

<TABLE>
<CAPTION>

	Sept. 30 1996	June 30 1996
	-----	-----
<S>	<C>	<C>
Assets:		
Current assets		
Cash and short-term investments	\$ 11,268	5,303
Accounts receivable	93,542	88,574
Inventories:		
Finished products	28,510	25,822
Work in process	24,904	28,494
Raw materials and supplies	24,996	22,047
	-----	-----
Total inventories	78,410	76,363
	-----	-----
Prepaid expenses and other current assets	10,372	10,864
	-----	-----
Total current assets	193,592	181,104
	-----	-----
Investments and other assets	76,955	76,380
Property, plant and equipment	363,864	347,530
Less: accumulated depreciation, depletion and amortization	172,877	167,706
	-----	-----
	190,987	179,824
	-----	-----
	\$ 461,534	437,308
	=====	=====
Liabilities and Stockholders' Equity:		
Current liabilities		
Current instalments of long-term debt	\$ 14,426	14,534
Deferred revenue	4,560	2,097
Accounts payable	57,052	50,629
Accrued expenses and other current liabilities	30,388	26,244
Net current liabilities of discontinued operations	724	682
	-----	-----
Total current liabilities	107,150	94,186
	-----	-----
Long-term debt	76,732	79,909
Deferred revenue and other liabilities	14,254	13,864
Deferred taxes	21,190	19,082
Stockholders' equity:		
Common stock	20,614	20,614
Additional paid-in capital	15,446	14,234
Retained earnings	206,148	195,419
	-----	-----
Total stockholders' equity	242,208	230,267
	-----	-----
	\$ 461,534	437,308
	=====	=====

</TABLE>

The accompanying notes are an integral part of these financial statements.

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First Mississippi Corporation
 Consolidated Statements of Operations (Unaudited)
 (In Thousands of Dollars and Shares, Except Per Share Amounts)

<TABLE>
 <CAPTION>

	3 Months ended Sept. 30	
	1996	1995
<S>	<C>	<C>
Revenues:		
Sales	\$ 154,207	142,230
Interest and other income	4,291	2,368
	-----	-----
	158,498	144,598
	-----	-----
Costs and expenses:		
Cost of sales	118,214	102,627
General, selling and administrative expenses	16,634	16,039
Other operating expenses	1,353	1,643
Interest expense	1,766	2,369
	-----	-----
	137,967	122,678
	-----	-----
Earnings before income taxes	20,531	21,920
Income tax expense	8,000	8,550
Equity in net earnings of equity investees	258	193
	-----	-----
Earnings from continuing operations	\$ 12,789	13,563
Earnings (loss) from discontinued operations, net	-	(1,083)
	-----	-----
Net earnings	\$ 12,789	12,480
	=====	=====
Earnings (loss) per common share:		
Continuing operations	\$ 0.61	0.64
Discontinued operations	-	(0.05)
	-----	-----
Earnings per common share	\$ 0.61	0.59
	=====	=====
Average shares outstanding	20,894	21,048
Cash dividend declared per share	\$ 0.1000	0.1000

</TABLE>

The accompanying notes are an integral part of these financial statements.

First Mississippi Corporation
Consolidated Statements of Cash Flows (Unaudited)
(In Thousands of Dollars)

<TABLE>
<CAPTION>

	Sept. 30	
	1996	1995
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings	\$ 12,789	12,480
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	5,541	5,618
Deferred taxes and other items	2,153	1,020
Change in current assets and liabilities, net of effects of dispositions	7,064	6,045
Net loss of discontinued operations	-	1,083
	-----	-----
Net cash provided by operating activities	27,547	26,246
Net cash provided by (used in) discontinued operations	2	(2,973)
	-----	-----
Net cash provided by operations	27,549	23,273
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(16,216)	(4,783)
Investment in equity investees, net	-	(3,664)
Other investing activities	(21)	92
	-----	-----
Net cash used in investing activities of continuing operations	(16,237)	(8,355)
Net cash used in investing activities of discontinued operations	-	(3,176)
	-----	-----
Net cash used in investing activities	(16,237)	(11,531)
	-----	-----
Cash flows from financing activities:		
Principal repayments of long-term debt	(3,286)	(270)
Dividends	(2,061)	(2,057)
Proceeds from issuance of common stock	-	1,302
	-----	-----
Net cash used in financing activities	(5,347)	(1,025)
	-----	-----
Net increase in cash and cash equivalents	5,965	10,717
Cash and cash equivalents at beginning of period	5,303	40,523
	-----	-----
Cash and cash equivalents at end of period	\$ 11,268	51,240
	=====	=====
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest , net of amounts capitalized	\$ 1,776	2,658
	=====	=====
Income taxes (refunds), net	\$ (4,845)	99
	=====	=====

</TABLE>

The accompanying notes are an integral part of these financial statements.

First Mississippi Corporation and Consolidated Subsidiaries
 Notes to Consolidated Financial Statements
 (Unaudited. In Thousands of Dollars)

NOTE 1 - GENERAL

The financial statements included herein are unaudited and have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements reflect all adjustments (of a normal and recurring nature) which are necessary to present fairly the financial position, results of operations and cash flows for the interim periods. These financial statements should be read in conjunction with the Annual Report of the Company and Form 10-K for the year ended June 30, 1996.

NOTE 2 - DISCONTINUED OPERATIONS

On September 24, 1995, the board of directors of First Mississippi Corporation ("the Company") approved the distribution of its 14,750,000 common shares of Getchell Gold Corporation to its shareholders through a spinoff. The distribution occurred October 20, 1995.

The revenues and net loss of these discontinued operations for the three months ended September 30, 1995, were as follows:

<TABLE>

<CAPTION>

	3 Months Ended September 30 1995 -----
<S>	<C>
Revenues	\$ 17,961 =====
Loss before taxes	(2,118)
Income tax benefit	750
Minority interest	285 -----
Loss from discontinued operations, net	\$ (1,083) =====

</TABLE>

NOTE 3 - DISPOSITION OF FERTILIZER ASSETS

On August 27, 1996, the Company entered into a definitive merger agreement with Mississippi Chemical Corporation ("MCC"), under which MCC will acquire all the fertilizer interests of the Company. The transaction will occur

in two steps: first, the spinoff to the Company's shareholders of the Company's chemicals and other non-fertilizer businesses in the form of a new publicly traded company named ChemFirst Inc.; and second, the merger of the Company's fertilizer operations with a subsidiary of MCC. The spinoff and the merger are intended to be tax free. In the merger, the Company's stockholders will receive, subject to some adjustment, approximately 6.9 million shares of MCC stock, or 0.335 shares of MCC stock for each share of the Company's stock. Just prior to closing the Company's debt will be refinanced and increased to approximately \$150,000. An estimated loss of approximately \$6,000 will be incurred in the refinancing. After this refinancing and the payment of certain expenses, cash on hand, currently estimated at approximately \$50,000, will be transferred to the company to be spun-off, which will be essentially debt free when spun off. The transaction is subject to, among other things, approval by the stockholders of both the Company and MCC.

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

During the fourth quarter of 1996, the Company recorded \$13,191 in asset write-downs and \$5,065 in accruals related to the closure of aluminum dross processing operations. Through September 30, 1996, the Company had recorded \$1,941 in cash costs against this reserve, including \$1,312 to meet contractual obligations, \$322 for severance and \$307 in other costs.

In September 1996, the Company executed a letter of intent for the sale of substantially all of Plasma Processing Corporation's ("PPC") assets. The letter of intent expired on November 1, 1996; however, the Company continues to negotiate with the party to the letter of intent. Assets that are not part of this transaction will be liquidated by the Company. Based on the status of current negotiations, the Company does not anticipate any material gain or loss related to these dispositions. The book value of PPC's net assets at September 30, 1996, was \$4,900.

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Item 2. Management's Discussion and Analysis of Operations

Results of Operations

Three months ended September 30, 1996 compared to the three months ended September 30, 1995

CONSOLIDATED RESULTS

Earnings from continuing operations for the three months ended September 30, 1996, were down 6% versus the same period last year, despite an 8% increase in sales, as the gross margin percentage declined from 28% to 23% due to lower fertilizer unit margins. Prior year results of discontinued gold operations were a net loss of \$1,083.

SEGMENT OPERATIONS

First Mississippi Corporation
Industry Segment Information
(In Thousands of Dollars)

<TABLE>
<CAPTION>

3 Months Ended
September 30

	1996	1995
	-----	-----
<S>	<C>	<C>
Sales		
Chemicals	\$ 64,351	54,344
Fertilizer	58,775	53,485
Combustion, Thermal Plasma and Other	31,081	34,401
	-----	-----
Total	154,207	142,230
	=====	=====
Operating profit (loss) before income taxes		
Chemicals	12,881	10,457
Fertilizer	14,020	18,662
Combustion, Thermal Plasma and Other	(937)	(802)
	-----	-----
	25,964	28,317
Unallocated corporate expenses	(4,136)	(5,685)
Interest income (expense), net	(1,257)	(685)
Other income (expense), net	(40)	(27)
	-----	-----
Total	\$ 20,531	21,920
	=====	=====

</TABLE>

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Chemicals pretax operating results were up 23% over the same period in the prior year due to license proceeds from an electronic chemicals competitor and an 18% increase in sales. Sales grew on increased aniline, custom manufacturing and HDA(TM)- based electronic chemicals volume.

Fertilizer pretax operating profits were down 25% on higher production cost and lower average fertilizer prices. Production cost increased on a 52% increase in natural gas cost. Sales rose 10%, despite the lower prices, on a 19% increase in volume due to higher brokerage sales and increased AMPRO ammonia production, which was up 20% over last year due to a 15-day outage last year.

Combustion, Thermal Plasma and Other pretax operating losses increased slightly as lower Steel and Combustion results more than offset the elimination of aluminum dross processing losses following the shutdown of operations in the fourth quarter of the prior year. Sales decreased 10% on lower Steel and Thermal Plasma volume.

Unallocated corporate expenses were down 27%, primarily due to last year's higher long-term incentives tied to stock price appreciation. Net interest expense increased over the prior year due to lower interest income.

CAPITAL RESOURCES AND LIQUIDITY

Cash flow from operations for the three months ended September 30, 1996, was up 18% over the same period in the prior year which included cash used in discontinued gold operations. Investing activities increased over the prior year due to an \$8,400 increase in Chemicals capital expenditures. Financing activities in the current year included a \$3,000 reduction in borrowings under the Company's long-term revolving credit facility.

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Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 27 - Financial Data Schedules

(b) Reports on Form 8-K

Registrant filed a current Report on Form 8-K on September 9, 1996, regarding the definitive merger agreement of its fertilizer operations with Mississippi Chemical Corporation.

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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.

FIRST MISSISSIPPI CORPORATION

/s/ J. Kelley Williams

Date

J. Kelley Williams
Chairman and Chief Executive Officer

/s/ R. Michael Summerford

Date

R. Michael Summerford
Vice President & Chief Financial Officer

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EXHIBIT INDEX

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