

DealB%k

Seeing a Future in Flatware

Oneida's New Owner, A Private Equity Firm, Plans an Expansion

By KEVIN ROOSE

ONEIDA, N.Y.
Some local residents, when eating out, instinctively turn their utensils upside-down to look for a telltale sign: the word "Oneida," stamped into the back of the handle.

The "Oneida flip," as it's called, is a ritual carried over from an era when Oneida Ltd., the company headquartered here, dominated the global market in flatware, setting tables all over the world with its stainless steel forks, spoons and knives. In recent years, the ritual became a painful reminder of the company's troubles.

Once an economic engine of upstate New York and one of the region's largest employers, Oneida no longer makes flatware in the area. Like so many industrial players across the country, the company has struggled to compete with a flood of low-cost foreign manufacturers. As sales evaporated, factories were shut down. Retail stores were closed. And jobs were shipped overseas.

But a funny thing happened on the way to Oneida's demise. Wall Street — an industry that has been accused of destroying jobs and stripping businesses for parts — decided the company had long-term potential.

In November, Monomoy Capital Partners, a private equity firm, bought Oneida from a group of hedge funds. The new owner wants to expand, rather than decimate its operations. It is a simple but lofty goal for a company that has been slowly recovering since its bankruptcy in 2006.

"This is a meaningful investment for us," said Daniel Collin, the Monomoy partner who led the deal to acquire Oneida. "After years of being undercapitalized, Oneida finally has a partner willing to invest in its future."

How a 132-year-old flatware com-



HEATHER AINSWORTH FOR THE NEW YORK TIMES

The Oneida trademark.

pany ended up in the hands of a Manhattan private equity firm illustrates the woes of American manufacturing — and possibly, a way to improve its fortunes.

Last year, buyout shops bought 361 industrial companies, with many deals under \$150 million, like the Oneida deal, according to Preqin, a research firm.

Monomoy, which has just 20 employees and manages a relatively small \$700 million in assets, has specialized in acquiring small- to medium-size businesses that might seem antiquated to other buyout firms. Among the companies in its portfolio are Steel Parts Manufacturing, which produces clutch plates used in auto-

matic transmission cars, and Awrey Bakeries, a 102-year-old company that makes frozen brownies, cakes and other desserts.

"A lot of times, these boring, stodgy businesses can generate consistent cash flow, and that's important to a private equity buyer," said Eric Holowaty, an equity research analyst with Stephens Inc. "I don't think many private equity firms are going to be motivated by saving an age-old brand if they don't think they can make a handsome return."

While Oneida's flatware business may be traditional, its history is anything but. The company traces its roots to the Oneida Community, a utopian commune started in 1848 by

an eclectic religious leader named John Humphrey Noyes. In a sprawling mansion on Kenwood Avenue, Mr. Noyes and his followers, known as Perfectionists, practiced a radical lifestyle that involved communal child-rearing, a free-love arrangement known as “complex marriage” and a rule, called “coitus reservatus,” that prohibited men from ejaculating during sex.

While the group disbanded in 1880, its entrepreneurial spirit lived on in Oneida Ltd., which grew from a manufacturing corporation formed by ex-Community members into a global behemoth. Its former ticker symbol on the New York Stock Exchange, OCQ, stood for “Oneida Community Quality.”

A third of Oneida’s roughly 450 employees still work at the company’s headquarters, a four-story granite building that stands across the street from the original Oneida Community house and doubles as a kind of living museum. Oneida advertisements from Life magazine and the Saturday Evening Post in the 1960s, some featuring then-spokesman Bob Hope, dot the walls of the office. A row of unused Kodak Carousels sits on a shelf outside the company’s in-house darkroom, long ago abandoned for a digital photography studio. Down the hall, a small group of model-makers hammers out prototypes by hand.

“We still do it the old-fashioned way,” said Paul E. Gebhardt, Oneida’s senior vice president of design, who is also the great-great-grandson of John Humphrey Noyes, the founder of the Oneida Community.

Oneida’s financial problems were decidedly modern, and echoed the issues faced by companies in cities like Detroit and Pittsburgh. Starting in the 1990s, the company began to feel the heat of foreign competitors, who could produce utensils for a fraction of the price of American manufacturers. The attacks of Sept. 11, 2001, further hurt business, after the metal forks and knives Oneida supplied to airlines were banned on flights.

As its sales fell, Oneida hemorrhaged money — more than \$157 million between January 2003 and October 2005 — and was forced to stop making flatware and close several facilities in Oneida and the surrounding cities, where the company had employed about 2,500 people at its peak. By 2006, the situation at the company, which in better times had been well-off enough to sponsor Little League teams, the golf course and other local activities, had become so dire that filing for Chapter 11 was the only option.

“Oneida tried to hang onto its manufacturing facilities as long as it could,” said James E. Joseph, Oneida’s outgoing chief executive, who is stepping down this year as part of the Monomoy transition. “From a pure business standpoint, you could argue we hung on too long.”

A few months later, Oneida exited from bankruptcy, under the control of a group of hedge funds. Led by Monarch Alternative Capital, the firms moved swiftly — if painfully — to make the company profitable. They moved a distribution center to Savannah, Ga., to save on freight costs, closed stores and struck an agreement that allowed Robinson Home Products to distribute flatware and dinnerware under Oneida’s name. The hedge funds even debated moving Oneida’s headquarters closer to New York City to give it a better shot at attracting top talent, but eventually decided against it, according to several people involved in the discussions.

Expansion is the goal, including more sales to hotels and restaurants.

Those decisions stabilized Oneida. In five years, the firms reduced the company’s debt load to around \$60 million from approximately \$150 million. The company now turns a small annual profit of around \$15 million before interest, taxes, depreciation and amortization, according to several people with knowledge of the company’s finances who spoke on the condition of anonymity because the numbers are private. Its North American flatware business gained 3 percentage points of market share last year, according to Mr. Joseph, and still has a valuable brand name.

With the finances on the upswing, Monomoy saw an opportunity in Oneida. The private equity firm owns Anchor Hocking, a glassware maker, and Monomoy figured it could use its foothold in the food service industry to bolster Oneida’s sales to restaurants and hotels. In November, Monomoy paid around \$100 million for Oneida, according to several people with knowledge of the deal terms, which

were not disclosed.

Several weeks after the deal with Monomoy was announced, Mr. Joseph took to the auditorium stage in Oneida’s headquarters to reassure his employees that they were in good hands. Flanked by Mr. Collin and his Monomoy team, Mr. Joseph announced that he was stepping down and taking a job at nearby Le Moyne College, although he would keep a seat on the company’s board and remain involved in certain company projects. According to Mr. Joseph, Monomoy is not a “strip and flip” firm that will shrink Oneida down to its smallest possible size for a quick, profitable sale.

“They’re not Gordon Gekko,” he said of the firm. “It’s almost like they got together and said, ‘There’s a different way to do this.’”

Monomoy has already started its efforts to bolster Oneida’s bottom line. It recently sent two Oneida executives to its management boot camp, a two-week intensive course that was inspired by Toyota’s “lean manufacturing” approach. It plans to name a new chief executive shortly and has plans to campaign for business in South Korea and Brazil.

Mr. Collin, a fast-talking Wall Street deal-maker who uses “leverage” as a verb, is both optimistic and reasonable about Oneida’s expectations. While reopening the local plant in nearby Sherrill is a long shot, he hopes to strengthen Oneida so that it can be sold or taken public again within five years.

“Are they going to be creating 5,000 manufacturing jobs in the U.S.? Probably not,” he said. “But can they grow and generate profits? Sure.”

It may be too late to bring industrial revival to the Oneida region, where the largest employer is now an American Indian casino several miles down the road. And some of the psychological damage of Oneida Ltd.’s decline has already been done.

“Oneida silver used to pay for the electricity, the library, everything,” said Leo Matzke, who was Oneida’s mayor until this month. “We just don’t talk about it like we used to.”

But even if an Oneida recovery would be mostly symbolic in the region, the residents still dream. At the Marble Hill Inn, a watering hole near Oneida’s headquarters, Pamela Gilmore, who has lived in Sherrill, nicknamed “Silver City,” for 36 years, reminisced about the days when the company’s factory hummed with life.

“We’re all proud of Oneida,” she said. “We’d love for it to come back.”