

Edgar Filing: ONEIDA LTD - Form 10-Q

ONEIDA LTD
Form 10-Q
June 11, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 27, 2002

Commission file number 1-5452

ONEIDA LTD.

(Exact name of Registrant as specified in its charter)

NEW YORK
(State or other jurisdiction of
incorporation or organization)

15-0405700
I.R.S. Employer
Identification Number

ONEIDA, NEW YORK
(Address of principal executive offices)

13421
(Zip code)

(315) 361-3636
(Registrant's telephone number, including area code)

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 the number of shares outstanding of each of the issuer's classes of common stock as of June 7, 2002: 16,541,323

ONEIDA LTD.
FORM 10-Q
FOR THE THREE MONTHS ENDED APRIL 27, 2002

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|---------|--|
| ITEM 1. | LEGAL PROCEEDINGS. |
| | None. |
| ITEM 2. | CHANGES IN SECURITIES AND USE OF PROCEEDS. |
| | None. |
| ITEM 3. | DEFAULT UNDER SENIOR SECURITES. |
| | None. |
| ITEM 4. | SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS. |
| | None. |
| ITEM 5. | OTHER INFORMATION. |
| | None. |
| ITEM 6. | EXHIBITS AND REPORTS ON FORM 8-K. |
| | None. |

SIGNATURES

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ONEIDA LTD.
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

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(Thousands except per share amounts)	FOR THE	
	THREE MONTHS ENDED APR 27, 2002	APR 28, 2001
	-----	-----
NET SALES	\$115,006	\$126,806
COST OF SALES	77,500	85,281
	-----	-----
GROSS MARGIN	37,506	41,525
OPERATING REVENUES	368	408
	-----	-----
	37,874	41,933
OPERATING EXPENSES:		
Selling, distribution and administrative expenses	31,442	33,966
	-----	-----
INCOME FROM OPERATIONS	6,432	7,967
OTHER (INCOME)EXPENSE	366	(138)
INTEREST EXPENSE	4,086	7,121
	-----	-----
INCOME BEFORE INCOME TAXES	2,712	708
PROVISION FOR INCOME TAXES	1,010	267
	-----	-----
NET INCOME	\$ 1,702	\$ 441
	=====	=====
EARNINGS PER SHARE OF COMMON STOCK:		
Net income:		
Basic	\$.10	\$.02
Diluted (NOTE 4)10	.02
SHARES USED IN PER SHARE DATA:		
Basic	16,530	16,411
Diluted (NOTE 4)	16,558	16,497
CASH DIVIDENDS DECLARED	\$.02	\$.05

See notes to consolidated financial statements.

ONEIDA LTD.
CONSOLIDATED BALANCE SHEET
APRIL 27, 2002 AND JANUARY 26, 2002
(Unaudited)

(Dollars in Thousands)
APR 27, JAN 26,

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	2002 -----	2002 -----
ASSETS		
CURRENT ASSETS:		
Cash.....	\$4,556	\$11,112
Accounts receivable, net of allowance for doubtful accounts of \$3,554 and \$3,475.....	79,010	78,420
Other accounts and notes receivable.....	3,197	2,524
Inventories:		
Finished goods.....	139,431	147,097
Goods in process.....	12,556	13,112
Raw materials and supplies.....	8,698	9,314
Other current assets.....	17,956	18,540
	-----	-----
Total current assets.....	265,404	280,119
	-----	-----
PROPERTY, PLANT AND EQUIPMENT-At cost:		
Property, plant and equipment.....	253,898	252,144
Less accumulated depreciation.....	147,359	143,772
	-----	-----
Property, plant and equipment-net.....	106,539	108,372
	-----	-----
OTHER ASSETS:		
Goodwill - net.....	133,335	133,897
Deferred income taxes.....	19,240	19,181
Other assets.....	8,783	4,566
	-----	-----
TOTAL.....	\$533,301	\$546,135
	=====	=====

See notes to consolidated financial statements.

ONEIDA LTD.
CONSOLIDATED BALANCE SHEET
APRIL 27, 2002 AND JANUARY 26, 2002
(Unaudited)

(Dollars in Thousands)	
APR 27,	JAN 26,
2002	2002
-----	-----

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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Short-term debt.....	\$ 7,206	\$11,430
Accounts payable.....	24,425	24,848
Accrued liabilities.....	37,206	37,950
Accrued income taxes.....	4,848	3,696
Dividends payable.....	352	363
Current installments of long-term debt.....	4,907	3,956
	-----	-----
Total current liabilities.....	78,944	82,243
	-----	-----
LONG-TERM DEBT.....	244,223	256,170
	-----	-----
OTHER LIABILITIES:		
Accrued postretirement liability.....	57,429	56,410
Accrued pension liability.....	14,899	15,206
Other liabilities.....	8,987	8,725
	-----	-----
Total.....	81,315	80,341
	-----	-----
STOCKHOLDERS' EQUITY:		
Cumulative 6% preferred stock; \$25 par value; authorized 95,660 shares, issued 86,036 shares, callable at \$30 per share.....	2,151	2,151
Common stock \$1 par value; authorized 48,000,000 shares, issued 17,820,537 and 17,809,235 shares.....	17,821	17,809
Additional paid-in capital.....	84,082	83,965
Retained earnings.....	65,268	63,918
Accumulated other comprehensive loss.....	(16,368)	(16,328)
Less cost of common stock held in treasury; 1,285,679 shares.....	(24,134)	(24,134)
	-----	-----
Stockholders' Equity.....	128,819	127,381
	-----	-----
TOTAL.....	\$533,301	\$546,135
	=====	=====

See notes to consolidated financial statements.

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	Comp. Income	Common Shares	Common Stock	Pref'd Stock	Add'l Paid-in Capital	Retained Earnings
Balance at Jan 26, 2002..		17,809	\$17,809	\$2,151	\$83,965	\$63,918
Stock plan activity, net.		12	12		117	
Purchase/retirement of Treasury stock, net.....						
Cash dividends declared (\$0.02 per share).....						(352)
Net income.....	\$ 1,702					1,702
Other comprehensive loss.....	(40)					
Comprehensive income....	\$ 1,662					
Balance at Apr 27, 2002..		17,821	\$17,821	\$2,151	\$84,082	\$65,268

	Other Comp Income (Loss)	Treasury Stock	Unallocated ESOP
Balance at Jan 26, 2002..	\$ (16,328)	\$ (24,134)	
Stock plan activity, net.			
Purchase/retirement of Treasury stock, net.....			
Cash dividends declared (\$0.02 per share).....			
Net income.....			
Other comprehensive loss.....	(40)		
Balance at Apr 27, 2002..	\$ (16,368)	\$ (24,134)	

See notes to consolidated financial statements.

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	Comp. Income	Common Shares	Common Stock	Pref'd Stock	Add'l Paid-in Capital	Retained Earnings
Balance at Jan 27, 2001..		17,703	\$17,703	\$2,167	\$82,956	\$57,495
Stock plan activity, net.		19	19		147	
Purchase/retirement of Treasury stock, net.....						
Cash dividends declared (\$0.05 per share).....						(855)
Net income.....\$	441					441
Other comprehensive loss.....	(2,595)					
Comprehensive loss.....	\$ (2,154)					
Balance at Apr 28, 2001..		17,722	\$17,722	\$2,167	\$83,103	\$57,081

	Other Comp Income (Loss)	Treasury Stock	Unallocated ESOP
Balance at Jan 27, 2001..	\$ (11,423)	\$ (24,590)	
Stock plan activity, net.			
Purchase/retirement of Treasury stock, net.....		235	
Cash dividends declared (\$0.05 per share).....			
Net loss.....			
Other comprehensive loss.....	(2,595)		
Balance at Apr 28, 2001..	\$ (14,018)	\$ (24,355)	

See notes to consolidated financial statements.

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(Unaudited)
(In Thousands)

	FOR THE	
	THREE MONTHS ENDED	
	APR 27, 2002	APR 28, 2001
	-----	-----
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$1,702	\$441
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,146	4,536
Deferred taxes and other non-cash charges and credits	705	(4,868)
Decrease (increase) in operating assets:		
Receivables	(1,263)	(2,672)
Inventories	8,696	8,694
Other current assets	(2,522)	1,587
Other assets	(4,253)	(594)
Increase in accounts payable	(423)	480
Decrease in accrued liabilities	896	(9,252)
	-----	-----
Net cash provided (used) by operating activities	7,684	(1,648)
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES:		
Property, plant and equipment expenditure-net	(1,880)	(2,648)
Proceeds from sale of marketable securities	3,106	
Other, net	16	(2)
	-----	-----
Net cash used in investing activities	1,242	(2,650)
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	129	166
Issuance of treasury stock	235	
(Decrease)/Increase in short-term debt-net	(4,224)	4,186
Payment of long-term debt	(12,325)	
Proceeds from issuance of long-term debt	1,330	6,263
Dividends paid	(352)	(1,670)
	-----	-----
Net cash provided by financing activities	(15,442)	9,180
	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(40)	(2,595)
	-----	-----
NET (DECREASE) INCREASE IN CASH	(6,556)	2,287
CASH AT BEGINNING OF YEAR	11,112	2,163
	-----	-----
CASH AT END OF PERIOD	\$4,556	\$4,450
	=====	=====

See notes to consolidated financial statements.

ONEIDA LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Thousands)

1. The statements for the three months ended April 27, 2002 and April 28, 2001 are unaudited; in the opinion of the Company such unaudited statements include all adjustments (which comprise only normal recurring accruals) necessary for a fair presentation of the results of such periods. The results of operations for the three months ended April 27, 2002 are not necessarily indicative of the results of operations to be expected for the year ending January 25, 2003. The consolidated financial statements and notes thereto should be read in conjunction with the financial statements and notes for the years ended in January 2002 and 2001 included in the Company's January 26, 2002 Annual Report to the Securities and Exchange Commission on Form 10-K.

2. The provision for income taxes is based on pre-tax income for financial statement purposes with an appropriate deferred tax provision to give effect to changes in temporary differences between the financial statements and tax bases of assets and liabilities. The temporary differences arise principally from restructuring charges, postretirement benefits, depreciation and other employee benefits.

3. Basic and diluted earnings per share are presented for each period in which a statement of operations is presented. Basic earnings per share is computed by dividing income less preferred stock dividends by the weighted average shares actually outstanding for the period. Diluted earnings per share includes the potentially dilutive effect of shares issuable under the employee stock purchase and incentive stock option plans.

The following is a reconciliation of basic earnings per share to diluted earnings per share for the three months ended April 27, 2002 and April 28, 2001:

	Net Income (Loss)	Preferred Stock Dividends	Adjusted Net Income (Loss)	Average Shares	Earnings Per Share

2002:					
Basic earnings					
per share.....	\$1,702	\$(32)	\$1,670	16,530	\$.10
Effect of stock options.				28	
Diluted earnings					
per share.....	1,702	(32)	1,670	16,558	.10

2001:					
Basic earnings					
per share.....	\$441	\$(32)	\$409	16,411	\$.02

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Effect of stock options.				86	
Diluted earnings per share.....	441	(32)	409	16,497	.02

ONEIDA LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Thousands)

4. Included in the long-term debt caption on the balance sheet are various senior notes. The note agreements relating thereto contain provisions which, among other things, require maintenance of certain financial ratios related to levels of indebtedness, minimum net worth and interest coverage levels. The covenants limit certain types of payments including dividends, capital expenditures, intercompany indebtedness and letters of credit. Under the provisions of the amended note agreements, at April 27, 2002, the Company was able to declare dividends of up to \$375 per quarter.

5. The Company's operations and assets are in one principal industry; tableware products. The Company's reportable segments are grouped around the manufacture and distribution of three major product categories: metal tableware, china dinnerware and glass tabletop products. The Company also distributes a variety of other tabletop accessories. These products are sold directly to a broad base of retail outlets including department stores, mass merchandisers, Oneida Home stores and chain stores. Additionally, these products are sold to special sales markets, which include customers who use them as premiums, incentives and business gifts. The Company also sells directly or through distributors to foodservice operations worldwide, including hotels, restaurants, airlines, cruise lines, schools and healthcare facilities. The Company's operations are located in the United States, Canada, Mexico, Italy, Australia, The United Kingdom, Hong Kong and China.

Sales by reportable segment for the first quarter of 2002 and 2001 were as follows:

	(000)				
	Metal	Dinnerware	Glass	Other	Total

2002 Net Sales	\$69,600	\$36,200	\$7,100	\$2,106	\$115,006
2001 Net Sales	\$83,500	\$33,900	\$7,900	\$1,506	\$126,806

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6. In June 2001, the Financial Accounting Standards Board approved Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"). We adopted SFAS 142 effective January 27, 2002. Under this standard, amortization of goodwill and certain intangible assets, including certain intangibles recorded as a result of past business combinations, is to be discontinued upon adoption of SFAS 142. The new standard requires that goodwill and intangible assets be tested for impairment on an annual basis. The Company will be performing the impairment tests of goodwill in the second fiscal quarter of 2002. No material impact on the earnings or financial position of the Company is expected as a result of the impairment tests.

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ONEIDA LTD.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)
 (Thousands)

The following is a reconciliation assuming goodwill and other intangible assets had been accounted for in accordance with the provisions of SFAS 142 in the quarter ended April 28, 2001:

	Three months ended April	
	2002	2001
	----	----
Reported net income	\$1,702	\$441
Adjustments (net of income taxes):		
Goodwill amortization		576
Adjusted net income	\$1,702	\$1,017
	=====	=====
 Earnings per share:		
Basic:		
Reported net income	\$.10	\$.02
Adjusted net income	.10	.05
Diluted:		
Reported net income	\$.10	\$.02
Adjusted net income	.10	.05

MANAGEMENT'S DISCUSSION AND ANALYSIS
 OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
 Quarter ended April 27, 2002 compared with the quarter ended
 April 28, 2001
 (In Thousands)

Operations

Net Sales by Product Line:

	--- Three Months Ended---		
	2002	2001	%Change
	-----	-----	-----
Metal products	\$ 69,600	\$ 83,500	(16.6)
Dinnerware Products	36,200	33,900	6.8
Glass products	7,100	7,900	(10.1)
Other Products	2,106	1,506	39.8
	-----	-----	-----
Total	\$115,006	\$126,806	(9.3)
	=====	=====	=====

Quarterly Review

Consolidated net sales for the quarter ended April 27, 2002 were \$11,800 lower than in the first quarter of the prior year, reflecting continuing softness in the overall economy. In spite of slowdowns in consumer and foodservice sales levels, sales of dinnerware products increased in both markets.

Gross margin as a percentage of net sales was 32.6% in the first quarter of 2002, comparable to the 32.7% realized for the same period of 2001. As was done through most of 2001, the Company ran its manufacturing facilities at lower volumes to better match incoming order levels. This resulted in overhead variances and plant utilization inefficiencies. As order levels increased at the end of the current quarter, manufacturing levels were raised accordingly.

Total operating expenses decreased by \$2,524, or 7.4%, from the same quarter last year. This decrease is attributable to the reduction of goodwill amortization of \$918, in accordance with the adoption of FAS # 142 and continued efforts to reduce operating costs and integrate the operations of the three companies acquired in mid 2000.

Interest expense, prior to capitalized interest, was \$4,112 for the quarter ended April 27, 2002, a decrease of \$3,100 from the first quarter of 2001. This decrease is due to significantly lower average borrowings and lower prevailing interest rates incurred throughout the current quarter.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Quarter ended April 27, 2002 compared with the quarter ended
April 28, 2001
(In Thousands)

Liquidity & Financial Resources

A prime objective of the Company since mid-2000 has been to strengthen its balance sheet and reduce debt. During the first quarter of 2002, continued significant progress was made toward these goals. Inventories were decreased by an additional \$9,000 during the quarter and debt was reduced by approximately \$15,000 in the same period. Cash flow generated from operations for the first quarter was \$7,684, as compared to a net operating usage of cash of \$1,648 in the prior year's first quarter. During the first quarter of 2002, the Company received approximately \$3,100 from the sale of marketable equity securities. These proceeds were directly applied to pay down debt. The Company spent approximately \$1,900 in the first quarter on capital projects focused primarily on its manufacturing facilities. Capital spending for the remainder of 2002 is anticipated to be approximately \$8,100.

Included in the long-term debt caption on the balance sheet are various senior notes. The note agreements relating thereto contain provisions which, among other things require maintenance of certain financial ratios related to levels of indebtedness, minimum net worth and interest coverage levels. The covenants limit certain types of payments including dividends, capital expenditures, intercompany indebtedness and letters of credit. Under the provisions of the amended note agreements, at April 27, 2002, the Company was able to declare dividends of \$375 per quarter.

Management believes there is sufficient liquidity to support the Company's ongoing funding requirements from future operations as well as the availability of bank lines of credit of \$40 million. Working capital was \$186,460 as of April 27, 2002.

Forward Looking Information

With the exception of historical data, the information contained in this Form 10-Q, as well as those other documents incorporated by reference herein, is forward-looking. For the purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions readers that changes in certain factors could affect the Company's future results and could cause the Company's future consolidated results to differ materially from those expressed herein. Such factors include, but are not limited to: general economic conditions in the Company's markets; difficulties or delays in the development, production and marketing of new products; the impact of competitive products and pricing; certain assumptions related to consumer purchasing patterns; significant increases in interest rates or the level of the Company's

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indebtedness; major slowdowns in the retail, travel or entertainment industries; the loss of several of the Company's major customers; under utilization of the Company's plants and factories; the amount and rate of growth of the Company's selling, general and administrative expenses.

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ONEIDA LTD

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

APRIL 27, 2002

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.

ONEIDA LTD
(Registrant)

Date: June 10, 2002

/s/ Gregg R. Denny

Gregg R. Denny
Chief Financial Officer

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