Columbus, Ohio•Aug 09, 2014•74° Partly Cloudy

The Columbus Dispatch

GLASS HALF FULL

Anchor Hocking: Market share is being chipped away despite credit deal

By Dan Gearino

The Columbus Dispatch • Saturday August 2, 2014 9:53 AM

ERIC ALBRECHT | DISPATCH

EveryWare Global Inc., which owns Lancaster tableware company Anchor Hocking, needs to cut costs and increase sales.

Anchor Hocking's parent company survived a day of reckoning this week.

Now comes the hard part.

EveryWare Global Inc. obtained a credit deal on Wednesday that helped it avoid bankruptcy, but the problems that led to the financial crisis have not gone away.

What's changed is that the tableware company is now working from a weaker position with less favorable credit terms and emboldened competitors, according to analysts and industry experts. So there will be no letup in insecurity for the roughly 1,200 employees at the flagship Anchor Hocking plant in Lancaster.

This big picture was clear when EveryWare released details on its credit deal about the same time that rival Libbey Inc. released its quarterly earnings.

While EveryWare was agreeing to increases in costs to manage its debt, Toledo-based Libbey reported an increase in profit and sales, which it attributed in part to gaining market share from other tableware companies.

"Libbey is clearly taking market share away from EveryWare Global," said Jeremy Hamblin, an analyst who covers Libbey for Dougherty & Co., a research and investment firm.

The rivalry stands before a backdrop of rising foreign competition, particularly from China.

"Just within the space of five years, the glass industry left the United States," said Usha Haley, a management professor at West Virginia University who has written about how foreign competition has hurt the U.S. glass industry. "This is one of those industries that is slated for demise unless something drastic takes place."

Much of her research has been about how the Chinese government subsidizes its glass manufacturers, which she thinks is a violation of international trade rules. Elected officials such as U.S. Sen. Sherrod Brown, D-Ohio, have made a similar case and used Anchor Hocking as an example.

Anchor Hocking has been making glass in Lancaster for more than a century and spent most of that time as Fairfield County's largest employer. Today, it is second only to the local hospital.

"The old saying in Lancaster is that when Anchor Hocking sneezes, the whole city catches a cold," said Steve Davis, Fairfield County commissioner. "We're not as much of a one-company town as we used to be, but it's still an important part of our economy."

Residents have become used to turmoil at Anchor Hocking.

"We want our company back," said Jeff Couch, 44, a firefighter who lives in Hocking Township, which is just outside of Lancaster. His father was an Anchor Hocking employee. "We want the owners to be as local as possible."

He is leading a campaign called Save Anchor Hocking, which is trying to raise money to buy the company. The campaign has just completed the legal paperwork needed to begin fundraising and has about $1,000 in the bank.

Longtime residents and former employees say Anchor Hocking's turning point was in 1987 when the local owners sold to Newell Rubbermaid of Illinois. Anchor Hocking became part of a slate of assets owned by an out-of-state company, as opposed to the main asset of executives who lived in the region.

In 2001, Libbey attempted to buy Anchor Hocking for $332 million, which would have combined two of the top names in glassware. The deal fell apart because of opposition from federal officials, who said the combined company would control too much of the market.

The most recent ownership change occurred in 2007, when Monomoy Capital Partners, another private-equity firm, bought Anchor Hocking out of bankruptcy for $75 million plus $20 million worth of debt.

Monomoy created EveryWare by combining Anchor Hocking with Oneida Ltd. From the start, EveryWare had a significant amount of debt.

"Based on the company's small (earnings) base and heavy debt burden, we believe its credit metrics will deteriorate quickly if it incurs operating difficulties," Standard & Poor's wrote in February 2012.

In May, EveryWare reported a quarterly loss of $38 million, which helped push its long-term debt to $274 million — an amount that violated credit agreements.

To conserve cash, the company idled its plants in Lancaster and Monaca, Pa., for about two months; both are operating again.

The credit deal reached this week gives EveryWare, which declined to comment for this story, up to an additional $5 million and says the company has until March before it faces another test of its credit compliance.

The company agreed to an increase of its interest rate and several other additional costs, which means debt will grow at a faster clip.

Now, EveryWare needs to find ways to cut costs and increase sales to chip away at debt.

“Now, we can focus on taking care of our customers and improving our operations,” said Sam Solomon, president and CEO, in a statement announcing the credit agreement.

dgearino@dispatch.com

@dispatchenergy

Favorite Print Story 6

COMMENTS

Login or register to post a comment.

BENJAMIN DAWSON (BDAWSON)

flag

I will not buy Chinese again. Come on people it is worth a couple more bucks to buy American. We are spoiled children for sure.

2014-08-03 17:41:39.0