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KODK - Q3 2015 Eastman Kodak Co Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Eastman Kodak third-quarter earnings conference call. At this time, all participant lines on the telephones are in a listen-only mode to reduce background noise. But later, we will be conducting a question-and-answer session. Instructions will follow at that time. (Operator Instructions)

I would now like to introduce your first speaker for today, David Bullwinkle. You have the floor, sir.

David Bullwinkle - Eastman Kodak Company - Director of Global Financial Planning and IR

Thank you. Good afternoon. My name is David Bullwinkle, Director Global Financial Planning and Analysis and Investor Relations for Kodak. Welcome to the third-quarter 2015 Kodak earnings call.

At 4:15 p.m. this afternoon, Kodak filed its quarterly report on Form 10-Q and issued its release on financial results for the third quarter of 2015. You may access the presentation and webcast for today's call on our investor center at investor.kodak.com.

During today's call, we will be making certain forward-looking statements as defined by the United States Private Securities Act of 1995. These forward-looking statements are subject to a number of uncertainties and risks, which are clearly described in the Company's 10-K and 10-Qs and the Company's other SEC filings and which are qualified by the Safe Harbor provisions in our filings. We advised listeners to read these important cautionary statements in their entirety, as any forward-looking statement needs to be evaluated in light of these important risks and uncertainties.

In addition, the release just issued and the presentation provided contain certain measures that are deemed non-GAAP measures. Reconciliation to the most directly comparable GAAP measures have been provided with the release and within the presentation on our website in our investor center at investor.kodak.com.

Speakers on today's call will be Jeff Clarke, Chief Executive Officer of Kodak, and John McMullen, Chief Financial Officer of Kodak. Jeff will provide some opening remarks, his perspectives on the quarterly financial performance, and an update on the outlook for the Company. Then John will take you through a cost reduction update, additional details of our third-quarter results, and cash flow results and outlook before we open it up to questions.

I will now turn this over to Kodak CEO Jeff Clarke.

Jeff Clarke - Eastman Kodak Company - CEO

Thanks, Dave. Welcome, everyone, and thank you for joining the Q3 investor call for Kodak. I will start by giving you an overview of the quarter. John McMullen will follow with more detail, and then, of course, we will welcome your questions.



We also would like to invite you to join the webcast of our analyst and investor day tomorrow, when we will talk more about the outlook for the rest of the year and for 2016 and 2017. Dave will provide details of the meeting in case you miss them and we will be webcasting for those who cannot join us in person. The link is on our website.

We met our operational EBITDA expectations for the quarter and are on track for the year as we drive the transformation of Kodak. Now we are on to slide 5 of the earnings presentation, please.

Revenues for Q3 2015 totaled \$446 million for the quarter, a 21% decline from the same period in 2014. On a constant currency basis, revenues in Q3 declined by 14% versus Q3 2014. The remaining decrease was primarily driven by the expected continued decline in legacy consumer inkjet printer cartridges sales as well as nonrecurring intellectual property revenues realized in the quarter -- in the third quarter of 2014. When adjusted for foreign exchange and these items, revenues were down 4% year over year.

On slide 6, total Company operational EBITDA for Q3 was \$39 million. In the same period in 2014, operational EBITDA was \$90 million, again with one-time items. When adjusted for the nonrecurring intellectual property revenues realized in the third quarter of 2014 and foreign exchange impact year over year, operational EBITDA improved by \$9 million. This represents solid performance in the quarter, given the challenges created by the strong US dollar, the economic slowdown in China, and weakening Latin America economies.

In a year-to-date basis, operational EBITDA is \$74 million, down from \$121 million for the same period in 2014. On a comparable basis, this represents an improvement in operational EBITDA of \$43 million year over year, well within the range of the full-year improvement we expected.

On slide 7, we are reiterating our guidance for 2015. Adjusting for the foreign exchange impact as well as nonrecurring IP revenues, our baseline 2014 operational EBITDA was \$67 million. As we have guided previously, we expect 2015 operational EBITDA to be in the range of \$100 million to \$120 million.

On slide 8, going to highlight the improvement in the quality of our earnings. Over the past year, our strategic growth businesses have grown from 15% of revenues to 23% of revenues. This is an important metric of our progress.

The growth engines include SONORA plates revenue, revenue growth of 20% or 36% in constant currency. Software and solutions division revenue growth of 11% or 22% in constant currency. PROSPER revenue growth of 27% or 36% in constant currency. FLEXCEL NX revenue growth of 11% or 29% in constant currency. Micro 3D is currently in investment mode and there were minimal revenues in the third quarter.

It is also important to note that the vast majority -- 81% -- of our revenues year to date come from annuities. Sales of consumables and services to customers who have installed Kodak print systems, the growth of the installed base of SONORA, FLEX NX packaging and PROSPER systems ensures continued strong annuity sales growth in the future.

Slide 9, please. Now we will talk about the business by division. Starting with the print systems division, our largest business, PSD revenues for Q3 were \$278 million, a 13% decline compared to Q3 2014. Operational EBITDA for the quarter was \$28 million, down from \$31 million in the same period a year ago.

These results were achieved despite some tough challenges. Without the unfavorable impact of foreign exchange rates, PSD's revenues would have declined by 4%, while operational EBITDA would have increased by \$1 million. The revenue decline was due to competitive pricing pressures; plate volume was essentially flat. We continue to add customers for our SONORA process free plates, and plate volumes increased for SONORA by 41% in the quarter.

Two important new products were launched in Q3. ELECTRA MAX digital plates are designed to address the demanding needs of UV offset print applications. This versatile thermal plate has the ability to print on a variety of substrates using UV links, including those used in the rapidly growing packaging segment.

In addition, the new LIBRA VP plate -- digital plate expands Kodak's position in the newspaper segment. LIBRA VP is a violet-exposed, simple process plate solution for newspapers, which have an existing investment in violet CTP systems. LIBRA VP is a strong addition to our industry-leading thermal digital plate solutions for the newspaper segment.

Moving on to the enterprise inkjet systems division, which includes our PROSPER systems. Revenues for Q3 were \$39 million, down from \$43 million in the same period last year. On a constant currency basis, revenues were flat. Operational EBITDA was a negative \$4 million compared with negative \$12 million in the third quarter of 2014, for an improvement of \$8 million. On a constant currency basis, operational EBITDA improved by \$9 million.



For the second half of 2015, we will see operational EBITDA before corporate costs come very close to breakeven for this division. However, we will not achieve our earlier objective of breakeven for the division for the full year. The key issues are a faster-than-expected decline in the sales of legacy Versamark product, foreign exchange impacts, and investments in the development of the next generation of PROSPER systems, which we launched at [drupa] in May 2016.

The PROSPER business model is based on the profitable ink and service revenue streams supporting our installed base. We will discuss this in more depth during the analyst and investor meeting tomorrow.

Briefly, PROSPER revenues grew year over year for the third quarter by 27% or 36% on a constant currency basis. Total PROSPER annuity growth for the year-to-date period is 30% growth on a constant currency basis, in line with our expectations.

We previously shared our ambitious goal of installing 25 new PROSPER systems this year. This is significant growth over the 2009 to 2014 cumulative 5-year installed base of 29 presses. We expect to have contracts in hand and systems on-site for the 25 PROSPER systems by the end of the year. However, revenue recognition for these systems in 2015 will fall short of the 25 units due to the complexity of the installations.

Separately, I am pleased to inform you: Kodak and Collins Inkjet have reached an agreement to settle the court case brought by Collins against Kodak concerning the use of Collins ink on Kodak Versamark print.

Moving on to the Micro 3D printing and packaging division, which includes the FLEXCEL NX systems and plates as well as touch sensor films with silver mesh and copper mesh technologies. Revenues for the division for Q3 were \$32 million, flat with the same period a year ago.

However, on a constant currency basis, revenues increased by \$4 million or 13% from Q3 2014. On a cost of currency basis, operational EBITDA improved by \$5 million, driven by the success of the Kodak FLEXCEL NX system.

The FLEXCEL NX packaging business has strong momentum. FLEXCEL NX plate volumes increased by 32% year over year and the installed base is now over 450 FLEXCEL NX CTPs. Through the growth of this business, we will commence a multi-year capital expansion project beginning in January 2016 to approximately double the global capacity of our flexographic plate manufacturing.

In Micro 3D printing, we are moving ahead with both copper mesh and silver mesh touch sensors. With our copper program, we have shipped sample quantities for design integration activities in all-in-one computer and industrial applications. We continue refining our manufacturing process to further improve product features while maintaining high double-digit electrical yields.

We expect a loss of approximately \$16 million on our Micro 3D printing business in 2015 and continued investment loss in 2016, with breakeven modest profit in 2017. This is a reset for this business from prior expectations of approximately \$25 million of profit in 2016.

This startup business is based on technology designed to radically disintermediate the entrenched \$6 billion ITO touchscreen sensor industry. We are committed to this business and believe continued investment is warranted.

The software solutions division, which includes PRINERGY workflow software, had a strong quarter. Q3 revenues were \$30 million, up 11% from the \$27 million in the same period last year. Operational EBITDA doubled from \$1 million to \$2 million for the quarter. A key highlight within the quarter was the completion of a \$5 million contract to produce ballots for the Presidential election in Argentina.

The consumer film division includes consumer inkjet printer cartridges, motion picture, commercial films, and synthetic chemicals, as well as our brand licensing program. For Q3, revenues for CFD were \$64 million, down from \$92 million in Q3 of 2014. Operational EBITDA declined from \$24 million to \$12 million.

These declines were expected and built into our plan for the year. We anticipate continued reduction in revenues and earnings from the consumer inkjet printer cartridge business. For the third quarter in a row, film recorded a profitable quarter on the basis of operational EBITDA before corporate costs, which was our goal.

We are continuing to find new opportunities in brand licensing. During Q3, we signed deals with several new partners, including manufacturers of LED lighting and flash drives.

The intellectual property solutions division is pursuing partnerships and other opportunities to commercialize Kodak inventions. Just this week, we signed a memorandum of understanding with Carbon3D, a promising Silicon Valley startup company, which aims to shift 3D printing beyond prototyping to achieve 3D manufacturing. We will work together on multiple projects in materials, hardware, and systems design.



We're maintaining a robust research effort and actively pursuing several opportunities to monetize Kodak inventions, ranging from antimicrobial particles to unique material solutions for 3D printing to light-blocking materials. As a reminder, when comparing year-over-year performance for this division in Q3 of 2014, we realized a one-time gain from IP sales of \$52 million, which contributed \$45 million to operational EBITDA.

Continuing to our final division, Eastman Business Park, we were pleased to learn a few weeks ago Eastman Business Park will be the manufacturing site for our federal- and state-supported hub for the development of Photonics Technologies.

Now, to update you on our 2016 financial targets. As I have discussed in prior earnings calls, we established a preliminary 2016 operational EBITDA goal of \$175 million. Based on our expected run rates for the end of the year and the performance of our growth businesses, we are making two adjustments to this goal, as outlined on slide 10.

First, as discussed earlier in my remarks, we are resetting the plan for our startup Micro 3D printing business. This business is based on advanced science and technology designed to radically disintermediate the entrenched \$6 billion IPO touchscreen sensor industry. We have nearly completed our manufacturing facilities in Rochester and Xiamen, China, and continue to make meaningful progress in improving product yields in electrical and optical performance.

While we have a growing pipeline of opportunities for design wins, we believe it is prudent to plan for continued investment in losses in 2016 and profitability in 2017. The combination of a modest operating loss in 2016 and a reset of planned profitability in the preliminary 2016 goal results in a \$25 million downward adjustment in 2016.

Second, the impact of foreign exchange since we established the preliminary 2016 goal is approximately \$12 million. As such, the adjusted 2016 financial target will be in the range of \$130 million to \$150 million of operational EBITDA, which results in a 27% year-over-year improvement for midpoint of 2015 guidance to the midpoint of the 2016 target range. At the analyst and investor meeting tomorrow, we will provide additional detail into the 2016 financial targets as well as providing preliminary financial target for 2017.

I will now hand it over to John. John?

John McMullen - Eastman Kodak Company - EVP and CFO

Thanks, Jeff, and good afternoon. Today the Company filed its Form 10-Q for the quarter ended September 30, 2015, with the SEC. I recommend that you read this filing in its entirety.

As Jeff noted in his opening remarks, we are pleased with our third-quarter results and the overall year-to-date performance for the Company. I will now provide a little more detail of several areas of our third-quarter performance.

As we reported in our earnings release, the net loss for the quarter on a GAAP back basis was \$21 million compared to a net gain of \$19 million in Q3 of 2014, a decline of \$40 million. Adjusting Q3 2014 for one-time nonrecurring IP licensing revenues of \$52 million, third-quarter performance reflects an improvement of \$12 million year over year. This information is taken directly from the Company's consolidated statement of operations in the 10-Q. We are pleased with the year-over-year improvement.

Next, let me provide an update on our cost reduction programs. As we shared with you over the course of the year, we expect greater than \$100 million in operational SG&A and R&D cost reductions for the full year 2015. As you can see on slide 12, we have made significant progress through the first 3 quarters towards this objective.

In Q3 2015, the reduction in operational SG&A and R&D was \$15 million year over year. On a year-to-date basis, we have reduced operating expenses by \$85 million year over year, and on a run rate basis, the reductions made and actions taken year to date would yield a full-year savings of approximately \$101 million with no further actions. As you can see, we expect to achieve our goal of greater than \$100 million in operating expense cost reductions with one quarter of a fiscal year remaining.

Key drivers of these difficult but necessary cost improvements: our Company headcount, which has been reduced by approximately 12% year over year; and benefit reductions effective at the beginning of 2015, which provide approximately \$20 million in annual operating expense savings. We continue to see opportunities for further efficiencies within our divisional structure and are focused on opportunities to further reduce our cost structure going forward by driving a simpler, more efficient, and more execution-oriented organization consistent with our divisional structure. We have made significant progress to date and we will continue to take actions as appropriate based on the business model needs of each of our divisions.



Now, let's focus on cash. As shown on slide 13, the Company ended the quarter with \$521 million. This reflects a \$55 million decrease in cash from Q2 of 2015. During the quarter, the Company used cash primarily for interest expense and debt repayments, capital expenditures, employee severance payments, working capital, funding of planned cash tax payments and pension plans, the negative impact of foreign exchange, and reorganization and legacy payments related to our Chapter 11 and reemergence process.

It is important to note within our cash results, we continue to face an unplanned headwind from foreign exchange impacts. Year to date, our cash position has been reduced by \$14 million as a result of negative foreign exchange impact.

We are also seeing unplanned impacts on our working capital balances as a result of currency translation effects and headwind in velocity of our working capital versus our goals for 2015, with current economic softening and volatility primarily outside of the US. We are comfortable with Kodak's liquidity position in support of the operating and investment needs of the Company and expect to grow our ending cash balance by year end and in 2016.

However, given the headwinds noted, we now expect our ending cash position to be between \$550 million and \$600 million. We will provide more detail on the Company's cash trajectory in our analyst and investor day event tomorrow.

In summary for the quarter, we are pleased with the Company's continued progress. We are executing well within the divisional structure and we are making the progress necessary in our key businesses to drive future growth. We are also meeting our aggressive cost goals to ensure the appropriate cost structure of the Company going forward with the capacity we need to invest in growth and to return the Company to sustained profitability and cash generation going forward.

We are excited to be hosting our analyst and investor event tomorrow and we look forward to discussing the Company's view of our current and future business model for each division, future growth opportunities, and state of financial affairs, including earnings and cash generation.

Now I'll turn it back over to Dave for Q&A.

David Bullwinkle - *Eastman Kodak Company - Director of Global Financial Planning and IR*

Thanks, John. Andrew, we are now ready to open the Q&A session. Please remind callers of the instructions for asking questions.

QUESTION AND ANSWER

Operator

(Operator Instructions) Shannon Cross, Cross Research.

Shannon Cross - *Cross Research - Analyst*

Had a couple of questions for you. Can you talk a bit more about the Micro 3D printing business and just what exactly changed relative to last quarter in terms of your expectations? Is this incremental investment because you have new products in the pipeline? Just any more color you can give and I know you will tomorrow, but just given the significant reset for next year. And then I have a follow-up question. Thank you.

Jeff Clarke - *Eastman Kodak Company - CEO*

Sure, Shannon. First of all, I think you have to look at it in the context of all of the technologies that Kodak is bringing to market. If you look at the four growth engines -- or five growth engines. We will start with SONORA.

SONORA is a company -- is a part of our Company that took a relatively long time to get into place and now you see enormous growth and significant profitability. It is past the point of customer acceptance. But yet it was a breakthrough technology.

FLEXCEL NX as well. Took about four or five years for FLEXCEL NX to become accepted in the marketplace. And now it is growing at very strong levels and is a material improvement to our Company in terms of profitability. In fact, just this quarter, year over year, it improved by \$5 million on a constant currency basis. So run rate of over \$20 million improvement year over year.

So when you introduce new technologies, it can take a little while to get into market. And then when they do, they start working well.

And the two areas that today are at inflection points -- one piece that is an inflection point today is PROSPER. So our PROSPER business, after many years of investment and lots of losses, is at the point now where it is scaling quite significantly.

You need to think about Micro 3D printing as an absolute startup business. This is a business going -- ambitious attempt to bring a brand-new science to disintermediate a large market. And the reality of it is, we have got the technology so it works now, and that has taken a long time. So I am very pleased with our ability to both manufacture and design touchscreen sensors.

What is difficult is getting them into design wins. And while we are working very hard and have a nice pipeline around that, the fact is the pipeline is not developing as fast as we would have hoped. One of the mitigating factors is that the technology that we are trying to disintermediate has reduced its price materially. Over the last four years, ITO has reduced its price about 60% in the marketplace.

So originally, when we built this plant, even earlier in the year and even six months ago, we saw a material cost advantage as well as optical performance advantages. Now the material cost advantage is less so. So when you are going into large vendors and large contract manufacturers, they see a cost curve that has gone down so fast, they don't see a lot of reason to replace the technology.

And that is what has changed is the ITO market has moved and they've brought their prices down. And so the disintermediation is less difficult. And we will get into more of this tomorrow. But the reality is, we still have significant advantages versus ITO, both on a cost and on a resolution basis.

However, winning these design wins are more difficult. And we are committed to it based on the pipeline and the conversations we are having with a multitude of vendors. And the progress we are moving into design wins.

However, we want to be prudent here. This is one where we have overshot in the past and this is one that it needs time. And I think the reset is appropriate, given that the rest of the businesses are growing quite well. Overall, we are still showing 27% improvement and so we want to be a little bit more conservative on this than we have been in the past.

Shannon Cross - Cross Research - Analyst

Okay. Thank you. That was helpful. And then as we think about your EBITDA guidance for next year, what are some of the key areas we should focus on that would drive EBITDA to the higher end? So where do you think there is potential to flex up or you might be conservative, just in terms of the other divisions?

And then also, if you can just let us know what currency levels you are using now for the \$12 million so we can make sure we watch that as we go through the next few quarters.

Jeff Clarke - Eastman Kodak Company - CEO

So the \$12 million is calculated as of a couple days ago. And so we are using today's rates on that. So the \$12 million would be the comparison from the beginning of the year until now. And we don't speculate going forward, so as we give this direction, we'll give it -- we set it for today on the currency.

So what are the drivers? Obviously, \$130 million to \$150 million is a wide range. We expect kind of -- in the largest business, our PSD business, we expect that business to be within a couple million dollars of our expectation. It is a big business. It is relatively slow growth. It is a great contributor, but it is not going to be a major swing factor. It is the baseline really of our Company.

So the swing factors will be how fast PROSPER moves into profitability. You saw the 30% growth that we reported in annuities. That certainly is a good indicator that if that continues and we can do it out of the placements, that would move us more to the higher end.



How Micro 3D printing performance is a big one. As you know, we have brought that down, but as I stated, that is probably -- we are now probably moved from aggressive parts of that being into our forecast to being more conservative. So one design win can swing that one quite a bit. That is one of the challenges with a business like this. It is a big mover on the Company.

I think we are counting on continued exemplary performance in the FLEXCEL NX business. That one is pretty predictable because it is very much an annuity business. So while that will have good year over year, we don't think there is a lot of upside there because we frankly have it -- we are expecting very strong results out of that.

Software business will have solid impacts, but those are pretty predictable. So really what it comes down to, in terms of it is our two businesses that are the most new to our business, which is the continuing improvement in PROSPER and the continuing position of how Micro 3D printing goes. The rest of the businesses, as I mentioned, pretty much 81% annuity-based and pretty predictable.

Operator

Jen Ganzi, NewMark.

Jen Ganzi - NewMark Capital LLC - Analyst

Thanks so much for taking the questions. Just quickly -- and I missed this. What was the total net impact on revenue EBITDA this quarter of FX?

Jeff Clarke - Eastman Kodak Company - CEO

Are you talking about year over year?

Jen Ganzi - NewMark Capital LLC - Analyst

Yes. Year over year versus what you had projected initially. I mean, if there is a way to kind of give out those numbers.

Jeff Clarke - Eastman Kodak Company - CEO

Okay. If you just go to slide 9, what you see -- pull up slide 9, please. We will pull it up for those on the webcast. So slide 9, we put all this out for you. So you see, if you go to the bottom, you see that the total year-over-year impact of revenue was \$122 million and then we give it to you by the division. And then we give it currency adjusted for you. So all you have to do is just subtract between those numbers and you will see the impact.

Jen Ganzi - NewMark Capital LLC - Analyst

Okay. Got it. And when you think about what you were expecting for the FX rate, for this quarter versus what was actual, can you give us a sense of what the impact was there, at least on an EBITDA basis?

Jeff Clarke - Eastman Kodak Company - CEO

I'm sorry. Your question of what we expected?

Jen Ganzi - NewMark Capital LLC - Analyst

Given what you expected, sort of like I guess EBITDA could be versus where it is now and what impact FX may have had on that, if at all?

Jeff Clarke - Eastman Kodak Company - CEO



Maybe I can give you some more color on this. We gave guidance of -- in the beginning of the year of \$100 million to \$120 million. We expect to meet that guidance despite a year-over-year headwind of about \$12 million of foreign exchange on EBITDA.

So the bottom line is we will -- we are going to deliver the \$100 million to \$120 million even though \$12 million of wind hit us in the head. John earlier explained what the balance sheet impact of that was. So yes, it is going to be a headwind. We worked our way through it, made a bunch of trade-offs, and ended up getting there.

Jen Ganzi - NewMark Capital LLC - Analyst

Okay. Great. And it sounds like for the full year, you are sort of on track with -- even with FX, you don't expect any significant misses through the year end.

Jeff Clarke - Eastman Kodak Company - CEO

Yes. So again, we are reconfirming the guidance of \$100 million to \$120 million, despite that \$12 million headwind. As you saw on an earlier slide, we are at \$74 million at this stage and so we are very comfortable where we are relative to the guidance.

Jen Ganzi - NewMark Capital LLC - Analyst

Right. Okay. And is Q4 -- is that supposed to be a stronger quarter seasonally?

Jeff Clarke - Eastman Kodak Company - CEO

Yes, Q4 is our strongest seasonal quarter. And so we are very early in it, obviously, but we are trying trending as we had expected so far here in October.

Jen Ganzi - NewMark Capital LLC - Analyst

Okay. Great. So even if you just add on whatever, the \$39 million, this quarter, which would probably be seasonally stronger, then you would still be seeing pretty well within that guidance.

Jeff Clarke - Eastman Kodak Company - CEO

Yes. So again, I want to stick with the guidance we have given you. I don't want to plug it in there. I know that those doing models like to do that and I will let you do the latitude to do that. But we are expecting -- we'll meet our guidance and we are certainly well ahead of our plan so far this year on EBITDA.

Operator

Craig Carlozzi, BulwarkBay.

Craig Carlozzi - BulwarkBay Investment Group - Analyst

Just a couple quick ones on my end. Given the continued progress and business visibility, what do you guys believe the right cash balance needed to run the business is?

John McMullen - Eastman Kodak Company - EVP and CFO

Great question. I think over time and also subject to a little bit of the geographic mix of that, in the \$300s millions for us is probably a reasonable number in more of a steady-state mode.



Craig Carlozzi - BulwarkBay Investment Group - Analyst

Okay. And when you say over time, do you mean just so you have time to execute your 2016 operating plan? Or do you mean over time, i.e. the full development of your 3D printing, 2017, 2018 time period?

John McMullen - Eastman Kodak Company - EVP and CFO

The way I would think about it is that if you look at over the last two years -- and we will go into a lot of detail around this. But we have put a lot of things behind us from a reorganization legacy cost point of view when we end the year in 2015.

We have obviously made a big investment in restructuring as a Company over the last two years. As Jeff talked about and discussed Micro 3D, the Company has made a decision to invest into businesses like PROSPER, like Micro 3D, and the impact of that is embedded within our operational EBITDA performance. But it is cash forgone at some level.

So as we turn the corner with those businesses and get things behind us, our ability to operate at a lower cash level comes into play. So it is not years from now. It is relatively soon, relative to how we perform in 2016. But this is by no means a projection of where the cash will be, but I think you are asking more of a comfort level just operationally and more of a steady-state.

Craig Carlozzi - BulwarkBay Investment Group - Analyst

Yes. And actually, as a continuation of that question -- or your answer, you guys have done a tremendous job from Eastman Kodak several years ago. There has been a lot of cost saves and you have done a tremendous amount of restructuring. You have seen the development of several new products start to gain traction and now you're one quarter closer to positive 2016 free cash flow, at least per your latest guidance.

This month, high yield, I believe, has had the largest inflows ever. I could be wrong, but it was like -- I am reading a run now that just says, yowza. So I am imagining it is quite large. The market clearly feels robust. Have you thought about addressing your capital structure, perhaps refinancing your legacy capital structure?

And if so, would you do anything that would be equity-friendly along with that, given your cash balance, perhaps incur a little bit more debt, have a one-time [debt]. Are you thinking along those lines? Or are you purely focused on the operational execution at this stage?

John McMullen - Eastman Kodak Company - EVP and CFO

I think it is very fair to assume that we are watching the market very closely and would always consider being opportunistic if there was a good opportunity for us to do so. It would be different with our capital structure. So you can be sure that myself and our treasurer Bill Love are monitoring this on an ongoing basis.

Jeff Clarke - Eastman Kodak Company - CEO

Thanks. Next question, please.

Operator

We don't have any more questions in the queue at this time. So I would like to turn the call back over to management for closing remarks.

Jeff Clarke - Eastman Kodak Company - CEO

Thank you very much. Well, I look forward to discussing our outlook for the rest of 2015 as well as our goals for the next couple years tomorrow at our analyst investor day meeting. I appreciate everyone joining the call tonight and I look forward to seeing many of you tomorrow.



For those who won't be able to make it here to the New York Stock Exchange, I encourage you to dial in. We have got a lot of material to go through over five or six hours and so I think you will know a lot about Kodak at the end. And I'm looking forward to spending some time with you. Thanks so much.

Operator

Ladies and gentlemen, thank you again for your participation in today's conference. This now concludes the program and you may all disconnect your telephone lines at this time. Everyone, have a great evening.

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