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Can Kodak Make Things Click Again?

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Eastman Kodak (NYSE: [EK](#)) has been reporting losses since 2007 and is scrambling to return to profitability. Drawing down \$160 million from its \$400 million revolving-credit line recently stoked concerns and dampened investor confidence, causing the stock to plunge by 26.9% on reports of the withdrawal. Shares are down 70% year to date.

Still, the company expects to end the year with a cash balance of \$1.6 billion to \$1.7 billion. Is there an opportunity here for investors?

Let's develop this picture

To stage a much-needed turnaround, Kodak is investing heavily in the commercial and consumer printing segment, which turned in 48% growth for the second quarter of 2011. A shift in focus to consumer printing holds the potential for good results and more cash generation.

Kodak may have some valuable digital imaging patents under its belt, too. The value of its patent trove is estimated to be somewhere around \$3 billion, almost six times its paltry \$468 million market capitalization. After draining a lot of its cash in patent fights with **Apple** (Nasdaq: [AAPL](#)) and **Research In Motion** (Nasdaq: [RIMM](#)) , the company expects to generate significant cash from selling some of those patents as well. It hired **Lazard** in July to market 10% of its U.S. patent portfolio, with reports suggesting that big players such as **Microsoft** (Nasdaq: [MSFT](#)) and Samsung may be interested.

As for tapping the credit line, Kodak thought it was a more prudent option than redirecting money from international operations. The company generates more revenue overseas than at home, so there's a time lag between cash inflows and outflows, and redirecting its money could have cost as much as 30% more because of the tax differential.

Foolish takeaway

Kodak expects to be profitable again by 2012. As I see it, the withdrawal of cash from its credit line has opened up a good opportunity for investors and could be an attempt to return to profitability. Given that the company is willing to sell its patents and appears able to secure customers for them, it's possible we could see Kodak really unlock some value.

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