

Kodak Discussion on LinkedIn

4 May 2013

Does anyone believe Kodak can survive with its pathetic portfolio of digital printers?

Digi? NxP? Old enough to be considered obsolete.

Prosper? It just doesn't sell. Only one product cannot meet the needs of market as diverse as the one they are chasing. The competition has left Kodak struggling to make a machine work that is now 4 years old.

=====

Person #1 • I think Prosper has a huge fatal flaw - its cost. The installs they are doing in a lot of cases are at medium size shops, if I as a customer know that I'm installing a \$3 million press and the service contract on it is say 7% of the capital cost then I know my support contract is going to be \$210,000 per year so why would I ever want to sign off and start my warranty period. This is bad for Kodak in 3 ways, 1 they can't book the capital sale until sign off and 2 if there is a delay of 6 months then they do not recognize the \$105,000 in service revenue for the 6 month period and 3 Kodak has to keep sending personnel to the customer to deal with concerns even if some of the concerns are a smoke screen by the customer. If you don't think the customer thinks this way then you don't know the customer, I used to be a customer and it was routine to delay signoff as long as reasonably possible. This is too costly for a company as small as Kodak at this point.

Although when you look at their income statement it looks as if they are making money on service however that also could be because they charge back all the service visits against sales and that would also explain why they barely make money on good sold. If the list price on a Prosper is \$3 million then the cost to manufacture should be in the range of \$600,000, but I guess when you add in all the marketing and install costs maybe the true cost is \$2.8 million and that would explain the losses from the Commercial printing side for the last 65 consecutive months or so.

I would say that with a 99.5% certainty that after they emerge from BK that they will have little access to credit, after all they are stiffing \$1.9 billion - \$2.2 Billion in debt subject to compromise with 15% of a \$470 million dollar company or \$0.035 on the dollar so anyone that loans Kodak money going forward is crazy until they are making large profits (20% or more), so where does that leave Kodak, well IMO very much ready to be acquired, the BOD will be new and hopefully upper management will be gone so new management will be much more receptive to a quick acquisition payout rather than a tough slog to try and rebuild.

As for the Iconic name "Kodak" I think it may be in it's last days as it may have nostalgic value to most of this group, but in today's day and age it's irrelevant, My son will probably only ever hear the name Kodak if he chooses to get an MBA or something like that and as a business case they study the Iconic failure of Kodak.

=====

Person #2 • Unlike many of you, I only spent 3 years inside the big yellow box and all of it in Asia. My NDA will not allow me to quote sales figures. But... Kodak signed 6 LOIs at DRUPA. None of them turned into an order. Operationally, the Prosper 1000 has been a problem. The joke was that the best way to lose more money was to sell more of them.