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Senior Counsel Robert J. Rock, Esq. discusses Kodakâ€™s long road out of bankruptcy

Kodak stock down after posting $36M loss in 1st quarter

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Eastman Kodak Co.'s game plan for years has been to pump money into lines of business that show promise for big growth, cut costs in its traditional cash cows as those dry up, and eventually find a balance that leads to profitability.That day of profitability isn't here yet, but the company is getting closer."This is a year of transition," CEO Jeff Clarke said Tuesday in a conference call with Wall Street analysts as the company announced its latest quarterly financial results. "We're seeing some nice trajectory. At the same time, we've got some mature product sets that are going to decline. So what do you do? You prioritize rigorously around where you're going to invest and you manage your cash flow, you try to streamline your processes and run the company in a more efficient way. There is still some engineering of processes and streamlining we need to do."For the three months ending March 31, Kodak lost $36 million — a hefty sum, but a notable improvement over the $85 million it technically lost in the first quarter of 2013, or the hundreds of millions of dollars it lost in the first quarters of 2012 or 2011.Revenues in the first quarter of 2014 were down 19 percent, to $482 million. Kodak said most of that decline came from its evaporating film and consumer inkjet businesses, as well the fact the first quarter of 2013 saw a one-time, $24 million injection from licensing its brand.Kodak stock was down sharply Wednesday afternoon, trading at $27.61, a loss of 7.7 percent.Sales were up in the parts of Kodak that the company is banking on for its future, such as high-speed inkjet printing and packaging printing. The company said it expects to see installations of its Prosper S-Series of digital printheads that attach to traditional offset printing presses to grow by more than a third this year, topping 1,000. It also expects to see installations of its Flexcel NX systems, which turn out printing plates for packaging printing, to grow by more than 25 percent, topping 400.However, while sales were up for what Kodak calls its "strategic technology businesses," they collectively posted a loss of $5 million for the quarter. But that loss is getting shallower — the company in the first quarter of 2013 saw those strategic businesses pull a narrow profit of $6 million a year ago, but those profits came from that $24 million brand licensing.Technically, Kodak's bottom-line results of a $36 million loss in its most-recent quarter were down compared to the same quarter a year ago. But the first quarter of 2013 was inflated by a one-time injection of $494 million from the sale of a mountain of digital imaging patents as part of its Chapter 11 bankruptcy.The company previously told Wall Street that it expected to see revenues this year of $2.1 billion to $2.3 billion and operational EBITDA — one measure of profitability that doesn't count such expenses as taxes and depreciation — of $145 million to $165 million. For the first quarter, operational EBITDA was only $3 million. However, that should pick up in the second half of the year thanks to the typical seasonality of much of Kodak's business, more annuity sales from the increasing number of Prosper and Flexcel machines out in the world, and cost cutting, Clarke said.The company cut $31 million from its operations over the past year, spending $87 million during the quarter on selling, generative and administrative expenses during the first quarter of 2014 vs. $118 million a year earlier. Chief Financial Officer Becky Roof said those cuts came from such steps as elimination of nearly 1,800 jobs worldwide, the sale of Kodak's Digital Imaging and Personalized Imaging businesses, and less spending on pensions.Roof said there the company also is planning more headcount reductions and savings as it moves some operations to lower-cost areas around the globe. She gave no details.Kodak's latest quarterly results are only its second since emerging from its 20-month Chapter 11 bankruptcy. And the fact it's not yet profitable is no surprise, said Robert Rock, senior counsel with the bankruptcy practice at Albany law firm Tully Rinckey PLLC."In my experience, reorganized companies do not come out (of bankruptcy) and start immediately throwing big returns to shareholders," Rock said. "There are still some shock waves going on from having needed to be in Chapter 11 in the first place. It'll take a while. The key thing to look at is — if the company is able to make its required payments out of the reorganization and its current payments, they're going to be fine."Eastman Kodak by the numbers

For the quarter ending March 31Revenues:

$482 million, down $112 million or 19%Losses:

$36 million, down $319 million