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KODK - Q4 2015 Eastman Kodak Co Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Eastman Kodak Q4 earnings conference call.

(Operator Instructions)

As a reminder, this call is being recorded.

I would now like to turn the conference over to Dave Bullwinkle. Please go ahead.

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

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

At 4:15 PM this afternoon, Kodak filed its annual report on Form 10-K and issued its release on financial results for the fourth-quarter and full-year 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 or risk factors, which are clearly described in the Company's 10-K, and which are qualified by the Safe Harbor provisions in our filings. We advise listeners to read these important cautionary statements in their entirety, as any forward-looking statement needs to be evaluated in light of these important risk factors or uncertainties.

In addition, the release just issued and the presentation provided contains certain measures that are deemed non-GAAP measures. Reconciliations 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 full-year financial performance and 2016 guidance for the Company. Then John will take you through a cost reduction update, additional details of our fourth-quarter results, and cash flow results and outlook, before we open it up to questions.



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

Jeff Clarke - Eastman Kodak Company - CEO

Thank you, Dave.

Welcome, everyone, and thank you for joining the Q4 investor call for Kodak. It's been two years since I joined Kodak, and I am pleased with the progress made during 2015 in the Kodak transformation. Today, in addition to our earnings review, we are announcing strategic and product decisions with regard to our enterprise inkjet and silver metal mesh touch sensor businesses.

The PROSPER business has significant potential for accelerated growth. To achieve its full economic potential, PROSPER will be best leveraged by a Company with significantly larger sales and distribution footprint in their digital printing markets. Due to the success of the PROSPER business, and significant progress achieved to date, we have received strategic interest in the PROSPER business from companies, and their financial representatives.

We are in discussions with prospective buyers to purchase the business from Kodak, and we have hired Sagent Advisors and DC Advisory, which share Daiwa Securities as a common shareholder to manage the sales process for us. We will continue to execute this business and invest in the development of PROSPER and ULTRASTREAM, the next-generation inkjet writing systems during the sales process.

ULTRASTREAM will greatly expand the market reach of this technology. It is an exceptional technology, and the product set is highly valued by the printing industry. This decision represents a change in direction, as up until making this decision, we had expected PROSPER to continue to be a growth driver of our business.

Let me address this with providing some observation and conclusions, which led us to this decision. In the digital printing industry, there are companies of significantly more scale than Kodak. The success of PROSPER and the development of ULTRASTREAM requires significant scaling and investment in the go-to-market resources.

For example, at Kodak we have approximately 40 salespeople dedicated to PROSPER. Potential buyers have hundreds and even thousands of additional sales, business development, and services headcount, already deployed in geographies around the world which would be synergistic to a PROSPER combination.

Number two, PROSPER presses sell for \$2 million to \$3 million each. Due to the competitive pressures in the inkjet market, PROSPER presses are often placed at a loss, on the basis that the annuity will yield a system profit over time. Prospective acquirers of PROSPER are better positioned to make this magnitude of investment.

Third, most of our competitors provide captive commercial financing to their customer, which allows for more flexibility. In terms of third-party financing, Kodak is limited in our ability to compete with significantly larger companies in financing. Since PROSPER is a relatively new product, the residual value history required for third-party commercial financing will not be available in the near future.

After the sale of PROSPER is completed, the impact to Kodak will be an improved balance sheet, due to the purchase price proceeds, as well as less CapEx and working capital investment, which today supports the growth of PROSPER. We expect the proceeds will be used to reduce existing debt.

In the medium and longer-term post sale, Kodak will grow slower, and have less overall EBITDA in 2017 and beyond. However, given the strong prospects for Sonora, Flexcel packaging, software, and 3D printing, Kodak will continue to have strong and diversified growth engines. In addition, we made the decision to focus on the development of touch sensors using copper metal mesh technology. Micro 3D printing is an important element of our portfolio, and we have been developing offerings based on silver as well as copper technologies.

After extensive discussions with industry participants, it is clear our fully additive copper metal mesh technology is the winning approach, in terms of overall cost, setup cost, and the scalability of larger screens. We will continue to make silver halide film available to touch screen sensor manufacturers.

On the remainder of the call today, I will talk about the Company results for the full-year 2015, as well as our guidance for 2016. John McMullen will then follow with more details on the fourth-quarter 2015 divisional performance, a cost reduction update, and a fourth-quarter cash flow performance, after which we will welcome your questions. Now moving on to our results.

Starting on page 5, we delivered strong 2015 operating performance, with \$122 million of operational EBITDA, which is higher than the guidance we provided for the year for operational EBITDA of \$100 million to \$120 million. We also delivered greater than the targeted cost structure savings, which improved profit leverage going forward.

In addition, within 2015, our quality of earnings has improved meaningfully. Operational EBITDA has improved year-over-year in all divisions, with the exception of the consumer and film division, due to the continued expected decline in consumer inkjet profit.

As shown on slide 6, growth businesses have expanded from 16% for the full year to 22% of Kodak revenues, for the full year 2015. Overall, our growth engines grew 29% in 2015.

Slide 7 presents the Company's product portfolio to reflect the strategic decision for PROSPER. This is the way we view the Company going forward.

Growth engines include Sonora, Flexcel NX, software and solutions, and Micro 3D printing. Strategic other businesses include plates, CTP and Service in PSD, Nexpress and related toner business in PSD, entertainment and commercial film in CFD, consumer products licensing in CFD, Eastman Business Park and IP licensing.

Planned declining businesses are product lines where we have made the decision to stop new product development and to manage an orderly expected decline in the installed product and annuity base. These product families include consumer inkjet in CFD, Versamark in EISD, and Digimaster in PSD. Non-recurring businesses include PROSPER and the \$70 million of non-recurring IP licenses that were recognized in 2014.

From slide 7, you can see that the majority of the Kodak product portfolio is stable to growing. 83% of the Company's full-year revenue in 2015 was basically flat on a constant currency basis.

The expected decreases in the planned, declining, and nonrecurring businesses, results in the total Company's revenues declining for the full year. We are making progress in changing the trajectory for the full Company into 2016, as the growth engines become a larger portion of the Company's revenues.

As shown on slide 8, in March of 2015, we guided operational EBITDA of \$100 million to \$120 million, assuming an unfavorable foreign exchange impact of \$21 million. Our guidance represented a 50% to 80% year-over-year improvement on a comparable basis.

For the full-year 2015, the actual unfavorable impact of foreign exchange on operational EBITDA was \$26 million. Full-year 2015 actual operational EBITDA \$122 million despite the greater than anticipated impact of foreign exchange, and above the high end of the 2015 operational EBITDA guidance.

Now, I'll talk about the business by division, which is presented on slide 9 for the full year 2015. Starting with the print systems division, full-year revenues were \$1.1 billion, a 12% decline compared to 2014. Operational EBITDA was \$98 million, 5% better than the same period a year ago. On a constant currency basis, PSD revenues declined 4%, while operational EBITDA improved by 15%.

These results were achieved despite tough challenges. The decline in year-over-year revenues is primarily due to foreign exchange; global economic volatility, particularly in Brazil, Japan, and China; and competitive pricing pressures.

In 2015, we achieved our goal of growing Sonora volume by 50% year over year. Our sales of Sonora place within Japan, our most recently-entered country, are tracking as planned, and we're actively ramping this part of the business.

On the Q3 2015 investor call, we announced the release of two new products, Kodak ELECTRA MAX and LIBRA. Today we have about 50 customers using these two new plate offerings, so we're off to a good start.

For the full year 2015, on the strength of Sonora, overall plate volume was flat compared to the prior year, despite an overall decline in the industry and volatility seen in some of the larger economies around the world. While we were successful at maintaining stable plate volume, we are continuing to see low single-digit plate price erosion. In addition, as a result of our aluminum hedging program, we did not realize the full benefit of decline in prices in 2015.

Continuing on the cost side, we have now converted the Americas Sonora plate manufacturing to our Columbus, Georgia, facility from our Leeds operation in the UK. The facility is running well, and the transition of Sonora plate manufacturing from Europe to the Americas was seamless. We anticipated between \$20 million to \$25 million of annualized productivity gains from Leeds closure, and we are now fully realizing the benefits of this action.

We also plan to continue with cost reductions and productivity improvements as appropriate, which will help overcome the headwinds we anticipate from continuing price erosion, and weak global economies. We anticipate continuing cost reductions to offset the price erosion.

Also within the PSD division is our electrophotographic printing solutions, or EPS business, where we have our Nexpress and Digimaster products. Year-over-year EPS performance improved, with Nexpress driving the majority of the improvement, while our legacy black and white Digimaster product declined as expected.

In 2015 we increased Nexpress placements approximately 16% from 67 to 78 units. In 2016 we will continue to focus on growing our Nexpress installed base, while driving productivity and cost improvements across the entire EPS portfolio.

Moving on to the enterprise inkjet systems division, which for 2015 includes our PROSPER and legacy Versamark systems. For the full year 2015, EISD revenues were \$173 million, down from \$185 million in the same period last year. On a constant currency basis, revenues improved by \$2 million.

Operational EBITDA for the full year 2015 was a negative \$26 million, an \$18 million improvement compared to the prior year. The improvement to operational EBITDA was \$23 million on a constant currency basis.

The improvement in operational EBITDA reflects the reduction in revenues and earnings contributions from the Versamark legacy brand, more than offset by growth and improvement in PROSPER contributions through higher consumables and cost reductions. PROSPER revenues for the full year 2015 grew by 35% or 40% on a constant currency basis.

Total PROSPER annuity growth was 28% on a constant currency basis. For 2015, we grew PROSPER equipment placements by approximately 41%. 16 new PROSPER passes were sold and placed with a further six contracted for delivery or in the process of installation.

We were short of our ambitious goal of installing 25 PROSPER systems, primarily due to the timing of the orders received. This is a significant growth of the 2009 through 2014 cumulative five-year installed base of 39 presses. We are now at an install base of 55 units. We also increased our installed base of PROSPER S series printheads by over 15% for the full year period.

Moving on to the Micro 3D printing and packaging division, which for 2015 includes Flexcel NX systems and plates, as well as touch sensor films and silver mesh and copper mesh technologies. For the full year 2015, MPPD were \$128 million, flat compared to \$130 million in the same period last year. However, on a constant currency basis, revenues improved by \$12 million or 9%.

Operational EBITDA improved from a negative \$1 million to \$9 million positive, a year-over-year improvement of \$10 million. Operational EBITDA improved \$14 million on a constant currency basis.

The improvement in this division represents strong growth in the Flexcel NX packaging business, as well as less investment in Micro 3D printing as we shift from research to commercialization. The Flexcel NX packaging business has shown continued strong momentum. Flexcel NX revenue increased by 12% year over year or 24% on a constant currency basis, and the installed base grew by about 20% year over year, ending at over 470 installed Flexcel NX CTPs.

Plate volume increased 26% year over year for the full year. The significant advantages of our Flexcel NX system are the improved efficiency in color management, without sacrificing quality, reduced press downtime, faster run speed, and reduced waste and ink consumption.

Flexcel NX plates have enabled our customers to drive substantial efficiencies in their printing operations. Greater than 20% in some cases, while improving the consistency and quality of the packaging they deliver to their brand clients.

Our packaging business is a significantly profitable business in our portfolio, with double-digit market share, proving what we're able to do in markets in relatively short order, with our technology innovation. Flexcel NX was introduced in 2008, and continues to represent a significant growth area for Kodak.

In micro 3D printing, as I indicated earlier, we are exiting the silver mesh technology and are moving ahead with a focus on copper mesh touch sensors. At this year's CES, our copper technology was well-received by customers, and we're pursuing a number of RFQs, particularly in the industrial segment. After investment in micro 3D printing for the past several years, we are very close to shifting to revenues, which will result in a reduced investment required in 2016.

The software solutions division, which includes PRINERGY workflow software had a strong year. For the full year 2015, SSD revenues were \$112 million, up from \$108 million in the same period last year. On a constant currency basis, revenues improved by \$13 million or 12%.

Operational EBITDA improved from \$3 million to \$9 million, a year-over-year improvement of \$6 million, which corresponds to a \$9 million improvement on a constant currency basis. The improvement in this division represents higher revenue from Kodak Technology Solutions. The improvement in operational EBITDA was due to cost improvements, and unified workflow solutions, due to improved efficiencies.

The consumer and film division includes consumer inkjet cartridges, motion pictures, commercial films, and synthetic chemicals, as well as our consumer products group, which includes licensing of the Kodak brand. For the full year, revenues for CFD were \$265 million, down \$25 million from \$352 million, driven by a 41% reduction in consumer inkjet revenue. Operational EBITDA declined from \$66 million to \$52 million, better than expected due to the improvement in our film business.

For the fourth quarter in a row, film recorded a profitable quarter on the basis of operational EBITDA before corporate costs, which was our goal. We continue to develop new opportunities in film and consumer products businesses, and have plans for growth in these categories in 2016. We anticipated a continued reduction in revenues and earnings from the consumer inkjet printer cartridge business in 2016.

The intellectual property solutions division includes the Company's research lab, as well as intellectual property licensing not directly related to other business divisions. For the full year, we had modest revenue in the division.

Operational EBITDA was a negative \$22 million for the full year 2015, an improvement of \$8 million from the negative \$30 million in the full year 2014, when excluding non-recurring IP licensing. The improvement is a result of focused reductions and research programs.

As mentioned in our previous earnings call, we are pursuing partnerships and other opportunities to commercialize Kodak's inventions. On the Q3 2015 earnings call, we announced the signing of a memorandum of understanding with Carbon3D, a promising Silicon Valley start-up company, which aims to shift 3D printing beyond prototyping, to achieve 3D manufacturing.

We are pleased to announce that this MOU has expanded to a joint development agreement, which we signed in February of this year. We're working on agreeing on the statements of work for further cooperation with Carbon3D.

Given our pipeline to monetize IP activities, we expect to cover the majority of research costs within IPSD, with single- to double-digit revenues. Based on actions already taken, we've reduced to 2016 run rate of R&D expenses by \$6 million year over year. Coupled with our healthy pipeline of IP monetization activities, we are positioned to deliver better year-over-year improvement than the run rate alone would suggest.

Continuing on to our final division, Eastman Business Park. Full-year 2015 revenues were \$13 million, down slightly from 2014, due to the timing of tenant transitions. Operational EBITDA was \$2 million, up from \$1 million in 2014.

The overall operating efficiency of the park is improving, and with a healthy pipeline of potential tenants. Currently, Kodak operates approximately 55% of Eastman Business Park, external tenants occupy approximately 25%, and there's approximately 20% available for lease. The site also includes 200 acres of prime industrial land available for development.

Now to update you on our 2016 financial targets. On slide 10 of our 2016 guidance for revenues is \$1.5 billion to \$1.7 billion, and operational EBITDA of \$130 million to \$150 million. We expect to see a year-over-year unfavorable impact of foreign exchange of approximately \$30 million in revenue, and \$6 million in operational EBITDA, based on the January rates. The operational EBITDA guidance represent a 12% to 29% improvement on a comparable basis, versus 2015, adjusting for the year-over-year impact of foreign exchange.

This guidance is on a continuing operations basis, and excludes the PROSPER and silver metal mesh businesses, and includes the expected decline in consumer inkjet EBITDA from the anticipated reduction in replacement ink cartridge sales, as well as the expense incurred for the Company for the global print show drupa, which occurs once every three years in Germany.

Despite these items, we will continue to see growth in our divisions through greater productivity improvements, and a larger mix of growth engine revenues.

I'll turn it over to John to discuss Q4 performance, updates on cost reductions, and cash flow. John?

John McMullen - Eastman Kodak Company - CFO

Thanks, Jeff, and good afternoon.

Today the Company filed its Form 10-K for the year ended December 31, 2015, with the SEC. I recommend you read this filing in its entirety.

As Jeff noted in his opening remarks, we are pleased with both our fourth-quarter and full-year performance. I'll now provide a little more detail on the fourth quarter and full year.

As we reported in our earnings release, the net loss for 2015 on a GAAP basis was \$75 million, compared to a net loss of \$118 million in 2014, an improvement of \$43 million. This information is taken directly from the Company's consolidated statement of operations and 10-K. We are pleased with the year-over-year improvement.

Moving on to slide 12, for the total Company, we ended the fourth quarter with revenues of \$467 million, and operational EBITDA of \$48 million. At the divisional level, starting with PSD, revenues for Q4 were \$292 million, an 11% decline compared to Q4 in 2014. Operational EBITDA for the quarter was \$37 million, 23% better than the same period a year ago.

On a constant currency basis, PSD revenues declined 5%, while operational EBITDA improved by 30%. In Q4, we continue to add new customers for our Sonora process-free plates, and Sonora plate volumes increased by 27% year over year for the quarter.



Our EISD business ended the quarter with revenues of \$50 million, up from \$47 million in the same period last year. On a constant currency basis, revenues improved by \$5 million. Operational EBITDA was a negative \$4 million, compared with a negative \$8 million in the fourth quarter of 2014, for an improvement of \$4 million.

On a constant currency basis, operational EBITDA improved by \$5 million. Within the EISD business, EBITDA before corporate costs for our PROSPER business in Q4 was negative \$2 million, close to breakeven as expected, and well-positioned for 2016, as we execute our process to find a new owner to drive accelerated growth and market scale for this business moving forward.

MPPD revenues for Q4 were \$31 million, down \$5 million compared to the same period a year ago. On a constant currency basis, revenues declined by \$2 million or 6% from Q4 2014. On a constant currency basis, operational EBITDA improved by \$2 million, driven by the continued success of the Kodak Flexcel NX system.

Q4 SSD revenues were \$27 million, or \$29 million on a constant currency basis, essentially flat compared to the same period last year. Operational EBITDA improved from \$3 million to \$4 million on a year-over-year basis.

Q4 revenues for CFD were \$63 million, down from \$87 million in Q4 of 2014. Operational EBITDA declined from \$17 million to \$14 million. Q4 revenues included \$5 million from the amendment of the brand licensing arrangement.

These results were consistent with our expectations, as our legacy consumer inkjet cartridge business continues to decline year over year. Finally for IPSD and EBP divisions, we met our expectations for both revenues and operational EBITDA during the quarter.

Now, let me provide an update on our cost reduction programs. As we shared with you over the course of the year, we expected greater than \$100 million in operational SG&A and R&D cost reductions for the full year of 2015. As you can see on slide 13, we exceeded our goal by \$7 million.

Key drivers of these difficult but necessary cost improvements were Company headcount down approximately 12% year over year, and benefit reductions effective at the beginning of 2015, which provided approximately \$20 million in annual operating expense savings. We continue to see opportunities for further efficiencies within our cost structure, both at the divisional level and across global functions. We will continue to take actions as appropriate, based on the business model needs of each of our divisions, and corporate cost benchmarks, consistent with the total Company portfolio and financial objectives going forward.

Now let's focus on cash. As shown on slide 14, the Company ended the year with \$547 million in cash. This reflects cash generation of \$26 million during Q4 2015.

During the quarter, the Company used cash primarily for interest expense and debt repayments, capital expenditures, employee severance payments, Workers Compensation payments, funding of planned cash tax payments, and consistent with prior quarters, the continued negative impact of foreign exchange. These cash expenditures were more than offset by positive operational EBITDA for the quarter, as well as cash generation from working capital of \$63 million.

It is important to note that, within our full-year cash results, we face significant unplanned headwinds from foreign exchange impacts. Year to date, our cash position has been reduced by \$18 million as a result of negative foreign exchange impact on our bank balances.

In addition, we saw unplanned impacts on our working capital balances as a result of currency translation effects, and a headwind in velocity of our working capital versus our goals for 2015, with current economic softening and volatility, primarily outside of the US. Even with these headwinds, we remain comfortable with Kodak's year-end liquidity position in supporting the operating and investment needs of the Company going forward.

Looking forward to 2016, we're currently projecting full-year growth in cash of approximately \$10 million to \$30 million by year end, excluding any material foreign exchange impacts, and excluding the purchase price proceeds of a completed PROSPER transaction. Cash growth during 2016 will be driven by continued progress in year-over-year operating results, cash generation from working capital similar to what we achieved for the



full year of 2015, reduced investment in Company restructuring, strong capital expense management, and the likely monetization of assets and/or technology partnerships throughout the course of the year.

In summary, for both the fourth-quarter and the full-year 2015 results, we are pleased with the Company's continued progress. We are executing well across our divisional structure, while continuing to exceed aggressive cost goals for the Company, to provide the investment capacity needed for growth, sustained profitability, and cash generation going forward.

I will now turn it back to Jeff for closing remarks before we open the call for your questions.

Jeff Clarke - Eastman Kodak Company - CEO

As we shared with you on the call today, the Company's results for 2015 represent solid performance from operational improvements, which are sustainable. The Company has also made some important strategic decisions surrounding our portfolio of businesses.

I will now take your questions, and discuss these items with you. Questions please?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Shannon Cross, Cross Research.

Shannon Cross - Cross Research - Analyst

A couple of questions. I guess the first is, strategically getting rid of PROSPER, obviously gives you some cash.

I'm curious at how you think that the potential purchasers are looking at the Company from a valuation perspective? I know you don't want to totally tip your hand, but if you can give us some idea of their breaking EBITDA out for the two businesses, looking at Versamark on its own, and then given the revenue multiples of the other business, or just how they're looking at it?

And then there are some other assets, the software business, some of the other things that might be considered I don't want to say non-core, but could be monetized. I mean is this something where you're looking at monetizing other parts, or are you happy with just moving away from PROSPER and Versamark?

Jeff Clarke - Eastman Kodak Company - CEO

PROSPER is a unique situation. PROSPER has been a business that we have spent a lot of money over the last half decade building. We now have built it to the point where it is very attractive, so we're offering this PROSPER for sale from a position of strength, and we didn't put out a sale sign. Companies came to us. They are excited about the technology, they are excited about the ULTRASTREAM technology which brings it into a broader market. And on top of that, there are companies, as I mentioned on my remarks, that will have significant synergies beyond what we would have as a standalone.

So as we step back and went through a continuation of our core strategy, we realized that it will be much more valuable in a Company that already has a sales force beyond the 40 people we have, and a broader distribution market, as well as, perhaps some synergies on the engineering side, or



on other inkjet technologies. While PROSPER, the ability to put it for sale really is based on the install base that now is large enough, that there isn't significant additional investments required to build the technology out. And that with a larger sales force, you can get to cash flow positive sooner.

We were targeting, as you know, we targeted in the fourth quarter, the combined EISD business to be roughly breakeven. That would have happened in 2016, but PROSPER would have still required significant investment, and it would have required significant investment in 2017 as well, and we would have started to see cash flow generation in 2018.

That's a long time to wait when another Company can add it to its existing resources, achieve synergies, get a broader footprint, and get to a cash flow positive much faster. It is an incredible technology. It is a technology that is unique in the industry, has a rich set of customers and partners. We will continue to support those customers, continue to add to the install base and continue to invest in the technology. We will showcase this at drupa, and we believe this will be a very attractive technology and business for potential acquirers.

Versamark isn't for sale. We are very comfortable with Versamark. It is one of the business as we think we can manage very well down, it is very separable from the PROSPER business.

And the rest of our businesses aren't for sale. PROSPER wasn't for sale, we got the compelling interest from outside parties, and that is what brought us to the strategic decision. Of course we're pragmatic, and we have to listen to opportunities, but we believe with the PROSPER sale, the portfolio will be a good balance of growth, and more mature product sets as well.

Shannon Cross - Cross Research - Analyst

Should we assume, so you are working with Daiwa, that these are most likely international buyers?

Jeff Clarke - Eastman Kodak Company - CEO

Sagent has a partnership with Daiwa, and so that really will cover the whole global footprint. Sagent has a very strong footprint in the US and Europe. Daiwa has a strong footprint more in Asia, so we felt this was the right bank. If you go back in history, you will see that this combination has had over a dozen meaningful sales in recent periods of technologies, within the printing industry.

Shannon Cross - Cross Research - Analyst

Okay, and should we assume use of proceeds, you said strengthen the balance sheet, will that go to near-term debt repayment or how do we think about this, and does this have anything to do with the covenants?

Jeff Clarke - Eastman Kodak Company - CEO

This is a strategic decision that we're making, based on our view of where the business is for us, and our ability to generate meaningful sustainable cash going forward, versus the synergies another party would place. I would characterize this as a strategic decision that we would make, with or without our current capital structure. It will improve the capital structure.

Shannon Cross - Cross Research - Analyst

Okay. Just a couple other questions. On the Micro 3D printing, on the copper side, how do we gauge success? What milestones do we look for? Obviously, there were some that we were looking for on the silver side, but what would you recommend us watching, and when do you think you will get to where a meaningful contributor of the business?



Jeff Clarke - Eastman Kodak Company - CEO

As I stated on each of the last several calls, and at the analyst meeting last fall, the Company has a history of over promising on this technology, and I don't intend to continue. I think that the best milestone you can have, will see is when there's revenue and positive EBITDA coming off of it, and all the rest of that, we are going to go keep inside. I will note that there isn't a lot of additional research that's required on copper, and it really is at the stage of commercialization now, and the second piece relative to silver, in order to respond to RFPs and to build protos and others, it's a very different process. It was a much larger investment for each bid on the silver side than the copper side, which we can prep easier with the flexographic press. And so I think copper lends itself to some of the ambiguities of a start-up market better than silver did.

Shannon Cross - Cross Research - Analyst

Okay. That's helpful. I assume that no revenue is included. I just want to confirm, I might have missed it, in 2016 from copper?

John McMullen - Eastman Kodak Company - CFO

Let's put it this way, we have a very conservative estimate of where we will be for the Micro 3D printing in 2016.

Shannon Cross - Cross Research - Analyst

Okay. And then one last question, just on Flexcel. How should we think about growth expansion, investment in that business, given it's going to be one of the more important growth drivers going forward with PROSPER exiting? And any more color you can give us on what you're seeing in that market, and that will conclude my questions. Thanks.

Jeff Clarke - Eastman Kodak Company - CEO

Of course. Again, I do realize that maybe if we, just for everyone, we could go back to slide 6 on the thing. I remind people that while PROSPER is very important to us, and it comprised \$24 million of the \$97 million of constant currency growth that we got out of our growth engines last year. Clearly, Sonora, Flexcel, our software solutions business and over time, Micro 3D printing will need to replace the growth that we had planned for PROSPER.

And yes, Flexcel, to your point, becomes really important. And it is a business that, as I mentioned with the statistics I read on the script, that's doing quite well. We're up to 470 placements now. We have a wider format. You will see the product featured quite significantly and some of the road map additions at drupa, and it's a business with high margin consumables that we like very well.

So yes, it will be, the packaging industry will -- is very central to our strategy, and with the divestment of the PROSPER business, it becomes more core. We are very comfortable with the progress we're making in that business. In terms of new investment, we will -- this is one of those good problems. In the next couple years we are going to need to build a new factory to keep up with the demand for the product, so that is the only material new investment beyond the investments that fit in the business model as it grows, in terms of in terms of adding salespeople and different features to CTPs, et cetera.

Shannon Cross - Cross Research - Analyst

Great. Thank you very much. We look forward to looking seeing you at drupa, if not before.

Operator

Jen Ganzi, NewMark Capital.



Jen Ganzi - *NewMark Capital - Analyst*

Just one housekeeping item just to start off with. I don't know if you gave this out, I may have missed it, but did you give the standalone Flexcel packaging EBITDA ex-Micro 3D for 2015? Because I know you broke it out in your presentation at the investor day, so I was wondering if you could let us know what that number is?

Jeff Clarke - *Eastman Kodak Company - CEO*

We did not, the number is I believe \$22 million, is that right?

John McMullen - *Eastman Kodak Company - CFO*

That was number year-to-date through March, through September rather.

Jeff Clarke - *Eastman Kodak Company - CEO*

The number was \$30 million.

Jen Ganzi - *NewMark Capital - Analyst*

Okay, so \$30 million for the full year?

Jeff Clarke - *Eastman Kodak Company - CEO*

Yes.

Jen Ganzi - *NewMark Capital - Analyst*

Okay, great. And then in terms of just housekeeping on the proceeds from the sale of the PROSPER business, it looks like from the credit agreement that it's got to be used to pay down debt, and specifically first lien debt? Is that correct?

Jeff Clarke - *Eastman Kodak Company - CEO*

There are, I don't want to go into all of the things, there is some ability to make additional investments, but our intent at this time is to pay down debt.

Jen Ganzi - *NewMark Capital - Analyst*

Will that be at par, or is there are mechanism to do a discounted purchase within the credit agreement? I'm just curious how you're thinking about that?

Jeff Clarke - *Eastman Kodak Company - CEO*

I think we will wait to see where we are at the time we do the transition around that. There is the ability to pay down on the first lien, and there's different approaches for us to be able to do that.

Jen Ganzi - *NewMark Capital - Analyst*

Okay. Just in terms of understanding the value, I'm just wondering how much you had invested in PROSPER so far, as of inception? Can you give us a number around that?

Jeff Clarke - *Eastman Kodak Company - CEO*

Yes, I don't want to go back too far, but we did share some numbers with you at the analyst call over the last couple of years, of how much EBITDA we have invested there. Dave do you want to read those numbers off since they're public, from the thing?

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

The EBITDA investment? I'm sorry.

Jeff Clarke - *Eastman Kodak Company - CEO*

Dave was going to give you specific numbers, but it's been several hundred million dollars that have been invested since inception, and we will give you the specific number that we shared with you for the last couple of years.

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

We had combined the investment starting in 2014, 2015 and 2016. It was a negative \$75 million, which combined Micro 3D and PROSPER. That was for 2014. For 2015 it was a negative \$45 million in total in both of those technologies.

John McMullen - *Eastman Kodak Company - CFO*

The majority of those numbers are related to PROSPER in those for years.

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

I'm >> <Robby Tennenbaum - Analyst - Alta Fundamental Advisers> <tennenbaumrobby>e of the key things is, as we've grown the annuity base, and as we have added more S Series printheads, we are, as you saw from our marks, a significant improvement year-over-year, a reduction in the use of cash required. And in 2016, it will be a manageable number. Obviously, we will be running this business in 2016, until a sale is consummated.

And it is a number that is a manageable number for us. And then in 2017, we would, as I mentioned, it makes so much sense for a Company that's, either a little bit or quite a bit larger than Kodak, particularly if they have a sales force in case and other inkjet investments.

Jen Ganzi - *NewMark Capital - Analyst*

Okay. In terms of, so if you assume a little over \$100 million you've invested over the last couple of years, can we think about, how do you think about what percent of that investment you think you'll recoup on the sale of the business?



Jeff Clarke - Eastman Kodak Company - CEO

I hope you don't expect that, given that I'm in the sales process, that I'm going to start talking price with the public. Obviously, we think this is a very attractive technology. We believe it would fit with several different partners out there, several -- there has been external unsolicited interest into Kodak about the business. We have a banker to run the process, so I don't think it's going to help anyone in the process, certainly not Kodak, to speculate on the value.

Jen Ganzi - NewMark Capital - Analyst

All right, fair enough. Just in terms of, it sounds like on your investor day, you gave out some EBITDA and cash flow estimates for 2017. Sounds like for 2016, the sale of this business will basically be a positive even ex the proceeds, because you won't have to invest in it, or I guess, it will be positive to neutral rather. But then for 2017, I'm just curious, you have a range of \$180 million to \$210 million of EBITDA, how much of that we potentially lose from the sale of PROSPER? It sounds like there will be an offset from a cash flow perspective, but how should we think about that projection vis-a-vis losing, the PROSPER business being sold?

Jeff Clarke - Eastman Kodak Company - CEO

Yes so we shared with you that impact, so Dave, why don't you just read it off the chart?

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

Again on the same slide at the analyst day, we showed positive EBITDA from a combination of Micro 3D printing and PROSPER of about \$25 million in 2017, so that would of course be reduced to some extent, I'll let Jeff comment.

Jeff Clarke - Eastman Kodak Company - CEO

Yes, there's going to be -- it wouldn't be apples to apples, because as -- first of all, as we shift PROSPER onto another party, that allows us to put more focus in our current businesses, and to reduce some of the overheads, as well. So it won't be an apple to apple and that was both pieces.

And so we will work our way toward that. We're not going to give you that 2017 guidance now. It will, as in my remarks, it will impact 2017, but at the end of the day, we have a lot of opportunity between now and then to make up some of that gap. So let's just put it that way, that it will just be a headwind, but one that we're going to take on with full speed.

Jen Ganzi - NewMark Capital - Analyst

All right, got it. Again, just trying to understand how to think about it just for modeling purposes. Then, just a broader strategy question, obviously, now you're selling the EISD business, so it's basically, you've got your graphical printing, and with the Sonora plates, and you've got the Flexcel business. I guess you think you have the full spectrum of printing products now, you're just going to have basically two of the three. How do you think of that in terms of your strategic direction for the Company over the next couple of years? I know it's a broad question, but maybe just talk a little bit about does that affect how you view the business, not having the commercial inkjet, and how that affects where you're going with the business?

Jeff Clarke - Eastman Kodak Company - CEO

Yes, we still will have one of the richest portfolios in the classic pre-press graphics arts business, that I remind you, that no one has the full range that we have there, with CTP manufacturing, plates development of the broadest range of plates, including leadership in Sonora plates, as well as other categories. And then the workflow across that element. So we still will have real leadership in the graphics arts industry.

We will still have the Versamark product set, which is well installed out there, and we will be very, per my remarks, very focused on the packaging business. The Flexcel business is a rich business growing fast, and one of the fastest-growing elements. The electrophotographic business, which we showed 16% unit growth is also a business that we see the opportunity in to grow. It is, today more than 2.5 times the size of PROSPER, so that is a business for us that PROSPER would have taken a couple years to even get to the scale of that existing business. And we see additional opportunities with the Nexpress business.

So we will still be a very broad provider across graphics arts, electrophotographic, and software. And then what I would also like to remind you is that with 3D printing, which is perhaps the most interesting fast growth area, we have a couple of plays there. We have a play as a materials supplier, with Carbon3D, and we also have the Micro 3D opportunity. So for a company of our size, \$1.8 billion-ish in revenue, having this broad a portfolio is still quite extensive and quite diversified, and that's -- comes into play with our ability to make it a strategic division around PROSPER.

Jen Ganzi - *NewMark Capital - Analyst*

Okay. Great. And then just lastly in terms of, I guess, your lowered revenue guidance. That's based on selling the PROSPER business, I'm guessing. And then now it sounds like you're not, I guess, over the long run, expecting a big difference from dropping the silver versus the copper on the 3D? Is that the right way to think about those things?

Jeff Clarke - *Eastman Kodak Company - CEO*

I think I would, in terms of what I think your question is, it's what's your growth trajectory going forward? If you go back to the slide 7, which I think is up, you see that last year in 2015, 83% of our business was relatively flat, adjusted for currency. PROSPER is roughly, last year was about 5% of our total, and so we will quickly replace that and stay in the 80s of businesses that will grow.

And then I expect that subset of growth engines as treated other businesses, which will be 80% of our business, will not be flat minus 1, but will be single digit growth next year. And move, as you can see, with the growth engines, growth part, start growing more. So we believe that the ability to grow this business is really based on portfolio mix shift, and growth engines are clearly growing faster, and you see that on this slide, and that will continue to accelerate as our businesses that we expect to decline do, and as our non-recurring businesses go away. So there is a portfolio here that will allow growth. It won't show up in 2016, because of these decisions and the relative sizes of the two pieces.

Jen Ganzi - *NewMark Capital - Analyst*

Okay, that's helpful. Thanks so much.

Operator

Trent Porter, Guggenheim Securities.

Trent Porter - *Guggenheim Securities LLC - Analyst*

I think you took care of almost all of mine. Just one housekeeping, I think I missed this, but did you talk about what volume in 2015 for the traditional plates, away from Sonora was? And then maybe an update on what percentage Sonora now represents of print systems, or maybe total plates? And have you -- do you all have any visibility into how near-term an event it might be, where growth in Sonora might eclipse the continued price pressure on the traditional plates? And then I have one follow-up.

Jeff Clarke - Eastman Kodak Company - CEO

Great question. So the answer is that we were flat in overall volumes, which we believe meant a gain in global market share, and that includes particular issues we are having around duties and so forth in Brazil. So we overcame that, and still had what we believe is market share growth and flat overall volume. As we mentioned, we had single digit price pressures, of which we overcame, because we were \$5 million up as you know, overall, adjusted for currency last year in the overall PSD business. And so we have been able to, with cost reductions, offset some of the price actions that we've had.

In terms of the mix of Sonora, which was your second question, we grew Sonora 44% in constant currency, 50% in unit volume. So from \$91 million up to \$120 million. Our total plates business is about \$800 million-ish, and so if you look at that, Sonora is rapidly becoming a larger percentage of the total plates. However, we are introducing other new products besides Sonora.

Sonora is a uniquely differentiated product, but we are introducing other products as well, and so we don't feel that Sonora is the only answer we have to pricing pressure, or to other dynamics in PSD. So we believe PSD is a critically important part of our Company, it's a large part of our Company, it's cash flow positive. Sonora is a key product in it, and helping us maintain the growth and profitability, but it's not a Sonora-only story.

Trent Porter - Guggenheim Securities LLC - Analyst

Okay. Maybe this is a combination of two follow-up questions. I think I heard you say, you've missed so many times on the Micro 3D that you wanted to keep that in-house for now, which I understand, but I wonder within Micro 3D, there were opportunities outside of touch screen sensors, for smartphones and tablets and such.

Is that something you had already begun, or -- and if not, does the decision to sell the PROSPER press, does it free up, it's obviously going to delever the heck out of you, but does it free up potential funding to invest elsewhere? And would that, where would be, is there among your various growth drivers, of which you got a lot, are there any that stand out as potential growth drivers, that would benefit significantly, given added investment? I guess that's hard to say but --

Jeff Clarke - Eastman Kodak Company - CEO

I think I know where you're going. So the answer is that, today we are differentially investing in Sonora, in our packaging Flexcel business, and in our software business. That's where we're differentially investing. Around Micro 3D, we are shifting from deep research into commercialization, and most of the investment is behind us on that.

There are some additional categories that in the future that we can look at, printing batteries, printing other parts of logic. We are not making significant investments in that, and we don't intend to, until we make sure that we have the discipline in our process that we are driving a profitable Micro 3D business on touch sensors. Once we get there, and we're driving profitable EBITDA and solid growth, then we can look at some category expansion, but we're going to be very disciplined, because we believe that we have the right amount of growth within Sonora packaging and PROSPER, excuse me, and software, that with the divestment of PROSPER, we can focus on those. And we won't need to put more CapEx or more R&D into adjacencies.

Trent Porter - Guggenheim Securities LLC - Analyst

Okay. Something that you all have talked about for a while, is the price of ITO had come down a lot, as I think those suppliers saw the alternatives on this horizon which made it maybe more difficult to get the design wins. Since the last time we have talked, whether it's six, nine months or whatever, has the cost-benefit of your copper mesh solution remained relatively stable, relative to the legacy ITO products, or has it narrowed on you further or has it expanded?



Jeff Clarke - *Eastman Kodak Company - CEO*

Yes, I think the answer is, we are able to have a material cost advantage with our copper technology against ITO. And the way we do that is because of set up times, flexibility, the ability to use it in larger formats, and the raw cost of copper relative to silver or indium. And so we're very comfortable that this is well-positioned, and the ability for us to make a decision to cease the investment in silver, which was pretty much a sunk investment, really comes from our belief that copper is the solution going forward. We want to put more of our energy behind that, and it became very clear, as we continued to work with customers in a fast-changing market that this copper solution has a lot of opportunity that silver for us no longer has, because of some of the ITO changes, but also because of some of the dynamics I mentioned in my remarks earlier, around faster set-up time, et cetera.

Trent Porter - *Guggenheim Securities LLC - Analyst*

Okay. Great. Thank you so much for taking the question.

Operator

Peter Rabover, Artko Capital.

Peter Rabover - *Artko Capital - Analyst*

Thanks for the announcement. I've got a bunch of questions. The first one, you gave guidance of \$180 million to \$210 million for 2017. How much does the sale of PROSPER affect that?

Jeff Clarke - *Eastman Kodak Company - CEO*

We answered that a little bit before. The answer is, we at the time we gave the guidance, we put \$25 million -- I'm sorry the guidance is wrong because we haven't been guidance, but by the time we -- when we gave the direction at the analyst meeting of \$180 million to \$210 million, we had penciled in clearly, in that, \$25 million for Micro 3D printing and PROSPER. In my earlier Q&A, I referenced that PROSPER would probably impact us as a headwind of about \$10 million, but I'm not necessarily willing to concede that, yet. And so we will see how the sale process goes, we will see how some of our other businesses do this year, and then we will give you an update on that guidance. But the answer overall, is it's not a giant shift from that.

Peter Rabover - *Artko Capital - Analyst*

Great. Maybe, would you be able to tell me how much of the PROSPER business is reflected in your pension, I guess deficit? Like how much of that would go with the PROSPER business?

Jeff Clarke - *Eastman Kodak Company - CEO*

A tiny amount. An insignificant amount.

John McMullen - *Eastman Kodak Company - CFO*

A very relatively small amount.



Peter Rabover - *Artko Capital - Analyst*

Okay. So also on analyst day, you had called out a bunch of strategic non-core monetization from Onex to the Brazilian Park, to the IP portfolio monetization. So maybe if you could give us some updates on that, that would be great.

Jeff Clarke - *Eastman Kodak Company - CEO*

Yes, so there were no material monetizations of that scale or that type in the fourth quarter. We continued, these are opportunistic things that we don't forecast, those are all still items that we continue to look at, and to talk about. From Onex, on the Onex Carestream piece, we have no control over that, so that one is one that we are a derivative beneficiary of, when it occurs. On Brazil, there is unlikely that this will happen in the immediate term, although we continue to look at that. On IP, it's probably the most promising area, and I don't have anything to announce, but I will tell you there is a lot of activity going on in that area.

Peter Rabover - *Artko Capital - Analyst*

Okay. Great. On the last question, could you repeat what your capacity was with the Business Park that you operate?

Jeff Clarke - *Eastman Kodak Company - CEO*

Yes, we have about, first of all, this is quite a large park, and this is of space that's available for rent. There's lots of space that's not available to rent, including hundreds of acres that could be developed, and there are other buildings that can be refit into multiple uses. But of the available space, 55% is occupied by Kodak, 25% by tenants, and about 20% is available for lease. We have a rich pipeline of companies we're talking to, in terms of coming in.

Peter Rabover - *Artko Capital - Analyst*

Right. Did I see somebody was going to invest \$200 million in the Park, like a bio company, is that correct?

Jeff Clarke - *Eastman Kodak Company - CEO*

Please send me that purchase order, and I will prosecute it very quickly. No, there is nothing of that scale, and I think we may be thinking about is, there have been several federal and New York State awards that have been given to Rochester, and the Finger Lakes region, of which a key participant in all of the documentation and proposals was the Eastman Business Park, and this includes of Photonics Institute as well as a series of other economic development areas.

It is a unique Park, and we believe that it will benefit significantly from this. I urge you to watch the news tomorrow. There's going to be some stuff coming out on that from the state, and so forth. So we're very bullish about the redevelopment of Eastman Business Park. It will be done almost all of it with third-party investment and economic development from enterprise.

Peter Rabover - *Artko Capital - Analyst*

Great, so if I was to think about Eastman Business Park as a standalone asset, where you would pay rent, is \$13 million in revenues for the year for 25% of the Park, would that be okay to extrapolate your 55%, what you would pay?

Jeff Clarke - Eastman Kodak Company - CEO

Yes, absolutely. Obviously, like everything, there's different class space. We have clean rooms that rent for a lot more than unadorned space that you still have to remove some of the asbestos in. So there's very different categories of space. What you have is a very strong infrastructure, that supports manufacturing, and research and development.

Peter Rabover - Artko Capital - Analyst

Okay. Great. I will hop off the call now. Thank you very much for answering my questions.

Operator

Amer Tiwana, CRT Capital.

Amer Tiwana - CRT Capital Group - Analyst

I have a couple of questions. The first one I have is, just with respect to the timing, with respect to the PROSPER sale, are we thinking more like 2Q?

Jeff Clarke - Eastman Kodak Company - CEO

I'm not going to comment on the sale process at all. So this is obviously a private sale process, one that we've got an investment bank working for us. I don't want to share any of that public competitive process.

Amer Tiwana - CRT Capital Group - Analyst

Sure. Okay. Another question I have is with respect to cash flow for 2016. Has anything changed materially with respect to your working capital assumptions for 2016, or some of the other items like CapEx? I know you gave guidance of \$45 million CapEx and about \$35 million of positive working capital for this year. Can we still bank on that?

John McMullen - Eastman Kodak Company - CFO

Yes I think the profile that we highlighted back in the fall, and then the projections that I talked about in my prepared remarks of growth of a \$10 million to \$30 million range are still pretty consistent. And the components that I shared in terms of what the drivers of cash were back in the fall, the CapEx number and what we're planning for this year, is roughly the same, a similar number in working capital. So you could assume that the way we laid that out in the fall is relatively consistent with us having a projection today of growing cash year-over-year by \$10 million to \$30 million by year-end 2016.

Jeff Clarke - Eastman Kodak Company - CEO

That excludes the PROSPER purchase proceeds.

John McMullen - Eastman Kodak Company - CFO

Right, and it also excludes, because we don't project this, any impacts, or material impacts of foreign exchange would be.

Amer Tiwana - CRT Capital Group - Analyst

Right, and I assume if you paid down some debt, there would be some interest component as well.

John McMullen - Eastman Kodak Company - CFO

If we are able to do that, there could be some interest component, yes.

Amer Tiwana - CRT Capital Group - Analyst

Okay, and then correct me if I'm wrong. Your prior revenue guidance for 2016 was \$1.8 billion to \$2 billion?

Jeff Clarke - Eastman Kodak Company - CEO

I'm sorry, one more time?

Amer Tiwana - CRT Capital Group - Analyst

Your prior revenue guidance for 2016 was \$1.8 billion to \$2 billion?

Jeff Clarke - Eastman Kodak Company - CEO

That is correct, and just to give you a sense, PROSPER 2015 revenue was about \$89 million.

Amer Tiwana - CRT Capital Group - Analyst

Right, so looking at your new guidance, there is about \$200 million gap. Can you bridge that for us?

Jeff Clarke - Eastman Kodak Company - CEO

Obviously we expected PROSPER to grow quite a bit, and we would like to add some conservatism into the guidance.

Amer Tiwana - CRT Capital Group - Analyst

Understood. But can you give us some sense of where -- of which particular segments would that conservatism be in?

Jeff Clarke - Eastman Kodak Company - CEO

All of them.

Amer Tiwana - CRT Capital Group - Analyst

Okay. And lastly, last question, then I will let you go, on the cost reduction side, you've made obviously significant progress both on the SG&A and R&D front, are there any more things we can do over there, or for the time being, is that where we will be?



John McMullen - Eastman Kodak Company - CFO

Yes, I think we're -- obviously we will continue to take advantage of any efficiencies we see across the divisions, anywhere in the Company and we will continue to be focused on them in 2016. We are, we will continue to reduce cost in global functions across the Company in 2016, and you will see further cost reductions throughout the course of the year, but they, based on the way we have planned the year, they won't be the order of magnitude certainly that you saw in 2015. And we'll update you on that, as we have this past year, on a quarterly basis.

Jeff Clarke - Eastman Kodak Company - CEO

And also that's very much covers the OpEx piece, but there's no question in the PSD business, we see significant manufacturing productivity opportunities coming in, and even though we have moved the factory, we get a full year benefit of that this year, and the efficiency of that factory with PROSPER continues to impress me. And so we will, we're going to do a nice job on the cost of goods sold side, as well.

Amer Tiwana - CRT Capital Group - Analyst

Understood. Thank you very much.

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

I think we have time for one more set of questions.

Operator

Robby Tennenbaum, Alta Fundamental.

Robby Tennenbaum - Alta Fundamental Advisers - Analyst

Two quick questions. One is, can you give a little bit more color on what the driver is of the projected cash generation from working capital? Is that, is there a lot of room for improvement in days sales? Is it inventory reduction, what gives you confidence that you're going to be able to generate another \$35 million or \$40 million from working capital this year?

John McMullen - Eastman Kodak Company - CFO

Sure. I think it's a bit of a mix, I think that my belief is the primary opportunities and the way we are planning through 2016 will be really around velocity and our conversion cycle. I think there's opportunities to do more, certainly from a DSO point of view. I think that the businesses towards the end of the year in particular did an excellent job in terms of inventory management. I think that we still have further opportunities there, so I would think about it, primarily in the AR inventory space, from a working capital point of view.

Robby Tennenbaum - Alta Fundamental Advisers - Analyst

Got it. Thank you. Last question, can you help us understand a little bit more your thinking on the Company's need for cash in various jurisdictions, and your ability to pull cash out of both Europe and China? Just trying to understand exactly how much cash is available to be brought back to the US, to pay down debt, and for other purposes?

John McMullen - Eastman Kodak Company - CFO

Sure. I think we did a very good job throughout the course of 2015 in terms of cash positioning. I will give you, I don't know if you've had an opportunity to read our filing yet, so we ended the year with \$302 million of cash in the US, and \$245 million of cash outside of the US. And with more than half of that \$245 million in China, and the balance really distributed in European and Latin American countries.

So I think that we are very focused in terms of cash positioning, US cash. It's important for us in a number of different ways, and I think we've done a good job. So my expectation, as we move throughout the course of 2016, as we have conveyed to you our projection to cash growth on a year-to-year basis, we will continue to be able to manage our cash from a location point of view, in a way that is helpful and effective for the Company.

Robby Tennenbaum - Alta Fundamental Advisers - Analyst

Thank you.

Jeff Clarke - Eastman Kodak Company - CEO

Thank you. Just to wrap up, 2015 was a solid year for us, it made some significant comparable improvements in our operations. We've made some important strategic decisions today, and I want to thank you all for your time, and your support of Kodak. Have a good night.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program. You may all disconnect. Everyone, have a great day.

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