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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Eastman Kodak Second Quarter 2017 Earnings Conference Call. (Operator Instructions) I would now like to turn the call over to Mr. Bill Love. Sir, you may begin.

William G. Love - *Eastman Kodak Company - Director of IR and Treasurer*

Thank you, Chelsea, and good afternoon, everyone. My name is Bill Love, and I am Eastman Kodak Company's Treasurer and Director of Investor Relations. Welcome to the second quarter 2017 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 second quarter of 2017. 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 Private Securities Litigation Reform Act of 1995. All forward-looking statements are based upon Kodak's expectations and various assumptions. Future events or results may differ from those anticipated or expressed in the forward-looking statements. Important factors that could cause actual events or results to differ materially from these forward-looking statements include, among others, the risks, uncertainties and other factors described in more detail in Kodak's filings with the U.S. Securities and Exchange Commission from time to time. There may be other factors that may cause Kodak's actual results to differ materially from the forward-looking statements. All forward-looking statements attributable to Kodak or persons acting on its behalf apply only as of the date of this presentation and are expressly qualified in their entirety by the cautionary statements included or referenced in this presentation.

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 David Bullwinkle, Chief Financial Officer of Kodak. Jeff and Dave will -- excuse me, Jeff will provide some opening remarks, his perspective on Kodak's financial performance and guidance for 2017. And then Dave will summarize first half 2017 results, provide an update on cost reductions and review cash performance before we open it up to questions.

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

Jeffrey J. Clarke - *Eastman Kodak Company - CEO and Director*

Thanks, Bill. Welcome, everyone, and thank you for joining the Q2 investor call for Kodak. Kodak delivered net earnings of $4 million in Q2 and $11 million in the first half of 2017. For the second quarter, we delivered $14 million of operational EBITDA. For the first half of 2017, the company's operational EBITDA totaled $22 million. Our cash decline in Q2 2017 was $8 million, primarily to support investment in new technologies and for working capital to support growth in the second half of the year, offset by a $25 million reduction in the required ABL collateral.

The performance to date is within our expectations for the first half of the year. We expect to see a higher proportion of revenues, earnings and cash flow in the second half of the year. This will be driven by stronger -- I'm sorry, this will be driven by the normal stronger second half seasonality, in addition to the following factors: first, revenues from brand licensing within CFD; second, the commercialization of certain AM3D programs; third, a reduction in the investment in copper metal mesh touch sensors; and fourth, continued productivity improvement and operational cost reduction. In addition, we'll see continued strength in our growth engines of FLEXCEL NX, SONORA Process Free Plates, PRINERGY Software and PROSPER.

In this call, I will talk about strategic and product decisions, the company individual results for the second quarter and our 2017 guidance. Dave will then follow up more details on year-to-date divisional results and a detailed discussion of cash flow, after which, we'll welcome your questions.

Today, in addition to our earnings review, we are announcing our decision to shut down our investment focused on copper metal mesh touch sensors. A's a reminder, we first initiated the investments in touchscreen technology through the development of offerings based on both silver and copper technologies. After extensive discussions with industry participants, it was clear our silver metal mesh technology would not beat our expectations, and we seized further investment in 2016. We continue to invest in the lower cost copper metal mesh, began selling sensors for industrial applications and have orders for industrial design in our pipeline. However, despite this progress, the market opportunity and requisite ROI have not materialized as expected. The copper metal mesh touch sensors product has not scaled as significant as we had planned, is not meeting current milestones, and is, therefore, being shut down. This is an example of the disciplined approach we utilize in assessing each of our research and commercialization projects. Meeting specific and measurable milestones is key to this approach. We will continue to invest in 3D printing technologies and materials where there are large market opportunities and where we have established partnerships with industry applications leaders.

Given this product cancellation, I'd like to provide some overarching perspective on our portfolio of businesses so you can understand the progress we're making as well as the challenges we're tackling head-on.

Looking at Slide 6, we think of the company in 4 categories: growth, strategic mature, advanced technologies and planned declining.

Our growth engine includes SONORA within PSD, PROSPER within EISD, FLEXCEL NX within FPD and our Software and Solutions Division. These growth areas are delivering growth and represent 27% total company revenues in Q2 2017. This is an increase of $4 million or 4% in constant currency basis when compared to Q2 2016. These growth areas are our highest priority and of our highest existing and future expectations of returns.

Our strategic mature businesses are outlined at the bottom of Page 6. We're continuing to manage cost in each product family and optimize returns. In Q2, these businesses represent approximately 64% of our revenues. This represents a decline of $31 million or 11% on a constant currency basis due primarily to price erosion and lower volumes in PSD.

Our investment in advanced technologies includes ULTRASTREAM and initiatives within the AM3D division. Year-to-date, we've invested $8 million in ULTRASTREAM and $15 million for the group of products in AM3D. As discussed earlier, each of these investments have defined milestones which we monitor and assess to determine if funding will continue. We are targeting our investments in advanced technologies where Kodak has a technological advantage, primarily in materials science, at a reasonable cost of investment to disrupt the current market and to provide meaningful upside opportunities for us.

One of the examples is our investments in light blocking materials focusing on the $9 billion market for blackout window treatments. Kodak's particle technology addresses $800 million of this market. Our expectation is to capture 15% to 20% of this market over the next 5 years, which will result in meaningful revenue and operational EBITDA over time.

Planned declining business is our product lines where we have made the decision to stop new product development and to manage an orderly decline in the installed product and annuity base. These product families include consumer inkjet in CFD, VERSAMARK in EISD and DIGIMASTER in PSD. In Q2, these businesses represent approximately 9% of our revenues. The decrease in the planned declining businesses is $9 million or 21% due primarily to the expected decline in sales from our consumer inkjet business.

Now moving on to our second quarter results. All year-over-year comparisons will be discussed on a constant currency basis, unless otherwise noted.

Starting on Slide 7. Kodak delivered second quarter revenues of $381 million, down from $423 million in the prior year quarter, or 9%. Operational EBITDA for the quarter was $14 million, consistent with our expectation, but down $8 million compared to the second quarter of 2016 due to the expected reduction in consumer inkjet, a onetime industrial film and chemicals order in the prior period in our Consumer and Film Division and higher aluminum cost and pricing pressures in our Print Systems Division. These decreases were offset by improvements in our Enterprise Inkjet Systems Division.

Slide 8 illustrates Kodak's quality of earnings. Here, we present the impact of foreign exchange, aluminum pricing and the expected runoff in the consumer inkjet business. When adjusting for these items, second quarter operational EBITDA decreased $1 million or 6% year-over-year. We expect to have a meaningful improvement in the quality of earnings for the full year.

Now I'll talk about the business by division, which is presented on Slide 9 for the second quarter of 2017. Starting with the Print Systems Division. Second quarter revenues were $236 million, a 7% decline compared to 2017. Our operational EBITDA declined by $6 million compared to the prior year quarter as we had higher aluminum costs and continued to face industry pricing pressures. Plate price erosion in the second quarter was approximately 4%, which we believe will continue through the remainder of the year. Aluminum prices have a negative impact of approximately $3 million in Q2 2017. We expect aluminum will continue to represent a strong headwind in 2017.

We included a slide in the appendix representing historical London Metal Exchange aluminum prices over the past 6 years. The LME euro price remains near a 2-year high and has increased from EUR 14.85 per metric ton to EUR 16.33 per metric ton from September 2016 to June 2017.

For the quarter, overall plate volume was down 3% year-over-year, which we believe indicates we maintained our market share position. Based on recent competitive wins in the first half of the year, we expect to increase our share and see volume improvements in the second half of 2017.

We continue to see solid growth in our environmentally advantaged SONORA Plate, with an 18% year-over-year growth. SONORA now accounts for 18% of our total unit plate sales as well. We expect SONORA growth to accelerate in 2018 and beyond the 2017 numbers due to a series of investments we are making, which will improve their product's future set.

Moving on to the Enterprise Inkjet Systems Division. The division results presented on Slide 9 include the results for VERSAMARK systems, the PROSPER business and our continued investments in ULTRASTREAM.

For the second quarter of 2017, EISD revenues were $35 million, an 18% decline compared to the prior year quarter due to the planned decline in VERSAMARK and our planned shift from selling PROSPER Presses to focusing on imprinting systems and annuities while transitioning our investment to ULTRASTREAM.

Operational EBITDA for the second quarter of 2017 was $1 million, an improvement of $8 million compared to the prior year period. We're pleased that EISD had positive operational EBITDA in the second quarter and is expected to generate positive operational EBITDA for the full year.

Moving on to Slide 10. We provide an update on our growth of PROSPER recurring revenues. For the trailing 12-month periods ending Q2 2016 and Q2 2017, recurring revenues grew by 33% and 29%, respectively, at actual currency rates. We expect continued strong growth in our recurring revenues throughout 2017.

Looking at Slide 11. EISD recently hosted an Analyst and Press event. EISD announced the placement of the first PROSPER 6000S hybrid printing and packaging, which is one of the highest growth applications for print. We also continue to make investments in our next-generation ULTRASTREAM technology, which remains on schedule, with evaluation kits available in late 2017 and product availability in 2019.

In the past 3 months, ULTRASTREAM has passed a major milestone in this development, engineering the product intent designs have been completed and successfully demonstrated in front of a select group of key analysts and media, including IT strategies, info trends and international data corporation, to name a few. Concurrent with the development of ULTRASTREAM Technology, EISD continues to advance engagements and is in active negotiations with interested OEM partners.

Moving back to Slide 9 for the Flexographic Packaging Division. Revenues for the quarter were $37 million or 9% year-over-year growth. Operational EBITDA was $8 million, an increase of $2 million, driven primarily by the higher FLEXCEL NX Plate and CTP revenues for the quarter. FLEXCEL NX revenues increased 16%, and FLEXCEL NX Plate volume grew 22% compared to the prior year quarter.

I'm pleased with the continued strength of the packaging business and the increasing operational EBITDA. FLEXCEL NX continues to outpace the market and deliver strong revenue and volume growth, driven by the value proposition which provides substantial efficiencies to the printing operations of our customers.

For the Software and Solutions Division, revenues for the quarter were $22 million, a 5% increase from Q2 2016. Operational EBITDA of a negative $1 million was an improvement of $1 million from the prior year quarter. Year-to-date, at actual currency rates, we have license growth of 6%, and we expect to see an acceleration of growth in licenses in the second half of the year, which will drive an improvement in earnings as well.

Consistent with our other businesses, growth is nonlinear with the second half delivering more revenue. We are seeing strong demand for each of our market segments, including packaging, digital and cloud services.

The Consumer and Film Division includes industrial film and chemicals, motion picture, consumer inkjet and our consumer products group, which includes licensing of the Kodak brand. For the quarter, revenues for CFD were $47 million, down 24% from $62 million, driven primarily by lower revenue in the industrial film and chemicals, largely due to a significant customer order in the prior year as well as an expected decline in consumer inkjet. Operational EBITDA for CFD was a negative $5 million, down $15 million for the quarter, driven by expected reduction in consumer inkjet and the same customer order comparison previously mentioned. We expect CFD to deliver positive EBITDA contribution for the full year, driven by brand licensing and motion picture film growth. Three major studios recently signed multiyear contracts to purchase motion picture film from Kodak. During 2017, many major movies, including the record-breaking Wonder Woman and Dunkirk, were recorded on Kodak film. The Kodak Super 8 camera is expected to be available for sale in 2018, and we expect it to be an important contributor to CFD revenue and EBITDA.

We expect to see variability in the CFD business results this year due to the timing of our brand licensing business, which varies due to the timing and scalability of new licensees, timing of motion picture film productions and prior onetime industrial film orders.

The Advanced Materials and 3D Printing Technology Division includes Micro 3D printing, the company's research lab as well as intellectual property licensing not directly related to the other business divisions. As we discussed previously, I will continue to share more granularity in the commercialization and the $7 million investment made in the second quarter of 2017.

The first area of investment is our Micro 3D printing technology, which focused -- which is focused on copper mesh touch sensors. During Q2, we invested approximately $3 million on this technology. Through the cancellation of the touch sensor program, we expect to save approximately $5 million annually.

The second area of investment is in light blocking materials. We invested approximately $2 million to commercialize this technology in the quarter. We are producing particles and expanding capacity in line with our alliance with a major textile specialty fabric manufacturer and as we bring Kodak's light blocking technology to market.

The third area of investment is our materials development for 3D printing. We invested approximately $1 million in the quarter for development projects to commercialize materials for major 3D printing customers.

Carbon, a high-profile 3D company, continued to order under the supply agreement with Kodak to produce materials for the printers, and we expect additional categories to be added to the remainder of 2017. In Q2, we also signed a JVA and are supplying advanced materials to 3D systems, one of industry leaders in 3D printing.

The fourth area of investment is for printed electronics. We invested approximately $1 million in Q2 of 2017. This investment includes the development of printed transparent antenna to be used in a variety of applications and transparent grids for electrostatic dust removal films used for cleaning solar panels. In both cases, we are in dialogue with partners to fund the commercialization of this technology.

Each of these focused investments is a growth opportunity for Kodak. We're encouraged by the pipeline for these investments, pleased we'll begin to recognize revenue along 3 new areas and believe that each have potential to provide meaningful future revenue and earnings.

Continuing to our final division, Eastman Business Park. Revenues for the quarter were $4 million, an increase of $1 million compared with the prior year quarter. We continue to attract tenants to EBP, with an addition in Q2 of a controlled environmental -- I'm sorry, a controlled environment and agriculture company. In addition to rent, each additional EBP tenant also consumes utilities, resulting in an improved financial profile for the division and overall cost to Kodak.

On Slide 12, we're presenting our adjusted 2017 guidance to reflect current negotiations on an expected advanced technology transaction. Included in our original outlook was an IP license from Kodak, which would have resulted in approximately $15 million of revenue, EBITDA and cash proceeds. As negotiations progressed, we transitioned from a license of IP to the expected formation of a jointly owned company. This approach is expected to bring in more cash to Kodak and provide larger upside on an accelerated timeline than the original IP license structure. We are adjusting cash flow outlook and EBITDA guidance to reflect the impact of this expected transaction. As you can see on this slide, we continue to forecast revenues of $1.5 billion to $1.6 billion and have lowered our operational EBITDA guidance by $15 million to a range of $90 million to $105 million. We have also increased our cash outlook by $10 million to a range of $0 to generation of $10 million. Dave will take you through more details on cash in his comments.

As shown on Slide 13, to provide a comparable view of operational performance, we've illustrated the impact of foreign exchange, the impact of supplier price increases in aluminum and the expected planned decline in the consumer inkjet business. Our revised guidance reflects an improvement of 20% to 40% in operational EBITDA from 2016.

To summarize, on Slide 14. We continue to see strong execution in the FLEXCEL NX Plates, SONORA process free plates and the PROSPER business. Our second quarter results were impacted by investments in our Advanced Materials and 3D printing division and ULTRASTREAM. We expect to have year-on-year improvements in our comparable 2017 operational EBITDA and cash flow.

I'll now turn it over to Dave to discuss details on net earnings and cash flow performance.

David E. Bullwinkle - *Eastman Kodak Company - CFO and SVP*

Thank you, Jeff, and good afternoon. Today, the company filed its Form 10-Q for the quarter ended June 30, 2017 with the Securities and Exchange Commission. As always, I recommend you read this filing in its entirety.

As we have noted, our second quarter performance is consistent with our expectations, and we are pleased with growth in key product areas. I will share further details on the full company results, an updated on our cost structure and cash flow results and more detail on our full year cash flow outlook.

Starting on Slide 16, we summarized the GAAP financial results for the second quarter of 2017. As we reported in our earnings release, net earnings for the second quarter were $4 million compared to net earnings of $8 million in the second quarter of 2016, a decline of $4 million. Adjusted for the $14 million favorable impact from the revaluation of the derivative embedded in the Series A preferred stock, lower interest expense of $8 million, partially offset by $8 million of lower pension income and higher restructuring expense of $4 million, the year-over-year decline in net earnings would have been $14 million.

Moving to Slide 17. Year-to-date through June 30, 2017, net income was $11 million or $18 million above the net loss of $7 million for the same period in 2016. Adjusting for the items impacting comparability, including the impact of the derivative embedded in the Series A preferred stock of $36 million, lower interest expense of $16 million, the onetime depreciation and amortization catch-up for PROSPER of $12 million, litigation proceeds of $10 million received in 2016, lower pension income of $13 million and higher restructuring expense of $7 million, the year-over-year increase in earnings would have been $8 million. For the 6 months ending June 30, 2017, diluted earnings per share was $0.02 per share compared to diluted loss per share of $0.26 per share in the prior year period. This improvement is a result of the items highlighted above.

Turning to Slide 18. We are presenting our divisional results for the 6-month period ending June 30, 2017 and 2016. As a reminder, 2016 results have been recast to present the divisional results on a comparable basis for the retention of PROSPER and ULTRASTREAM within the Enterprise Inkjet Systems Division.

Through June 30, 2017, operational EBITDA was $22 million compared to $42 million in the prior year period. On a constant currency basis, operational EBITDA declined by $17 million. The EBITDA decline that's $11 million in PSD, driven by pricing pressures on aluminum cost and $24 million in CFD, driven by expected declines in consumer inkjet and onetime impacts in industrial films and chemicals and motion picture films, were partially offset by continued and strong performance and improvements in the Enterprise Inkjet Systems Division of $13 million and Flexographic Packaging Division of $4 million. As Jeff noted earlier, we expect continued pricing pressures in PSD and improving performance in CFD in the second half, coming from increased brand licensing revenue and tighter cost controls.

Now for an update on operating costs as shown on Slide 19. Since December 31, 2013, operating expenses on a run-rate basis has been reduced by 47% and corporate costs are down 36%. The key driver of these cost improvements is reduced headcount, which is down 32% over this period. Operating expenses as a percent of revenue from the second quarter was 18% or down 4 percentage points as compared to 2013.

For the full year 2017, we expect an improvement in operating expenses as a percentage of run rate of revenue from 18% to 17%. Our target for corporate costs is 5% of revenue, down from our current run rate of 6%, overcoming the lapse of income from transition services to a divested business and modest current year investments and automation by implementation of continued productivity initiatives.

Our investments in ULTRASTREAM and Advanced Materials and 3D Printing impacts Kodak's overall operating expenses run rate percentage of revenue by approximately 3% or $45 million. While we expect modest revenue in 2017, these investments are focused on delivering revenues in 2018 and beyond, which we believe will improve our operating model.

Moving on to the company cash performance presented on Slide 20. Beginning in the first quarter of 2017, the company adopted ASU 2016-18, which requires reporting of cash equivalents and restricted cash, along with cash in the beginning period and ending period balances on the statement of cash flows. For further information on this change, please refer to Note 1: Basis of Presentation and Recent Accounting Pronouncements, and Note 2: Cash, Cash Equivalents and Restricted Cash, in our Form 10-Q.

As shown in our Form 10-Q, the company ended the second quarter with $389 million in cash, cash equivalents and restricted cash, a decrease of $89 million from December 31, 2016. Cash and cash equivalents reported on the balance sheet as of June 30, 2017 were $370 million, down $64 million for the year-to-date period and down $8 million from the end of the first quarter.

Restricted cash declined by $25 million from December 31, 2016, primarily due to the replacement of certain letters of credit issued under the ABL revolving credit facility, with surety bonds which released $20 million of restricted cash and an additional $5 million related to higher access availability in the ABL revolving credit facility borrowing base.

Year-to-date, 2017 cash used in operating activities was $74 million, driven primarily by the seasonal working capital usage of $43 million, negative cash earnings of $18 million and other balance sheet changes of $13 million. During the 6-month period ended June 30, 2017, the company used

$14 million of cash for investing activities, capital expenditures of $17 million, which includes our investment in a new flexographic line in Weatherford, Oklahoma, was partially offset by modest proceeds from asset sales.

Cash used in financing activities for the first half of 2017 was $7 million, or $1 million less than the prior year period. On a year-over-year basis, the company used $31 million more cash in the first 6 months of 2017. This is primarily driven by lower cash earnings of $18 million, a higher use from balance sheet cash changes, driven by increased cash used in working capital of $26 million and higher cash used in investing activities for capital expenditures and lower asset sale proceeds of $12 million. These cash uses were partially offset by the $20 million higher release of restricted cash as well as the $4 million favorable exchange impact. As I will share with you in detail, we expect cash generation in the second half of 2017.

Finally, as disclosed in our Form 10-Q, we remain in compliance with our covenants under our credit agreements. In particular, the company's EBITDA used in a secured leverage ratio as calculated under the first lien term loan credit agreement, exceeded the EBITDA necessary to satisfy the covenant ratio by $26 million.

To summarize, the company's second quarter 2017 performance was what we expected and reflects continued good execution in our key product areas, including PROSPER, SONORA, Workflow Software and FLEXCEL NX. We continue to expect a skew to stronger performance in the second half, particularly in the fourth quarter of the year in revenue, operational EBITDA and cash.

As shown on Slide 21, consistent with our adjusted guidance for operational EBITDA, we have updated our cash outlook for 2017 to be within a range of flat to an increase of $10 million or $10 million higher than our prior outlook. The updated range for cash primarily reflects the $25 million in cash collateral returned from our ABL as described earlier, partially offset by a reduction in cash from working capital driven by Accounts Payable due to reduced business growth assumptions in our businesses and higher tax payments. In addition, we expect an increase in cash from asset sales and investments, which is reflected in Other. This includes the expected transaction in Advanced Materials Technology Jeff described earlier.

As I mentioned earlier in my remarks, in total, for the remainder of the year, we expect to generate cash. The increase in cash used in working capital in the first half will transition to a source of cash for the company as presented in the slide. Inventory and accounts payable balances will be impacted by increases in sales volumes consistent with our expected second half business performance and provide a source of cash for the company.

Turning to Slide 22. We have improved the cash flow of the company significantly over the past 3 years. As presented on the slide for the years ended December 31, 2014 and 2015, cash declined by $128 million and $161 million, respectively excluding debt repayments. In 2016, the company used $29 million of cash, net of debt repayments, which reflects an improvement of $132 million compared to 2015. This was driven by the improvements in our business performance, including lower operating expenses as well as the reduction in reorganization costs, restructuring cash payments and legacy cash uses.

In addition, for 2017, we expect to deliver a range of $0 to $10 million in cash generation or an increase in cash of $2 million to $12 million, net of our expected debt repayments of $2 million, which represents an improvement in our cash flow between $31 million and $41 million compared to 2016, as we expect to begin to monetize our technology investments while continuing to manage our cost structure and balance sheet.

We are pleased with our cash management efforts and our ability to fund investments in growth areas while improving our cash flow.

We will now open the call to your questions. Chelsea, please remind participants of the instructions to ask questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Shannon Cross with Cross Research.

Shannon Siemsen Cross - *Cross Research LLC - Co-Founder, Principal and Analyst*

I guess my first is on the strategic sale or partnership with the IP. I was just trying to understand, to the extent you can talk about it, why you made the decision to announce that you're going to be doing this on this quarter's call versus after it's actually complete. I mean, is it almost done? Just what confidence level do you have in finalizing this?

Jeffrey J. Clarke - *Eastman Kodak Company - CEO and Director*

High confidence level in finalizing it. The reason we're talking about it on the call is because it has a meaningful impact on our guidance for both cash and operational EBITDA. And so when we give guidance, we want to make sure that we take a snapshot of the things that are going to be impacting guidance. This is one that is going to be impacting guidance in a good way. We're very pleased that the negotiations have evolved to the point where we're in negotiations around forming a company. I don't want to give any more details on the technology or the partner, but it's a positive development for Kodak, and we'll obviously share a lot of information when it's finalized.

Shannon Siemsen Cross - *Cross Research LLC - Co-Founder, Principal and Analyst*

Okay. And then you're shutting down copper, you shut down silver before, obviously, tough decisions. How are you thinking about your product portfolio beyond that? I know you don't want to make any announcements right now, but just in general, do you think what you have now is pretty stable for the next, say, 12 months? Or are you undergoing reviews of various businesses right now to determine whether or not they should remain growing concerns?

Jeffrey J. Clarke - *Eastman Kodak Company - CEO and Director*

Yes. So again, I tried to address that in the call by breaking our portfolio into 4 sections. And maybe we can put the slide back up so people can just follow this as I speak about it. So there's one part of our business which comprises about 27% of our revenue, which is the growth area. That area's doing extraordinarily well. This is our very successful, industry-leading flexible packaging business. It's our industry-leading offset SONORA Plates. Added is our PROSPER business, which, today, is an installed base of about 60 presses that provide lucrative annuities as well as imprinting system. So that growth portion of our portfolio is solid. We're investing in it for growth, we're adding salespeople. And in the case of FLEXCEL packaging, we're investing and expanding our manufacturing factory in Weatherford, Oklahoma. So those are -- that area after our core to the portfolio, everything is executing well, solid kind of double-digit performance. Also in there, obviously, is our Software and Services business. PRINERGY, also a leading the area. So that part is our most highest expected returns and it was very strong. Then we have about 60% of our business that is what we call strategic mature. This is a business -- this is primarily our traditional CTP plates business as well as our electrophotographic business. These are profitable businesses, but businesses where the market for them are in decline. And so those, we manage more for cost. We don't have to invest as much in those. I wouldn't go as far as call them cash cows because we make additional investments as it makes sense, but those are businesses that we don't expect to grow at the rates we're seeing in the growth engines. And then, we have the businesses that we're planning on declining. That's our consumer inkjet, our DIGIMASTER, those are ones where we're not investing anymore as well as VERSAMARK. We're not investing in those, but they're profitable and in runoff, and that's about 10% of our business, it's a relatively small part of our business now. And then the question to the new technologies. This is the area we're investing a fair amount of money in both ULTRASTREAM, about $15 million a year in ULTRASTREAM, and that is our next-generation inkjet business where as you can see from the presentation, it's off to a very good engineering milestone perspective. We have high expectations for it, but it won't start contributing until 2019. And then I went through the AM3D business where we've made the biggest change, and this is the area that we measure with enormous rigor because these are early commercialization projects where they have to meet technical milestones and market milestones as well as partnership funding milestones. And in this case, we've chosen to shut down the copper metal mesh technology, as you suggest, as you know, as your question asked, because it didn't continue to make the milestones that are requisite for the ROI that we rigorously look to. And this is a development over the last 90 days as the market has moved. And as we've gotten customers, we're realizing that we can't scale this to the extent that we had expected. And as such, we're going to shut it down and save roughly $5 million a year. We -- and the other part of that portfolio discussion comes with the realization that some of these other areas have less risk and higher probability of achieving commercialization. So Shannon, kind of a long answer, but from a portfolio perspective, yes, all of our projects have higher rigor and review, but as we look at these, there's -- none are on the chopping block as you might -- as I'm paraphrasing your words. These have to meet their milestones every day. As long as they meet them, they get the future investment. As they start to fall behind, then they get more rigor, and eventually, in the case of the copper metal mesh, they didn't make it.

Shannon Siemsen Cross - *Cross Research LLC - Co-Founder, Principal and Analyst*

Is there any potential to sell those assets or at least to license the IP to someone?

Jeffrey J. Clarke - *Eastman Kodak Company - CEO and Director*

We will retain some significant IP and we will continue to try and license that. There are other applications using the IP and the know-how that we learned. So trying to apply copper metal mesh in touch sensors at very low microns is one of the harder challenges in materials science. And it was a high-risk, high-reward program. There are lower risk with still significant return programs, a couple of them I've mentioned, such as the printed antenna, that has a lower risk and much easier ability to manufacture and design. And so that program will benefit from what we learned and the know-how and some of the technical engineering that we will retain as well as IP from the copper metal mesh program as well as other advancements and 3D materials.

Shannon Siemsen Cross - *Cross Research LLC - Co-Founder, Principal and Analyst*

Okay, great. And then, Dave, can you talk a little bit about aluminum pricing and currency and any other puts and takes we should think about, given some of the fairly significant moves that we've seen recently, at least certainly in the currency side?

David E. Bullwinkle - *Eastman Kodak Company - CFO and SVP*

Sure, Shannon. So we've provided some sensitivity in the past around FX rates. We've not seen anything significantly enough to change guidance for. We believe any foreign exchange movements are within our ranges. We still expect that roughly the headwind that we've focused on and put on the slide. With respect to aluminum, as Jeff noted in his remarks, we've seen the price at the end of June come down, so we may get some modest tailwind, although the last couple of days, it's been up actually spiking, still down modestly from where it was last year around this time, but we're relatively well-hedged at this point so we don't expect a significant impact, positive or negative, to the company in 2017 from aluminum.

Shannon Siemsen Cross - *Cross Research LLC - Co-Founder, Principal and Analyst*

Okay. And then just one last question on the film side. How do we think about the contracts that you signed with the studios and the runoff you're seeing, obviously, in the consumer inkjet business? Just how are you sort of thinking about this business in 2018 and beyond? Is it -- are you getting enough from the studios to justify keeping everything going?

Jeffrey J. Clarke - *Eastman Kodak Company - CEO and Director*

Well, the business itself is comprised of a lot of areas. As you know it's -- with $47 million of revenue in Q2, you need to think of this business as about a $200 million business. The motion picture portion of it is about $40 million to $45 million a year. So motion picture has a high profile, it's a product that's quite profitable for us, but it doesn't -- it's still only about 1/4 of the overall revenues in CFD. And so we're very pleased with the progress we're making, the pipeline of both motion picture film for a major motion picture, but also for television now with -- last year, we really just had 2 television series, Westworld and The Walking Dead. Now we're up to 4 or 5. And so we're very pleased with some of the growth in that area. But it's not going to be overly material relative to a $200 million business. So the larger part of the business is the industrial film, which where we make films for printed circuit boards, we sell a series of chemicals to support the 9 million rolls of still photography, that Kodak Alaris cells, we'll make a series of chemicals associated with other businesses around sensitizing and so forth. So that business headwind has been in the industrial film area, whereas, again, the motion picture has done well as has the brand licensing, which is in this business. So the way I think about it is, it's a business that has a lot of fixed cost that we cannot easily transition out of given the Eastman Business Park and some of the legacy issues around the electricity contracts of the park and so forth. So it's important that we stay in the consumer business. It would be beneficial to the company to be in the consumer business with the film division even if we're losing money at an EBITDA level because the stranded costs will be so substantial if we got out of it. And we're doing well in a couple of segments, most notably in motion picture, and doing well in the Printed Circuit Board part of this. All this said, we expect this business to be a positive contributor this year. Now while we were down $5 million in the second quarter here, we do expect to have positive contribution for the full year, positive EBITDA for the full year in CFD, even with the significant runoff of the consumer inkjet business. So this business, on an incremental basis, has significant contribution to the company, but even on a nominal basis, will contribute this year. And we are very optimistic about the future growth in several categories, particularly brand licensing for CFD, motion picture film and some of the other categories of industrial films.

Operator

(Operator Instructions) And our next question comes from the line of Gary Ribe with MACRO Consulting.

Gary Ribe

I just had a question on the cash. I guess you guys had used about $89 million in the first 2 quarters. So if I'm understanding your guidance correctly, you're hoping to generate somewhere between $89 million and $99 million of cash from the back end of the year?

David E. Bullwinkle - *Eastman Kodak Company - CFO and SVP*

So we've used cash from an operating cash perspective of $64 million for the first half, the difference being the restricted cash release which we were able to accomplish in the first half of the second quarter. So our guidance of -- or our outlook for cash balance change from $0 to $10 million would indicate or suggest that we'd generate about $65 million to $75 million in the second half. That generation will come primarily from, of course, an improving operational EBITDA. You can, of course, can back into the second half number based on our guidance as well. It will be somewhere between $65 million and $80 million for the second half. We'll also be generating cash from working capital, significant cash. To date, we've used about $45 million in working capital, and we expect for the full year, we'll generate cash there of about $20 million. So that's a big swing, primarily coming from inventory and Accounts Payable as I've said in my remarks.

Gary Ribe

Okay. Got it. That makes sense. I guess just kind of higher level, I mean, you're kind of going through all these various divisions and whatnot and various growth and mature, what have you. I mean, to what extent does the mature businesses, along with the growth assets, and longer term, like is there something that you can do to kind of unlock value? Because I think you've got some pretty valuable properties, but it doesn't -- you're never going to get credit for that in the market if they're all cobbled together this way. I don't know if there's a nice way to say at say that, that's just how it is.

Jeffrey J. Clarke - *Eastman Kodak Company - CEO and Director*

Yes, Gary, thanks for the question and observation. One of the reasons why we talked about the company in 7 divisions for a relatively small company, from a market cap perspective and $1.5 billion in revenue, is to give investors that granularity around the different parts of this company. And so, yes, the packaging business is on a completely different -- the packaging printing business is on a completely different trajectory than our non-environmentally advantaged plate business. Our software business is very different than our film business. So we have very different businesses, each on different trajectories, that's why we're giving you this level of detail by each business. In terms of the strategic willingness of the company to try and be pragmatic around selling parts off and/or acquiring parts to get different levels of scale in some of our more attractive businesses, I think we have shown with the attempt on PROSPER that we're willing to try and sell different parts of business, to monetize and change the portfolio. From an organic perspective, we're in a much better position than we were a couple of years ago where we have -- our growth businesses are now a much larger percentage of the company. And our investments in advanced technologies now have real supply contracts in revenue that contracts in place. So there's been a big change there. But the company will remain pragmatic in our -- in both M&A and around the portfolio. We will -- we will look at each of the divisions as divisible. While there are some synergies across, many of these businesses could stand alone as a company on their own. And we're pragmatic as we look at that.

Gary Ribe

Got you. I mean, you've got some pretty massive essential synergies with your biggest competitor out there who's, on the record, saying he could spend EUR 500 million. I mean, it seems to me that there's a lot of opportunity there and, I mean, I would hope that you guys would pick up the phone and call them.

Jeffrey J. Clarke - *Eastman Kodak Company - CEO and Director*

Well, as I said, the company remains pragmatic around our business and in bringing value to shareholders. Obviously, on anything speculative, I can't comment.

Operator

(Operator Instructions) And I'm showing no further questions at this time.

Jeffrey J. Clarke - *Eastman Kodak Company - CEO and Director*

Thank you, Chelsea. I'd like to thank everyone for joining the call. To summarize, we continue to see strong execution in our FLEXCEL, SONORA and PROSPER businesses. Our second quarter results included some significant investments for the future in Advanced Materials, in our 3D printing business and ULTRASTREAM, and we do expect to have year-on-year improvements in our comparable 2017 operational EBITDA and cash flow. And so we believe we're on track to achieve many of the things in our plans. Thank you very much. I appreciate your time.

Operator

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