DAVID BULLWINKLE:

Good morning. I'm David Bullwinkle, the Director of Global Financial Planning and Analysis and Investor Relations at Eastman Kodak. I'd like to welcome you to our 2015 Kodak Analyst and Investor Day. We're glad you're able to join us here this morning at the Stock Exchange, and I'd also like to welcome those that are joining us via webcast. Before the management team begins their discussion, I've got to do a few housekeeping items. First, I'd ask you to put your cell phones and PDAs and computers and smartphones on vibrate or mute them, please. Second, the slides on page 10 and 63 of the book contain a typographical error that has been corrected through a handout that's on your tables, so please make sure that you replace those. Third, I'd like to call your attention--if I can get this slide to advance, there we go--to the Safe Harbor slide that I have on the screen, which is, of course, also printed in your handout.

During today's discussion, certain statements may be forward-looking in nature or forward-looking statements as defined by the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to a number of important risks and uncertainties, which are fully enumerated in our 10-K and our 10-Qs and other filings with the SEC by Kodak. We ask that listeners be advised to read these important cautionary statements in their entirety, as any forward-looking statement needs to be evaluated in light of these important factors.

In our presentations today, Kodak references non-GAAP measures. In those instances where they are used, they are fully reconciled to the directly-comparable GAAP equivalent in your handout and on our website. On this slide is our agenda for the day. During today's event, you will hear from each of our divisions about the state of their business and opportunities within each of them. Please note that Eric Mahe is not able to be here today due to personal reasons. Therefore, Jeff Clarke will be presenting on his behalf. Eric will be available for meetings with analysts and investors in the future.

Some additional points of interest and order. At the conclusion of the prepared remarks, we will serve lunch in buffet style in the back of the room. We will have a short break for you to get your food and to prepare the stage for the question and answer session with the management team. The Q&A session will be moderated by Louise Kehoe, Kodak's Vice President of Media Relations. And again, thank you for your interest and attendance. Now I'd like to welcome Kodak CEO Jeff Clarke to commence our discussion. Thank you.

JEFF CLARKE:

Thanks, Dave. First of all, I'd like to welcome everyone. This is, I believe, the first analyst meeting for Kodak in about four years. I joined in March 12th of 2014, so I just completed the sixth quarter. We'll take you through today a real deep dive on our business, and what you're gonna find is there are seven divisions, each at different stages of their development, some quite profitable today, some in investment mode, and it's very different than the Kodak when I joined six quarters ago where we had two divisions and you really had a hard time determining what was happening in either division and how the economics of the business have gone. So today, you're gonna see the seven divisions, you're gonna get an opportunity to meet our executive team, and we will have ample time for questions. We're gonna have almost an hour and a half for questions at the end, and then some of us will be available even further after that as needed.

So, Kodak is a technology company. Many of us think of it as a brand company because of the history of film and photography, but today we are a technology company that differentiates with science. We're very different than many technology companies that you see today. We have deep underlying, piece-driven, patent history, science, that makes our products significantly differentiates. We're not in the "me too" market. Many companies--when I worked for, for many years, Hewlett-Packard--is very much a broad player with good products across many areas, but rarely a truly exceptional product.

Here at Kodak, what you're gonna see is each of our divisions has products that are truly exceptional differentiated by science. So, a couple cores of that science is the underlying material science that comes all the way from our heritage from the film business, deposition processes, synthetic chemicals, and digital imaging science. And our real differentiation is not being best in each of those, but the combination across those four core technologies. DuPont, 3M, they'll outspend us in certain categories around synthetic chemicals or material science, but across digital imaging, deposition processes, synthetic chemicals, and material science, we are uniquely positioned, and that's why our products are very different in the marketplace than our competitors.

You see here, the Science to Create. Each of our business units will go through and show how science helps them create differentiation for their customers. We're a very customer-centric company now, and our customers need, as you see, the ability to be more profitable as a printer. They need more speed so they can differentiate. They need to have their brand be different in the marketplace in the printing section area. As a manufacturer, we bring significant new quality to their processes. We can accelerate entrepreneurs going to market with our science. We provide choice for artists in our film business. We provide simplicity for consumers. And you'll also see an interesting theme of sustainability, a green Kodak, and also sustainability of business models in the products that we go through. Each of our business units will take you through this.

So...we've set up--in order to improve the transparency to investors, but also internally, so we understand more where our profits come from, how our business models work--we've set up a seven-divisional structure. And that shows the breadth of Kodak, but it also shows that we compete in very different areas across the technology landscape. We've also shifted to an execution culture. This is something that, when I got to Kodak, we needed to make big improvements on. We've streamlined many processes. Kodak was a much bigger company, and it was run in a very different way because of its scale and because of the markets it was addressing at that time.

We're now a much smaller company, and we need to be more entrepreneurial and more nimble in the way that we run our company. So we've radically changed the processes in our company. We've set very clear accountability. The seven divisional executives you see, they run their business, they make decisions, they're close to the customer. They don't need to come up to the CEO, CFO, or treasury department in order to do a significant deal with a customer. They have the authority to go make major calls. That makes us faster and more responsive.

We've completely reset the cost structure. As you can see, we're operating the company with about 26 percent less people than we had in the beginning of 2014, and we've taken about a third of the operating expense out. This is very important to our business model because when we start growing again, and I'm gonna show you some examples where we're investing and seeing very strong growth in categories, that goes to profit much faster because of the lower costs.

Better leverage in the company. And you see this theme in the virtuous circle up here. Increased execution focus, investing in growth, expands EBITDA, and allows us to invest in more execution, put in more systems, more streamlining our processes, invest in growth again, and that virtuous circle is continuing. And we'll take you through how that's happening today at Kodak.

We are in a company that's doing many things at the same time, and it's often easy if you're just a growth company and just starting up, all you have to do is grow. We have to transform the company. We have businesses that are planned in decline, most notably our consumer inkjet business, a very profitable business. The company made a decision years ago to stop selling printers, so there's only so many cartridges that we continue to sell, and that declines about 40 percent or more a year. So, we know that we will have decreases in EBITDA in very profitable businesses. We have other legacy products that have nice installed bases but are no longer leading-edge and in fact are in legacy declines. So, while we're investing in five key areas here, we also need to manage the cost structure and the cash flows of the other businesses.

So, we're gonna talk a lot about these five growth areas over the day. Kodak has a unique product driven by our unique ability to apply science in the traditional graphic arts market called a sustainable plate. And this is a game-changer. This is a big industry that hasn't had a lot of innovation, and there are 70 trillion pages printed, about 68 to 69 trillion of those are printed in offset printing, and we have a plate in offset now that is different than the marketplace, significantly. It's sustainable because traditionally, printing's a pretty dirty industry. Lots of chemicals, lots of water use, very--lots of electricity. The Sonora plate, the sustainable plate, takes the chemicals out of the process, uses significantly less water and electricity, and it's a differentiated product. We're able to charge more for that product because of the total cost savings. It's a very important product. It's one of our key growth areas. It shows that we can apply science even to a very mature industry.

In packaging, Flexcel NX. This is probably our fastest-growing growth area in terms of, um, the total category. Sonora is growing faster, but the total--it's disintermediating other plates in our business and in the competition. But Flexcel packaging is having a real breakthrough year, and like Sonora, it's past the inflection point. It's accepted in customers and is rapidly gaining market share.

Our Prosper business is at the inflection point this year. We're losing money on Prosper, but this is a model where you sell large presses and you're willing to take a loss because you know the annuity streams will be very strong afterwards. When we talk about this, this is a year where, over four years, we sold 39 presses. This year, we will install somewhere between 20 and 25 presses. And from 39 over four years, 20 to 25 is a true inflection point for us.

We have a software and services business we're investing in called Prinergy, and Prinergy is--we'll talk about it, it's its own division--it is the leading product in workflow software in the industry and has a lot of, um, synergies with some of our other businesses.

And then a business that is truly a start-up and one that we've been starting up for a few years here called Micro 3D Printing. This is a business that's been our most volatile business in terms of predictability. It's a business where we have high aspirations. We haven't been as good predicting when this thing is gonna change the marketplace. It is an ambitious new technology changing a $6 billion industry. It's a product that works and is differentiated, but it's taking us longer for the design wins that are critical in this area. And we'll spend a lot more time talking on that.

So, during this whole thing while we're making significant investments, including being willing to have losses in business and increases losses in businesses so we can drive future growth, and having legacy businesses declining, we've still been able to, on a comparable basis, improve our EBITDA this year by 50 to 80 percent, and we'll give you projections that are gonna show significant increase in EBITDA even in this complex transformation that Kodak's going through.

All right, I'm gonna take a few minutes on this slide because it's really core to what we do. I mentioned that we organized into a division structure to drive accountability, transparency, and speed of decision-making. This is core to Kodak. It's very different than the company's been run before. The execution--I've made, over a 30-year career, I've gone through some very complex organizational changes, large technology mergers, changing a lot of things in different companies.

I'm incredibly pleased with how we transformed a horizontal, hub-and-spoke, centralized company into a divisional structure, and we did it in about three months. And so I'm very pleased with the outcome, and I believe from an investor perspective, you should be pleased seeing the results across those divisions and getting visibility that the sum of the pieces of Kodak is very valuable relative to what was before was an opaque company.

Number two, I mentioned it. We're very focused on growth areas. This is not just about grinding out the last dollar of EBITDA for cash flow. That's very important. This is also about growth, because we have the science, we have the position in the marketplace where we can grow, and we're gonna share with you that we're doing very well in most of our growth areas. We have large businesses worth more than half of our revenues, it performs very well in a mature market--our graphic arts business, our print systems division. Brad Kruchten, who runs this, will follow me on the stage, and our goal in this is to maintain our market leadership position, add investment in products like Sonora, and drive cash flows. This is a cash-flow-centric business. It won't grow very fast for us, but it is the core stability of our company in terms of the cash flows we can count on and the large presence in the large part of the industry.

You're never done on costs. We'll continue to streamline processes, drive more cost reductions, and with that comes improved operating leverage. We have businesses that we know are in decline. We're gonna optimize the management of that for cash flow, put that cash flow either on the balance sheet or reinvested in growth. And, last year, we were able to monetize $70 million of non-operational items: one-time license agreements, settlements around our intellectual property, et cetera. There's a lot more there. We'll take you through some of that.

So, you need to think of Kodak as seven divisions, each which has a very good future and promise, each which will contribute in its own way, some very fast growth, some generally for cash flow, different stages of the technology cycle, but also a bit of a call option on the side of huge opportunities, very significant and material opportunities to monetize our intellectual property and some other items as well.

So, I mentioned that we're gonna improve this year between 50 and 80 percent. Update on the report card: Three quarters in so far this year, as you can see, we've improved--we've delivered $74 million of EBITDA including 39 in the last quarter. Our fourth quarter is our seasonally-strong quarter. To go through the chart, if you didn't follow the call last night, to do comparable comparisons we pull out foreign exchange. It's been a headwind this year. $20 million so far impact on EBITDA. And then non-recurring IP, that $70 million that we harvested last year. These are episodic, they're non-recurring, there are more of them coming, but each one particularly is not non-recurring, so we pull that out so you can see how the divisions are doing on their own. In an apples-to-apples basis, we've got a $43 million improvement which is spot in the middle of the guidance of $33 to $53 million improvement which supports the $100 to $120 million of guidance that we have this year, and we are reiterating the guidance for 2015.

So, a little bit more on the growth engines. Okay, first, most people think the print market is in collapse. We don't read or see as many newspapers as we had before. We probably don't subscribe to as many magazines. Sometimes they're thinner than they used to be when we were growing up. But the print market's more complex than just newspapers and magazines. As you can see, as you look at the colors here, you've got a traditional print market, what's called publishing printing--books, magazines, newspapers. You have general commercial printing, which is the red area, which is direct mail, commercial, promotional printing, advertising printing. You've got business and transactional printing. Display and graphics printing. Packaging printing, and look how big that is and look at the growth rate of that. We're spot in the middle in two of our divisions in riding the wave of the growth in packaging printing. And, as you can see, there's a whole bunch of other printing, only about 88 billion of it.

So, you've got a half a trillion dollar market growing to $650 billion. Our addressable piece is about $15.8 billion growing to $17 billion. You'll see a little inconsistency on this. These are external numbers provided by a series of sources curated by some of our help from our bankers. We didn't want--we want to use an external source. You'll see a little bit of change in the inkjet. This shows that the kind of traditional enterprise inkjet market's only a billion. We believe it's closer to two or three billion, but we want to show consistency here. When we get to the inkjet side, we'll give you a little more color on why we believe it's a little bigger.

So, in the last six quarters, the growth engines of our business, the five I mentioned before--Micro 3D Printing really not contributing yet, so really the first four here--have moved from 15 percent of Kodak revenue up to 20 percent. Very material move. These will grow even faster going forward as a percentage because we have pieces of the revenue that are in planned decline or legacy decline. So, one of the health indicators of our business is how fast we grow this pie, and it will grow increasingly based on the momentum we have, and we'll show you this with an upcoming slide called "Annuities."

All right, a very important concept in our business. Eighty percent of our revenues are annuities. They're based on either a system we've already sold, a series of contracts we have in place, service agreements, et cetera. So let's go through the slide first. At the top of the slide, you see our install base as of the end of September. So, kind of the current install base. Sonora doesn't have an install base, per se. It's a plate that goes in. But once a customer chooses Sonora as--and they take out the chemicals and processing step, the recurring revenue nature of that is very high.

You do have some price competition, but generally when a printer decides they're gonna use a Sonora plate, that plate is not substituted by competitor plates. And so, as you can see, that has done quite well for us. It's on a constant currency basis growing almost 70 percent this year, and at a higher price point than our traditional plates.

Prosper is a closed system. We have 50 installed presses and about 1,200 installed in printing systems, and we're growing about 30 percent in the annuity base for Prosper. That mix of 50 systems includes some of the earlier generation Prospers. We expect that the current 6000 generation prosper--which we only have a couple installed now, but most of the future installations will be this--that will drive about a million dollars a year of annuities for each of those roughly $3.5 million presses. Big presses, fastest presses, Ferrari products, the fastest in the world.

I mentioned packaging, Flexcel NX. Another closed system. Only our plate works with our CTP. Four hundred fifty-three installed Flexcel systems, twenty-six percent growth in the plates associated with that business. And then software and solutions, over 10,000 licensees of our Prinergy software. This is not a SAS model, it's a traditional software model. So, we get recurring maintenance on the business, and it's up 12 percent so far this year.

So, we've grown--in the last 12 months, we've grown 33 percent in our key growth areas around annuities, and as that shifts from 270 up to 300 million and then 400 and 500 million, you'll see the underlying engines that are happening for our growth. We have other sets of annuities as well. Our CTP services, Computer-to-Press, these are imaging systems for traditional plates. These imaging systems have about $100 million of service revenue. These are traditional maintenance revenue for a roughly 10,000 install base of CTPs. Relatively flat, but continuing in sales.

So, that's one we can count on for many, many years. CTPs, when we sell them, typically have a life of over ten years. It's a very, very secure revenue stream. We have a Nexpress electrophotographic business. That business sells a lot of toner, prints about three billion pages a year across about a thousand installations, and the services and toner on that business is about $152 million. Very rich margin business.

The traditional digital plates, the non-Sonora part of our business where we have some new products that came out and announced this week, in fact. Large part of our business, $660 million in the last 12 months. That is getting impinged on by Sonora. We're replacing our own product with higher margin products. And this is one where we're less differentiated, so these are ones where we go head-to-head against Fuji and Agfa. But it's an annuity in the sense that these are multiyear contracts for millions of square feet of plates, and so it's a very steady number.

And then we have some legacy pieces that will decline. The $212 million of the inkjet business, our former inkjet technology Versamark, and some of our more legacy packaging businesses. That $212 million will go down somewhere between ten percent in some categories, twenty or thirty percent in others, and up to forty percent in the inkjet area. And this year, one of our disappointments has been the speed of Versamark decline. That got ahead of us. Fortunately, we were able to make it up in other parts of our business and still meet our guidance.

All right, asset monetization. I mentioned that, as well as running our business, each of our divisions, there are other opportunities for us. Last year, we recognized $70 million, as I mentioned. So, let me take just four areas that are meaningful. Seven years ago, Kodak sold Carestream to Onex. Part of that deal was an earn-out aligned with some of the metrics of return for Onex. That earn-out will be what it will be based on--calculated on the returns, but it can be up to $200 million. A very meaningful number. And I'm not gonna speculate on when that's gonna monetize, but there are more private equity people in the room here than my experience in it, and seven years is kind of a normal holding period when you might look to monetize at that point. But that will be a piece of good news when that happens to Kodak.

We're doing more joint ventures and partnerships on research. Some of this will be non-recurring engineering spending that will improve our P&L because we'll partner with other players and be able to share some of the costs we do today. Some of these will be earn-out opportunities to build products and research together and share in the proceeds of those. We haven't done this that much in the past, but we see lots of opportunities and have significant dialogue among many, many companies, and this also can be meaningful to our cash position and our ongoing operations.

We have 5,000 meaningful patents, including very rich portfolios in electrophotographic patents that are very--there's a lot of companies very interested in these. And we are in processes to try and monetize some of these patents. Obviously, in 2014, was quite a good year for that. We see significant opportunity in the future on this as well.

And then, you're gonna hear a presentation today about Eastman Business Park, a giant business park that we have that we believe--where we've made a decision to keep and, um, improve the operations of. We also have an industrial park that Kodak owns in Brazil. It's tied up, as many things are tied up in Brazil, around our ability to monetize it with some claims from 15, 20 years ago, and around some employee issues and environmental issues, but at some point, that vast industrial park near the São Paulo airport, we expect to be able to monetize. So, there are things we're working on. They're hard to predict. We don't have any of these in our guidance, so all of this is considered gravy on the top of the guidance you already have.

All right, what is our outlook for our business? So, I want to give you a little of an update on where we are today. I referenced--in the bottom right-hand corner, you see the number 43--I referenced that in an earlier slide. That's our year-to-date how much we've improved on a comparable basis, once you pull out the one-time $70 million intellectual property and you pull out the impact of foreign exchange. You can see how meaningful the foreign exchange is with the third column. Our revenue is down $183 million through the first three quarters. As you can see in a currency-adjusted base, it's only down 63. So, $120 million of headwind on our revenue.

And as you can see, about $20 million of headwind on our operational EBITDA. Since there are many things we can control, but currency is not one of them, we like to look at the bottom line to show really how we're performing. And as you can see, other than CFD, through three quarters, CFD which has in it both the film business which is improving and the consumer inkjet business which is declining because we don't have printers--the install base of printers is going, every single business is improving on a year-over-year basis. So, despite significant pricing pressure in PSD, still up $5 million.

Despite significant investment costs on Prosper and the decline of Versamark, EISD improving by $18 million just through three quarters. Even with significant investment, almost $16 million a year of investment this year in Micro 3D Printing, the packaging business is growing so robustly, we're up $13 million year-on-year. Software up $7 million. Our research lab's up $6 million by spending more thoughtfully, et cetera. So, overall, very good performance across the board.

So, earlier this year, I talked aspirationally about a goal that if we hit all our plans, we could maybe get to 175 next year. We're not gonna do that, we're not gonna hit that number. And the reason is, the Micro 3D Printing business is not performing to the market the way we expected. The product is ready, we've extricated ourself from the UniPixel partnership, but we had a $25 million placeholder in there, and we think that that is a number that will happen. We have the manufacturing capacity once we get the design wins. But, Phil Cullimore will go through this a little bit more, but the bottom line is that ITO, the technology we're trying to disintermediate, has brought its price down 60 percent over the last four years.

This is not a technology. ITO, you mine it out of the earth's crust, primarily in China because of the enormous environmental damage doing so. So, as the economy in China has weakened, and as ITO has had competitors come up like Kodak in alternative technologies, that price has come down. We don't believe it's gonna go down another 60 percent. We believe that they've got it down at about as low as it can get, and our advantages will come through. Phil Cullimore will take you more on this. We're optimistic about the business, but the timing is going to be later.

So, let's look at the numbers. This year, if we hit the midpoint of the range, we'll improve by 64 percent in our bottom line. The guidance I just took you through--I'm sorry, it's not guidance. The finance target. We'll give you guidance once the Q4 is over. We'll give you formal guidance for 2016. The current trajectory or targets is about 27 percent up next year. A relatively conservative run rate off the 2016 would get us another 40 percent in 2017 because of the maturing position of our growth engines. So, in the relatively near term, we see significant improvement off the base line of where we are.

So, in the spirit of tell 'em what you're gonna say, say it, and tell 'em what you said, I'm gonna take you through the key messages for the day, and hopefully these will be reinforced over and over from our business units. We've made significant progress in the Kodak transformation. We had a good Q3 in terms of operating EBITDA, $39 million. It positioned us so we will be able to meet our guidance for 2015 despite headwinds. When we gave the guidance, the dollar was much weaker. We've overcome that.

Our Micro 3D business has gone to market slower. We've overcome that. And we're still gonna meet our operational guidance, which is a 50 to 80 percent improvement year-over-year. Our cost structure savings are improving our leverage. The quality of our earnings is materially different than six quarters ago. If you go back to 2013, you'll see that we're from 12 percent up to 22 percent of Kodak revenues year to date in these new, faster-growing platforms that are gonna last for a decade or more.

We're an annuity-based business. That should give you confidence in our ability to be predictable and have cash flows. Our Core Print Systems Division is a fundamental part of our stability. It's a large business, recurring revenues, and very well-managed. Our Flexcel NX Packaging business has strong momentum. In fact, we expect to grow on a constant currency basis, our EBITDA this year, about 80 percent. Prosper is at an inflection point. Thirty-nine systems over four years, twenty to twenty-five this year. We expect to continue to invest in the Micro 3D business. Again, we have a whole presentation on this, you'll see why we're excited about it, but this is part of what Kodak does. This is advance science, really trying to disintermediate an entire industry; in this case, a $6 billion industry.

Our cash burn from 2014 was driven by restructuring. We've restructured a lot. Legacy payments: Over $100 million of things that weren't cleaned up in the bankruptcy, we've had to spend cash on cleaning up. Meaningful investments in Prosper and Micro 3D. The rest of our businesses generate good cash. They don't need continued investment. But Prosper and Micro 3D still are in investment mode, and John will take you through--our CFO John McMullen--will take you through this. We're gonna generate cash in 2015 and in 2016. We've crossed that part where the investment streams and the legacy payments and the restructuring offset the operational EBITDA positive cash flow. There are several meaningful opportunities for one-time cash transactions, and as I said, good momentum in the operating performance of the company.

Look forward to your questions a little bit later. I'd like to call Brad up.

BRAD KRUCHTEN:

All right, thanks. Good morning. Thank you, Jeff, appreciate the opportunity to be here. I'm excited to share with you how and why we are gonna be successful in Print Systems Division. And as I get into this I'm always gonna start referring to it as PSD, so when you hear "PSD" it's Print Systems Division. I ended up--That's our ongoing name for it. Let me start by sharing a little bit more detail on what Jeff mentioned, what our role in PSD is within the corporation.

First, given that we're the largest--over 60 percent of the revenue of the company is in Print Systems Division--we really are providing the scale and the infrastructure that the other divisions can leverage off of. And so, instead of replicating that in each of the divisions, we're kind of that foundation so we can provide the back office the customer order, those kind of things, we're providing the scale.

Second, we provide stability. Within Print Systems Division, we have 92 percent of our revenue that's annuity-based, all right? So it's an incredible annuity business, recurring revenue, and I'll walk through each of the pieces to that. The third is we generate profitability and cash, all right? So that's really the three things that we're gonna focus on and as I talk today, we'll walk through each one of those.

Now, Jeff shared a slide similar to this and really started the whole discussion on the Science to Create. And to me, that's what we're all about, is using science to create value for our customers. And, you know, you'll hear technology innovation, but at Kodak, the core is science. Imaging science, deposition science, material science. Those are what really drive and provide us that differentiation and the ability to create value for our customers.

Now in this divisional structure, Jeff made it easy on us in PSD, because we only have one type of customer, one set of customers, and that's printers. So we focus exclusively on printers. In fact, when we talk about, like, customer sat., we don't use customer sat., we talk about printer satisfaction, voice of printer. It really is very straightforward. We understand there's a variety of different printers but it's all one group, they all have one purpose and that's to generate profit from producing pages and producing images.

So for us, we really use science to create profit for printers. And we do that by reducing costs for them. We can eliminate a variety of costs, which I'll talk about today. We drive productivity. We allow them to have lower waste in their operations. We have higher image quality that we give them. They can then charge more for their applications because the image quality is differentiated. So we have a variety of ways that we can allow them to be profitable. Also to allow them to grow their businesses, we provide a set of products that allow them to extend their business into new segments. So, clearly we use the science to create profit for our printers.

Second, we use science to create speed for publishers. One of the segments within printing is publishing and we use--and provide speed. Our CTPs, our devices that write plates and image plates, are higher speed. So we can provide a higher speed ability for our publishers.

Second, with Sonora the time to press is shorter, and so they can have that last-minute deadline, they can get the release out faster. It really allows them speed in their operations. It also reduces the make-ready time, so we can allow people to have faster make-ready times. So overall, we can provide a variety of ways to allow them to increase their speed.

Also, quality for manufacturers. Certainly many of the printers are manufacturers, they manufacture a variety of packaging items. And so, they're really in the--part of the manufacturing process. And there, certainly we provide high image quality, very high resolution--highest resolution capabilities out there for plates. We also, from an overall quality standpoint, we have best in class quality of our plates. What you need is consistency, batch to batch, no variability, and that's what we provide in our full range of products within the plates business. So, once again, provide quality using our science.

And finally, sustainability. And certainly, as you've heard from Jeff, there's sustainability from a carbon footprint standpoint. We reduce carbon footprint by not requiring the amount of energy. We don't require the pre-bake or post-bake for plates, we can move them away from that. We also allow, from an environmental standpoint, the reduction of no--using no water, no chemistry. So we provide sustainability from the environment standpoint. And finally, we help them with the sustainability of print itself. So, all of those categories are on sustainability we're helping our printers with. So, that's really the key for us and what we're doing and I'll walk through thisScience to Create.

Now, Jeff used the pie chart on the left in his presentation and really identified this is the addressable market and I want to, then, expound upon what that 6.1 billion market size for our business is. It is broken out then for the PSD revenue. You can see the 769, the largest piece of the pie, is our plate business. Very large, very significant component. Once again, all of it is annuity-based, so all that is driving annuities. The red is our service business. This is both service for our CTPs, as well as for our Nexpresses. And then the gray area is the EPS business. It's both our sales of Digimaster and Nexpress, as well as all of the consumables that we have for that product, primarily the dry ink and toner sales. And then, the final yellow is CTP.

So if you think about that, the blue, the red, the majority, the vast majority of the gray, are all annuity-based and it's only a small piece of the EPS is sales of equipment and then all of the yellow is CTP. So that is what drives us to that 92 percent of the overall business, is within the annuity range. I'll also make a comment that certainly, we're about 20 percent overall share of our addressable market. So we've already been in business, we have a strong position in the marketplace. However, there's a lot of room for growth and the new products that I'll talk about really are gonna allow us to continue to have opportunity to go after even more of that addressable market.

Now here's the portfolio that we have within PSD. So, the upper left corner is our output devices and I'll use output device and CTP interchangeably. CTP stands for "computer-to-plate." This is a device, ranges from $50,000 to $300,000, that creates the image on the plates before it's taken to the offset press, all right?

So that's the sequence. So they'll take the plates, put them in--load them into the CTP or output device, and then we send that off to the press once it has the image on it.

Now, in this category, we have three different portfolios. We have our Achieve portfolio and we have a variety of, then, models within the Achieve portfolio. We have the Trendsetter, and then we have the Magnus which is the very high-end of the marketplace. So you're thinking of a car as--you've got the Hondas as well as the Lexus and everything in between. So it's a broad portfolio we have. In this, we also have output devices--it's upgradeable. So you can take a Trendsetter, start with one that has lower speed, increase the speed to it, add capabilities to it and features. So really, once they buy it, we can continue to add new capability. So that's our output devices portfolio.

Our electrophotographic portfolio, I mentioned, is the black and white systems. These are Digimaster based. We have about 2500 out there that are Digimasters, in the marketplace. And then our Nexpress portfolio, which is about 1,000, little under that, in the number of color high-speed digital printers that are out there. Once again, one of our mainstays in this category is the ability to have upgradeability. So you can buy a Nexpress and then continue to add capabilities, features to it. You can increase speed, increase image quality, increase the number of long sheet feeder type of activities, and also on the processing side.

Our digital plates, on the upper right-hand corner, as mentioned, largest component of our portfolio. A very broad portfolio. We have over 12 different product lines within this portfolio that addresses each of the different segments within the printing. So you'll have newspaper segments, you're gonna have—in offset press you can have a cut-sheet, or you can have a web-based offset press. So there's a variety of different requirements. We have a full line to be able to deliver all of those. And then we have our service and support to back all of that up.

Now, what makes us unique is that there is no other competitor in the marketplace that develops, manufactures, and delivers these four components. No one. So we really are unique. When we walk into the printer, what we offer them is the ability to certainly continue to support their offset press, the plates, as well as allow them to move into digital printing. And no one else does that for our printers. So we really look at it and look at them as a solution, and then how do we help them grow over time? So it really is one of the fundamental differences that we have versus anyone else in the industry to offer this type of a broad portfolio to the printing marketplace.

Okay. I'll show you--instead of me telling you how great things are, we have a video that I'll run in a minute. Really reinforces the value of Sonora. You heard Jeff talk about Sonora. It is our exciting new product. I want to put it in a little context for you in a slide. This year, we'll sell $118 million of Sonora plates. It's growing. In revenue--68 percent of the constant currency, in a unit-based 63 percent--in a market that's very stable.

And this is--You know, it's easy to grow when it's small, but when you have a business that's almost $120 million and growing at close to 70 percent, it's a phenomenal success. And it really is driven because we're bringing a science to the print marketplace that's truly unique. And that is typically, every plate, once it's imaged and taken from the CTP, it requires processing. In some form of it, it requires to be processed, so you gotta use water, you gotta use chemicals, you have to use electricity. Many of the plates also have to be baked, and so it hardens the plate before it goes to the press.

Sonora, you take it immediately from the CTP and immediately put it on the press, nothing in between. So it saves equipment, it saves floor space, it saves the chemicals, it saves the water, it saves the labor. The whole thing is just an amazing savings for our printers. And then, of course, they get to walk out and show the sustainability message that they're now going out and saving all this chemistry and water so they can reinforce with their customers that they have sustainable print.

So, those are the reasons that really make this happen, and if we could now run the video and you can hear it in the words of our customers.

JIM TOMBLINSON:

The latest Sonora plate that we are running today has given us exactly what we needed. It made good business sense. It's a dry plate. It eliminates the managing and the processing of plates. It eliminates a lot of time. It actually helps us print better today than we've ever printed. The dots are sharper. The ink flows better on the press and onto the paper.

PHIL CHESTNUT:

It's dramatic not to have to deal with the chemistry. Somebody carrying the chemistry, have to worry about inventorying the chemistry, not only the paying for it. Plus, in the disposal of chemistry and, you know, the EPA. That's dramatic in itself.

ANDREW LANGRIDGE:

We are constantly aware of our environmental responsibilities and the processless plate allows us to get rid of our process chemistry. Because of our faith with Kodak technology, we were able to do the change very easily. It was the best decision we ever made.

BRAD KRUCHTEN:

Okay. So a little bit more from our customers on that.

Next, I'm just gonna share with you briefly what our operations are. We have worldwide operations. We've had a change over the last two years where we did have a number of plants and because of previous acquisitions, they each made different plates. What we have shifted to is now having every one of our manufacturing sites deliver all the plates that are required for that region. So in the past, we were shipping, and putting on water, plates back and forth between the continents. Now and--first one in America is Columbus, Georgia, is where we manufacture the plates for the Americas. So they supply all of South America, they supply Mexico, U.S., and Canada. We just ended up adding a new facility--a new line in Columbus. We spent over $25 million to produce Sonora in Columbus because it's growing so fast. We were supplying it out of Europe and now we'll have that and we do have that here in the Americas.

We have--In Rochester, New York, is where we make our Nexpress. And in Vancouver, we manufacture the VLF portion of our output devices, as well as the R&D for output devices. In Europe, Osterode, Germany, is where we headquarter for all of Europe for our manufacturing, and they produce Sonora there as well. And we also have an R&D for our plate manufacturing team there. In Israel, we have a R&D for our output devices. And then in Asia, we have Xiamen, China, is where we have our plate manufacturing. We have, in Shanghai, the manufacturing for a majority of our CTPs and then we have another plate manufacturing facility in Gunma, Japan. So really, we have a worldwide presence, about 3200 employees within Print Systems Division supporting all of these products and these operations.

From a go-to-market standpoint, we've simplified the operation and really have now just two organizations that provide go-to-market, that really provide that one face to the customer. And as I mentioned, we provide all of the back-office and customer support for the rest of the company. So we have those--we have one region that we call EUCAN and that really is primarily a direct. So this is for developed countries and so we have primarily direct sales. And also, those are mostly in the northern hemisphere. And then we have ALMA and that primarily goes through dealers and channels. It's primarily to emerging markets and mostly in the south hemisphere. So that's the structure that we have as our go-to-market organization.

Let me spend a little time on our key priorities and what we're doing. So you've heard all about Sonora now and what we're driving with Sonora. What I'm excited about is that now, with all that success we just talked about, we've just introduced now a new product in Japan called Sonora XJ. On top of the capabilities of being process-free, it also has an added benefit of having UV resistance and being able to be sold into UV applications. And UV is the fastest growing area within the offset marketplace today. The major offset printing companies are now selling the majority of all of their offset presses as UV presses. And UV presses provide faster drying time and they also provide a variety of substrates you can print on. So you can get into packaging. Where before it had to be another technology, they could leverage the investment they have in their offset press to go out and now enter the packaging marketplace.

It does have a unique set of requirements and the inks are harsher and so you have to have a specialized plate for that. As I mentioned, Sonora XJ is certainly now--can work within that, but we've also developed a brand new plate called Electromax, which we introduced about six weeks ago, which now is exceptionally fit for this application. And so, we're gonna expect to see quick growth on this. We expect, for 2016, a very strong over $20 million of sales for this new product; so a significant new product for us. And then we also just introduced two weeks ago a new plate that's called Libra, and that really goes after the newspaper market. It is a low-chem, simple process, violet plate, which is, once again, another application and type of plate that's used in the newspaper marketplace. We have very low share in the newspaper market, and so we really expect ourselves to be successful and grow quickly with this product as well. And we expect the same type of opportunity in this product as we do with Electromax.

So, we've had great success so far. We're now adding a new product for Sonora, we're adding a new product to go after the UV marketplace, and we're adding a new product that goes after the newspaper marketplace. So, we really are pleased and excited that we'll have success in these markets. And overall, that will result in us being able to have overall unit volume growth both in 2015 and in 2016. So we see that we have a strong opportunity there.

Next priority is around our service business. We, as mentioned, service both CTPs and Nexpress, but we also know that we can add and provide more service to our printers other than that. We can add installation services, we can add energy efficiency services, overall productivity assistance. So, we're gonna have a number of value-added services that we will be expanding with our service portfolio.

From a Nexpress perspective, we've had a platform that we have been upgrading and enhancing for the last ten years, but this next year at drupa, we will be announcing a new platform for Nexpress. So, we're excited that we can continue and show the investment we're making in this category and continue to be a leader and using our science to continue to create value for our customers.

And then, in the Nexpress area, we are at the very high end. So where we have broad portfolio and CTP and plates, we are at the very high end of the marketplace for digital printing. And one of the things we're--our approach now is that we want to participate in the low volume and mid volume segments, but instead of doing that through developing new equipment, what we're doing is modifying our toners so that they can participate as an aftermarket toner in those segments. So that's really where the most profitable piece is and certainly where we want to drive annuities for. So that's how we're gonna expand and participate in those segments.

And then finally, we will continue to add new automation to our Trendsetter portfolio and continue to allow for new upgrades for customers. So those are the priorities that we have and from our perspective, these are the key areas that will allow us to continue to expand and create value for our customers.

Speaking of value and customers, a couple examples I want to give you of what happens. So, we're continuing to grow, these are two customers that within the last month just signed up for Sonora. So these aren't even in our numbers yet, so I talk about the growth rate. Sonora had a really good fit with a customer that was between 5,000 and 10,000 square meters. The very large printers were not ready to jump to Sonora yet, so we really went after the large base of small to medium printers. But what we see now is it's being accepted, Sonora, in the marketplace and we're seeing very large printers. And when they switch to Sonora, it's really an opportunity for us to sell much more than just the plate. So, as an example, with Walton Press in Georgia which is, of course, very close to where we just put our new plant, so it's a great opportunity, very close. They were using a competitor plate. They've now switched, 50,000 square meters. But not only did we get the plate business, but they also purchased two CTPs and also upgraded their workflow.

So, when we walk in, it's a halo product, it drives opportunities. It's the same thing for Gemini and Brighton in Bristol, U.K. They, once again, compared all the competition, saw that we were the right choice. 80,000 square meters of plates annually, and once again, it's recurring, so that'll happen every year. And then, once again, pulled a new Magnus 800 CTP, as well as got them to convert from a competitive workflow to a Kodak Prinergy workflow. So, the strength of the portfolio is really now driving us to continue to expand even beyond what the Sonora opportunity is. So.

A quick one just on our SWOT analysis of where we're at. I've mentioned most of this, so I'm gonna just be highlighting a couple times and move on. So, only full-line provider. So we're the only one that provides all of these capabilities when we walk into our printers. The annuity rate I've already talked about. And certainly we have a global coverage, and so the reach that we have within our go-to-market organization.

Opportunities continue drive. The advantages of process-free. Spent a little time on the best in class in quality. Our plates, outstanding; recognized in the industry for their quality and consistency. And then certainly we're excited now about the introductions of our two new plates, Electromax and Libra, that will expand our opportunity. And then, I mentioned the third-party toner business opportunity that we have, which we expect, over time, will grow by about 40 percent per year. So we have another opportunity there to continue to have compounding new growth rates in that segment.

Weaknesses, the things we're aware of and trying to protect against. One, we do have a very large Legacy installed base. We have that on Digimaster, as well as on CTP. We have about 14,000 CTPs out there and I mentioned, 2500 Digimasters. So one of those is--they're out there, it's a great opportunity to renew that, to continue to drive from a service perspective, but to also upgrade those accounts. So, we're working to make sure we protect that base. And then, as mentioned, we do have--it's a limited electrophotographic portfolio. We don't cover the LVNV segments. But once again, we want to target that with our third-party toner.

And then the threats. We know about--There is, in the marketplace, plate price erosion. It's an ongoing--It's been going on for the last eight years where we've seen ongoing price erosion. It's just part of the market and our strategy is to overcome that through our productivity and cost reductions. And we've been able to do that and I'll show you that in a minute. So we understand that, we accept it, and we'll continue drive through that.

Aluminum costs. We are very dependent on aluminum. Our plates are all built off of aluminum coils. So we do go up and down with aluminum. And then, finally, the overall economic instability and currently fluctuations we drive. Because much of printing is driven through advertising, if--and people pull back if there is instability in the marketplace, that's one that we just accept and know that if there is a retraction in the market, then typically there will be a reduction in plate volume for a temporary period of time. And so, we understand that and manage through that. So, that's the SWOT.

From a financial summary, as Jeff talked about, overall, revenue is declining. A lot of that is the exchange. Overall, we have flat to small growth in 2015 overall. And so, what happens to that, the revenue then is flat except we have the price erosion that I mentioned. The price erosion averages between three and four percent and that's what results in a small revenue decline on a constant currency basis.

From an earnings perspective, you can see that year-to-date, we're up $5 million. So even though the revenue is down, as I'd mentioned, we're overcoming the price erosion through cost reduction and productivity in our manufacturing operations. And we've been able to do that for the last several years. So this isn't new new. We really are able to continue to have that. So, in summary, we've got a very strong portfolio, we're excited by it. The overall digital plate business has been successful--and what's interesting here is that the investment that we made in Sonora--has been made for the last ten years--we're really reaping the benefit and now we're coming out with these new products that we've just developed over the last two years. So we're really excited that we really see a long tail to continue those opportunities.

And then, as mentioned, from an EBITDA standpoint, we're overcoming the impact of effects, EBITDA, and growing our EBITDA year-to-date by 5 million. And those year-to- results really do reflect and validate the strategy we have of being a stable and sustainable business from an earnings perspective by overcoming the price erosion through the cost reductions.

So, that's our story, and hopefully you can see why we're profitable, why we're sustainable, and why we're stable. And with that, I'll turn it over to Phil Cullimore and he'll share with you the Enterprise Inkjet business. Thank you.

PHILIP CULLIMORE:

So, thanks, Brad. Have you just walked off with the machine or...or is this the one on top here? That works, does it? Okay, thank you very much, indeed. And good morning. I'm Philip Cullimore and I'm here to talk to you about two divisions today. And as Jeff said, they're at different stages of their development.

Now I'm going to start with one that's growing quite quickly, particularly with its core exciting Prosper technology, and that's the Enterprise Inkjet division. And as Jeff said, really what you're seeing going on in this division is a real drive for growth in this new Prosper technology, a focus on improving our profitability, and of course, we're working to broaden that technology edge that we think we have.

Now, hopefully this'll... There we go, perfect.

All right, so first of all, to talk about how our division fits within this very exciting idea that Jeff gave us at the beginning of the morning about Kodak being the developers of Science to Create. Now, we're a division that plays very strongly into that theme in driving new profit opportunities for printers, for instance, via our innovative digital inkjet components business. These can be mounted directly onto existing offset presses. In delivering digital printing at astounding speeds for publishers. An example is our 300 meters per minute Prosper 6000 press. Just imagine that. Think about that for a moment when you think about the inkjet printers that you might find in your office, and think about seeing one that's running at 300 meters per minute across a 20-plus inch width.

We also enable differentiation for brands, as shown with our partnership with BOBST. We have a corrugated packaging press where every single package can be customized. In improving quality for manufacturers by providing the coding and marking systems that--to allow every one of their packages to be tracked and traced individually. And in providing acceleration for entrepreneurs where our outstanding writing system technology have enable industry pioneers to migrate literally billions of pages from offset to digital technologies.

So, first of all, a couple of words about the portfolio--our portfolio that you can see onscreen here. We really are a pioneer in inkjet printing and we've been in the market for nearly 50 years. In fact, probably 90-plus billion pages have been printed with our technology every year since 2007. Now, we've got two product sets. One product set, you see it more at the bottom of the page here in the slower speed area, is our Versamark printing technology. Still very important to us, but actually is one that's in some level of decline. And so, we're offsetting that declining business with really strong growth with this new technology that the market has got so excited about, our Prosper technology.

And you can see on the screen here, the Prosper 6000 press, a color press that really is migrating pages away from offset technologies to a digital, on demand solution. Our Prosper 1000 press, just on there as well, that really is driving and migrating parts of the publishing market, particularly book publishing, over to digital technologies. So we really think that we've got long turns of sustainable advantages in our Stream technology, the technology that is powering Prosper. It's the world's fastest inkjet printing technology with uncompromised image quality, a great range of substrates that you can print on, and, of course, a range of applications that you can--that can now be migrated into digital printing.

Now, we're not stopping and we're not standing still. Continuous development of Stream, we think, is gonna allow expansion into new market segments, including industrial applications, as we move forward. A little bit more on that in a few moments. But rather than listen to me about what Prosper can do, I've thought it might be a good opportunity for us to listen to one of our customers tell us what that technology can deliver.

MIKE BEDDOR:

Our clients have been looking for variable printing inkjet production utilizing high color, utilizing fast speeds, to make economical direct mail pieces. And it looks as though finally, with the new revolutionary Prosper 6000, we are gonna start achieving those kind of goals for our clients.

PEDRO ANTONIO IGLESIAS:

(speaking in Spanish)

VOICEOVER TRANSLATOR:

I think and hope that these machines are the future of the graphic sector. And they can be very helpful to get to our clients in a more personal way, which is in demand right now.

MIKE BEDDOR:

I think our customers can really use this to fine tune their marketing messages. This will help them increase response rates and consider direct mail being a even more important part of their marketing assets. It's really, really important for them that they can get up and produce high quality work in a short order with a lot of versioning in the fastest method possible.

PHILIP CULLIMORE:

So, really what's differentiating us in the market is this full systems approach. We really are leveraging a lot of the heritage that we have within our labs at Kodak to deliver a full system. The making of the inks, the development of the writing systems, developing materials and coatings that enable substrate compatibility. The fruits of this approach can be seen in our superior writing system speed we've talked about, but also the breadth of substrates that we can print onto. And once we've printed it, the strength and the quality of the color that we deliver through the Kodak inks, the Stream inks, that the market has reacted to so well.

Now, of course, when we're selling, when we're in the middle of our sales cycles, we, of course, focus on our advantages, but I want you to make sure that I describe to you what some of those advantages are. So, in this chart we compare our flagship press, that's the Prosper 6000, the 300 meters per minute device that you saw in the previous video, and we're comparing that technology against our key piezo printhead--that's a printhead technology that's used by a variety of manufacturers around the world that effectively uses an electrical pulse to generate a drop--and our thermal drop-on-demand competitors. As it says, creating a droplet through a thermal interaction that causes a drop to break off.

It's our material science, when you look at the chart, that really shines through. The density of the color that we're able to print on the more challenging coated papers that a lot of offset printers require us to print on if they're gonna move to a digital inkjet technology. It's the productivity that we offer across that range of substrates, running at full speed, that allows more offset pages and printed products to be moved to digital. And it's our total cost of ownership which, thanks to our advanced ink manufacturing solutions and really coupled, as Terry will talk about later, with 125 years of dye and pigment knowledge that enable a superior return on investment for our customers. As Jeff said earlier, we're growing fast, and in fact, it's those reasons why our in-store base this year will grow by about 64 percent in a market that's growing more slowly than that.

So, the shining light for us is our speed. Now, we've got an inkjet writing system that delivers an unbelievable between 5 and 14 billion drops of ink per second. We're the only solution that can be mounted onto an offset press and keep pace with the 900-plus meters per minute throughput of today's fastest web offset presses. So that's why customers like Axel Springer and News International have chosen us as the standard for hybrid integration in their plants; to enable them make something different on individual pages of their newspaper, with each newspaper being different.

Now, the target applications for our technology include the transactional printing and publishing markets that we've started to talk about already. They're marked in white on the chart there. But that's just the start. As I will reveal this morning, we believe that we've got the technology platform to extend into new markets including flexible packaging, including signage and display, even laminates and textiles over the coming years, by developing the technology as a core writing system and then creating partnerships with OEM providers to bring those solutions to the market. And you can see some of those areas marked in yellow on the chart as well.

So we've got a great platform that's still got lots and lots of opportunity in growth into new markets. We're also in a market that's growing. It's growing by about 13 percent annually and you can see here, this--the chart on the left-hand side here from Pira, which estimates that the $50 billion total value of our industry growing to about $80 billion by 2019, a 13 percent (unintelligible).

The production inkjet share of printers, fluids, and service, actually we think is about $2.3 billion today, with the digital transformation of offset pages really helping to drive that number up as we go through the outer years.

You can also see on the right-hand side of the chart an interesting chart that talks about ink technology. Now, we think we've got a great advantage. The inks that we really focus on developing are aqueous-based pigmented inks, and that water-based content is becoming increasingly popular as we start to migrate items like food packaging over to digital ink technologies. Aqueous inks are nicely food safe. So again, you can see the growth of aqueous inks right on the chart there.

I beg your pardon. There you go.

So, Brad talked about the PSD business being really annuity driven. It's the same for us. But, in fact, we've got two models going on within our business. Two models that deliver strong burn in inks and fluids for more than 5,000 inkjet components already in the field, and including our Legacy presses, more than 200 presses installed.

The first of those business models is really about press placements. And as Jeff said, this is really a long-term game. It's an annuity driven model where we might choose to invest money in the press placement, building up that in-store base, and then once the press is placed, enjoy the $1 to $1.5 million of annuity per year, typically with an 18-month payback. And you can see that model indicated on the top right-hand side of the chart there. About $11 million of revenue over seven years for that system.

Jeff mentioned this year being an inflection point, with 20 to 25 systems being installed from a starting base that, over the first five years of the program, gave us 39 presses. So we've seen huge growth this year, and that growth in placement gives us real confidence in our growth projections for 2016 and beyond. We use some capital in 2015, probably approaching $20 million to lease and invest in a number of high burning installations that will pay back in years to come. And an example of that that we announced very recently is the installation of two Prosper 6000 presses that will be printing all of the U.K. national newspapers on the Channel Islands, just out there in the English Channel, just off the U.K.

In fact, that's a great example. It's an example of migrating offset pages-- before those newspapers were printed in the U.K. using traditional techniques--over to digital technology. Tomorrow they're gonna be printed on our Prosper presses, on demand, on the island. It's an interesting business model. In fact, we think there's probably 90 islands around the world where that type of model could be used.

So that's the first model. The second model is with our Prosper S-Series components and you can see it on the bottom of the slide there. We retrofit those components onto existing offset presses, or as writing systems integrated by other vendors into digital printing solutions for their customers. In the components business, we enjoy a solid margin at the time of hardware sale with lower, but attractive, annuity returns over the life of the product thereafter. So, these two complementary business models blend to provide a very nice platform for our growth.

I've mentioned the fact that we are starting to build and enjoy an OEM business--the provision of our writing systems to other providers--and I guess the most famous one that we've announced so far is the relationship with BOBST. Now, BOBST is the world's leading supplier of machinery and services to packaging, to packaging manufacturers, and they're the ideal partner for capitalizing on this large and growing market.

In May 2015, BOBST announced the placement of the first digital press for the corrugated packaging market, model packaging, using Kodak Stream inkjet technology. And in fact, last week, saw them produce 80,000 corrugated boards in less than two days using our technology. So, traction is being made in the corrugated packaging space and we intend to follow that with different solutions for adjacent parts of the packaging market in partnership with BOBST.

Talked a little bit about our component business, and I'm very proud of the fact that we have a very strong leadership position in that imprinting market. Now, we think the imprinting market is key to our growth, as mentioned. But at some point, we think it's gonna get even more important, because we expect that the components business is gonna explode as integrating digital printing technology onto those traditional offset presses becomes not just a nice-to-have, it becomes a market requirement.

So think about this: if you can create a hybrid press--a press that's got all of the benefits, as Brad talked about, of the fantastic speed, quality, substrate choice, of traditional offset printing--but then you can enable, with our Prosper components business, every single offset page to be dynamic and different, it really creates new growth and new value for that printing market. And as we enjoy our share of about 40 percent in that business today, we expect that to continue and we expect to ride that conversion wave when it breaks.

Okay, here's--I think it's time for a sneak peek. A little sneak peek into the future. And I talked earlier of our plans to further extend our continuous inkjet technologies into new market areas. Well, I'm pleased to make a little announcement today. At the drupa trade fair next May, we will demonstrate a new Stream platform that we expect to sell largely as a writing system to a variety of OEM channels and different partners that will enable us to grow outside in adjacent spaces that until now have been outside of the technology capability that we have.

So this new technology delivers a few key benefits that enables that movement and migration into new markets. It offers higher resolution, better drop placement accuracy--that's gonna give us improved color registration—a significant reduction in the cost of the equipment, and improved startup times.

Now, what do we think that's gonna deliver for us? Well, we think that that technology will allow us to scale quickly via partnerships into some new high-growth areas such as the wide format market, outdoor display market, labels, high end package printing. Those spaces become spaces where we can then operate strongly.

Okay, so that's the story of Prosper and the story of our growth. So, let's talk a little bit about the strengths, weaknesses, opportunities, and threats for the business. So, our strengths first of all. Well, the first thing is we've got unmatched speed. We're the fastest inkjet press with the high quality, low cost of ownership. That 64 percent year-over-year placement growth really indicates we're winning with.

We've got a leading market share in high-speed applications. The applications where you've got to run at 900 meters per minute. Really, Kodak is the player that can deliver that technology, and we've proved that with the customers that I've already mentioned.

We drive offset replacement in those markets and we protect our continuous Inkjet play with a strong patent portfolios as, again, Jeff mentioned earlier.

Challenges. The challenges we face still include the residual effect of the bankruptcy that we had. Our technology, if you think about it, represents significant investment for our customers and we need to continue to rebuild their confidence in our financial performance. And events like today I think are absolutely key for doing that.

Our systems are the fastest on the planet, but that speed does come with a higher cost of goods, and that can disadvantage us outside of that higher speed application in the lower production markets.

Opportunities, though, are many. They include capitalizing on the digital transformation of offset and, again, rough numbers. Forget the packaging market, think about just pages of print. About 70 trillion pages printed annually. About 1 trillion are currently converted to digital technology. So there's a long way for us to go.

And, as I said, with our technology platform expanding, we're well-position to enter new markets. Wall coverings, laminates, textiles, signage, labels, packaging, as discussed, all back with the technology advances that will bring to the market and the market will see next year.

Threats. Well, they're the obvious ones, really. The competitors with a diverse and deep portfolio and a strong install base will continue to be there in the sales cycles with us. And, of course, we still have the long-term threat of the substitution of print by other forms of electronic media.

So let's talk about some recent customer wins. And, again, this is quite interesting because it really plays back into this direct mail and publishing market. First up, Japs-Olson. Japs-Olson have recently confirmed that they have installed and accepted a Prosper 6000 to really aid them in their direct mail applications. And then there's three that really indicate that there's a lot of activity going on in the newspaper space with Sogemedia in France and Gannett in Guam both confirming Prosper press installations.

And, again, I think you're seeing something happening here. This idea that if you've got some consolidated volume of short-run publications, doing it digitally makes sense. And, of course, the Boston Globe who are making full use of our Prosper and printing heads that they've installed on their existing offset presses.

Just a recent event that pleased me greatly. The Prosper 6000. Very proud that we were the recipient of the 2015 PIA InterTech Award for our technology. And, again, I think the core benefits of our technology in terms of speed and print quality really shone through in receiving that award.

So, again, just to re-echo the financial summary that Jeff gave a bit earlier, we're continuing to grow our Prosper business. Where, as Jeff said, 29 percent year over year growth.

However, continued decline of our Legacy Versamark business mutes the overall top-line picture and the EBITDA picture. Or be it that we're showing a strong improvement in EBITDA year over year, driven by that Prosper expansion with solid cost control. And, of course, we can see as we place those units that Prosper expansion is set to improve further over the coming years. So that's Enterprise InkJet Systems.

And, again, just to finish, a little bit of thanks to Steven for some great creative work for really articulating, I think, well to our customers how fast we are and how great drop-based printing technology can be.

Okay, now as Jeff said right at the beginning of the morning, I'm lucky enough to look after two divisions with three different product lines, actually. And each of them are at different stages of their life cycle. You've just seen Enterprise InkJet, which is just at that stage of really seeing that dramatic growth that you see in fast-growing high-tech businesses. It's really an inflection point.

We're gonna talk about two other businesses now that are both different stages in that process. Packaging, which is past that inflection point and is growing with solid EBITDA. And then our Micro 3D printing business, which really is a start-up. And, really, 2016 and 2017 are gonna be the years where we start to see strong progress in that area on the revenue line.

The first business that I want to talk about, though, is gonna be the packaging business. But before that, let's look again at where those two businesses fit in this science to create ethos. Again, very well actually.

So let's take a couple of examples. First of all, with printers, driving profit for printers, that's easy to articulate. Our Flexcel NX technology improves on press performance, it improves the quality of package, it improves, actually, the performance of Flexographic printing.

In differentiation for brands, like delivering stronger color pop, higher quality printing from the Flexographic process with Flexcel NX, that differentiation is clear to see. Better color, more eye-catching design means faster shelf velocity for the brands.

In improving quality for manufacturers by delivering larger and more conductive touch screens. And we're gonna talk about touch power sensors in a few moments. And, of course, in improving acceleration for entrepreneurs. For instance, in integrating our copper-based touch panel sensor for new and innovative industrial applications.

So, two businesses within the division, as I stated. The Flexographic printing business driven by Flexcel NX technology, which continues its steady growth based on really clearly differentiated technology that had been well accepted by the market. And secondly, our Micro 3D printing business, which, as I say, really is a start-up. It's a start-up that's got two interesting technologies within it that in the first instance will deliver touch panel sensors and a performance and price point that we think can cause some disruption in the market.

As said, let's start with the Flexographic Packaging business. So this really is a great and growing business. It's centered on consumer packaging. And what do we mean by that? We mean everything that you can see in the supermarket in the store. Packaging is a sustainable and a growing market. If you think about the demographic growth around the world, if you think about the dynamic of a growing middle class, you can imagine that more packaged goods are being bought, purchased, required every day.

We've actually integrated a number of technologies from acquisitions that we made in the mid-2000s into this business to drive a highly differentiated technology that's now helping our customers to drive value to the brands. And, really, that's, I think, the key to our success.

If you look at the chart, we're focused in the two boxes in the middle, we're focused on selling our products to printers and to trade shops. But actually we impact the whole of that value chain. Better packaging and lower delivered cost and with higher quality is really what this business is all about. Improving the look of the brands.

We actually, within the division, have a portfolio of products, but Flexcel NX is the key business driver for Kodak and actually for our customers too.

Let's look at that in a bit more detail. Our process is actually unique. It's a two-step production process rather than one. First of all, a unique thermal imaging layer ensures very high resolution imaging. And then our Squarespot imaging technology produces perfectly defined, perfectly formed, half-tone dots onto a plate that can be then mounted onto a Flexographic press. It delivers unique customer value.

What does it give our customers? Well, first of all, this superior imagery production gives brighter colors and sharper features. It also helps the printer. So the quality of that plate means that on press performance is improved with more uniform ink transfer.

So what's our goal with this Flexcel NX technology? Is it just to substitute other Flexo products and take share? Actually, it's much more than that. Our plan and our execution says that we can expand the market for Flexo not just by taking share from other Flexo vendors but also by replacing the gravure and letter plating press packaging printing processes that some of our customers are still using today.

How? Well, NX enables the benefit of the lower Flexo print costs but with a print quality that you associate with gravure and offset. And you can see that how we position versus the substrate flexibility and quality on the chart.

A couple of customer proof points for you. Here's an example. The Kirk Group in Australia. They've worked with bird's eye to convert their frozen food packaging from gravure printing to Flexo, reducing valuable lead times, reducing production complexity whilst maintaining brand status.

In North America, G3, which is founded by the leading wine producer Gallo, are regularly taking offset-intended designs to Flexo and adding even more value for their customers with varnishes, with metallic effects that are simply not possible with offset printing. So this NX technology really is having that dramatic impact on the Flexographic acceptance.

I think who better to tell us a bit more about this technology than the technology's inventor, so I'm going to introduce a video with Zaki Ali. Now, Zaki is the key scientist behind that NX technology. He's been with the company for a long time and he has a really rich depth of knowledge about how to make Flexo better. So who better than Zaki to tell us all about it.

ZAKI ALI:

Fundamentally, (unintelligible) digital printmaking technology relies on oxygen from the Prosper to make small connected dots. It creates inconsistency and instability during printing. And also the print quality is not as good as offset or gravure. The Flexcel NX process, we completely removed the oxygen from the process by developing a unique lamination process that delivers a robust flat top dot consistently.

We have also combined high resolution imaging devices outside the industry and high resolution thermal imaging media that produces the smallest dot on the plate and also the best surface micro texturization of the plate that produces the best print quality from both from the smallest dot for the best ink density.

This is helping our customer to take more market share because they can product the best quality print for the brand owners with the highest shelf impact. At the same time at reduces cost.

Flexcel NX technology is protected from a number of ways. From the imaging device to the thermal imaging glare to the lamination the process to the micro texturization, and we continue to innovate and produce new intellectual property to stay ahead of the competition.

PHILIP CULLIMORE:

Thanks, Zaki. So, that's the technology, what's the business model? I'll try and describe it here on the screen. We're focused on driving value with our customers via a differentiated product. We've talked about that already. So the business model is relatively simple. We place equipment, the equipment that makes the plates, that then uses Kodak media and consumable and service. And over the lifetime of 9 years, about 20 percent of the revenue comes from equipment and the remaining 80 percent is all annuity. It's the consumable, it's the service, it's the spare parts.

Now we've got more than 450 NX images already installed in the market. And that's what you can see in the financial results. We're generating a strong recurring, growing revenue stream. So, NX placements, Flexcel NX unit placements drive the growth.

There's actually something underneath that too. It's being driven in two ways. It's being driven by a growth in the install base as they take more jobs to Flexcel NX and it's being driven by format size. And that's what I've tried to show on the chart that you see in front of you. The two charts show an identical top line. And on the graph on the left, it's split. We've split the content in the blue, which is the current install base, and you can see that volume is growing at about 8 percent CAGR for the install base and then you can see the orange, the growth of the new units that we place.

The graph on the right has got the same plate volume as the graph on the left, but this time we split it by the size of the imager, the size of the plate setter that we're providing.

What do we show here? Well, what it shows is that plate volume is growing faster with those wider imaging devices. And the exciting thing for us is that we introduced those wider devices in 2011. So we expect that many of the units that we place in the coming years will actually be in that wider format.

So, two ways that we're seeing strong and sustainable growth in this business.

How about the market? Well, the Flexo printing market is primarily focused on packaging, as we've stated. And it's expansion in this space.

So what about our strengths and weaknesses in this market? Well, strengths, first of all. We do have a superior technology, and I think 453 install units talks to that. It's an install base that's growing with a closed loop system that enables us to enjoy a fantastic annuity-driven return.

We're the only provider, actually, that provides a fully integrated solution. The plate setter, the plates, the service, the technologies that support the color and the workflow of those devices. And I think you've seen an indication of the best in class R&D capabilities that we're lucky enough to have backed with a solid patent position.

Weaknesses that we've got. Well, we actually are, in this market, a small player relative to other incumbents. And we have another little weakness that I think is actually an opportunity, and that is that in the near term we're gonna have to make an investment to further build capacity to manufacture plates to support this strong growth that we're expecting. And, in fact, that plate line installation will commence in January of next year.

In terms of opportunities, well, we talked about the ability to further penetrate our existing customer base, get more of the jobs that they've got converted over to the Flexcel

NX process. We also have this opportunity to convert users of offset or gravure technologies over to our Flexographic solution. And, of course, we expect to continue to innovate, to continue to improve the product portfolio to enable us to accept more jobs.

The threats. Well, obviously we have competitors. And we expect that our competitors, with their different technologies, will try and aggressively defend their market share as we come in with this differentiated high quality high color pop solution. Now that can also lead to some potential pricing pressure. Equally, as I discussed in the EISD. section, there will be some share loss to digital printing, albeit small and albeit over a long period. So, really, that's the balanced outlook that we see for this business, a strong growth outlook actually.

So how do we lead? Well, what you can see on this chart is that we, compared to our competitors, are the only integrated provider of the complete packaging solution. The plates, the CTP, the workflow, the service. What does it give us? Well, we think it gives us a consistent optimized tuned solution. It means that the products that we deliver are really high quality. They're designed to work together. And for our customers, that gives them two key benefits. They can come to us as a one stop shop for their Flexographic plate making needs and, hopefully, that blended science that goes into enhancing and improving all parts of the value chain that we deliver enables them to enjoy some enhanced efficiency.

All right, so, lots of words on this chart. It's just a sampling of some of the extraordinary quality and cost-saving benefits that our customers share with us on a regular basis. Let me personalize it a bit more and give you a couple of examples. Let's go to Thailand, TPN in Thailand, flexographic packaging printer. They reported to us a saving of 15 percent on ink after migrating to Flexcel NX plates.

ABA, flexible packaging printer in Mexico, they cite consistency, the use of less ink, and plates that last up to 50 percent longer as some of the reasons why they've made the transition.

Let's go to Russia, Delta-pak. They swear by the consistency of color from the beginning to the end of a run. After 4 separate runs of 30,000 repeats, they saw no color differences, and that was not possible with their previous Flexo process. So this higher image quality has allowed companies like Bosisio in Argentina to win business and work directly with huge brands like Procter and Gamble, Kraft, and Philip Morris.

Our success has continued through Q3, as Jeff said, with now 453 NX installed burning 32 percent more plates than last year. We've continued to improve our solutions and our workflow, and with the launch of NX Advantage, we won the InterTech Award alongside our Prosper Press back in September. In fact, we were the only manufacturers to win two awards.

Okay, financial summary. So we continue on a path of growth. With our NX systems delivering more revenue year after year, offset by declines in other mature categories such as letter press plates and approval proofing systems. EBITDA continues to grow. You'll see also that, typically for our business, Q2 and Q4 are strong in terms of seasonality. So Q4 will be a big contributor to this year.

Okay, that's the Flexographic printing business. Let's move on to now to what we really describe as a start-up, our Micro 3D printing business.

And the first thing I want to do is to give you an update on the current status that we've got in this technology. As Jeff has already laid out, this start-up business has ramped at a slower pace than we anticipated. Initially, this was due to proving out and maturing our technologies in both copper-based and silver-based metal mesh touch screen sensors.

Now, the good news is that both technologies are production ready, so we're now fighting for those first design wins with vendors in each category in order to prove out our advantage in the market and then start to scale.

Moving away from current ITO-based screens is actually a big bet for vendors. And naturally they're cautious. Approval cycles have proved to be longer than we anticipated, but we are making solid progress.

Here's a couple of milestones. Two milestones achieved this year. One of them, of course, was taking over 100 percent of the copper-based business from UniPixel and building a production facility close to our prospective customers for our silver technology in Xiamen, China, which will be operational next year.

All right, just a word on what is that we've got. Well, we've got two technologies in the touch sensor space, both of which use metal mesh to provide that conductive grid, and both of which we believe have got distinctive advantages over the incumbent technology, ITO, as Jeff explained, for distinct segments of the touch screen market. We believe we can be disruptive to ITO with both of our low-cost manufacturing platforms and with some technology advantages. We have better conductivity at larger screen sizes than ITO, particularly in our copper-based technologies, and a cost per diagonal inch of sensor that can be substantially lower.

Now, of course, the touch panel market is absolutely huge, around two billion or so units shipping this year with phone screens dominating the mix, as you see on the right-hand chart on the screen. You'll also note on the chart that revenue has show price compression as ITO vendors have fought to maintain share against these alternate technologies that have started to come into the market. Jeff gave you some numbers around that right at the beginning of the morning.

Now, our assumption, and we believe it's a good one, is that the price compression of ITO will stabilize at around five percent over the horizon as the cost of extraction and the challenges in source and supply really limit the amount of compression that we think we're gonna see moving forward.

What about the business model? Well, this is quite unique. Unlike many of our businesses, this is one where the Kodak brand plays little to the consumer. We're selling a sensor that fits in a module that builds into a product that a brand owner will sell. It's an RFQ-based B2B business with relatively long testing and approval cycles before a purchase gets confirmed. But a single design win can be worth hundreds of thousands if not millions of units. So getting those first consumer product releases under our belt we think is absolutely key to unlocking the growth that we're looking to achieve.

SWOT for this business. Well, I stated earlier that we've got a couple of very key strengths, very good high electrical performance that magnifies as screen sizes get larger. And a disruptive cost of goods, which again is magnified as size gets larger.

Weaknesses include our ability to get market adoption of this breakthrough technology. We've talked about that. It's taken us longer than we thought it would. And in the copper technology, the actual line width of the mesh is a little bit wider than ITO or silver, actually. But we've got strong progress in getting toward both the silver and ITO standards with that technology.

On the silver side, the tooling cost for integrators for each new screen that they want to deliver is a little bit higher. The opportunities are many. The scaling of our copper technologies into larger touch screen sensors, we think is a major opportunity. And expanding our silver share into the tablet and the all-in-one market that are starting to really standardize on touch technologies is gonna give us some growth.

Threats? The biggest threat is making sure that we're correct about our long-term outlook for the pricing of ITO.

So, what gives us our strong confidence in our leadership in touch sensors? Well, first of all we've got a nicely protected portfolio of process, of product, of materials that are protected from an IP perspective. We're building a technology portfolio based on these two prongs using silver halide to build sensors and using copper to produce sensors. And actually in copper we use the Flexographic printing process that Zaki talked about pioneering in the Flexo business.

Both offer competitive alternatives to ITO, which is both environmental and source of supply challenges, as Jeff mentioned.

This technology, really, though, plays to the Kodak strengths. It's driven by our high-resolution imaging capability and it's really focused on the heritage that we've got in depositing thin coatings onto films.

I sat in the back of the beginning of the morning and I realized that a couple of these charts were really gonna test your eyesight and I want to apologize for that. So let me try and break this chart down for you.

We win in two distinct areas and they're marked on the chart in circles. Both technologies offer improved conductivity for fast touch response and the ability to build large size sensors. That's a key advantage over ITO, with copper actually offering the most impressive performance. And both technologies are advantages in cost of goods versus ITO, which is again amplified the larger the sensor size gets. Again, with copper potentially being significantly advantaged at the largest sizes. Silver edges copper on optical performance, but know-how from both programs is being used to rapidly close the gap versus ITO. So as screen size increases, as consumers demand larger devices, so do your advantages, we believe.

All right, financials. So we've got no meaningful revenue yet for either program, nor do we expect to see that until some point in 2016. We know this has taken much longer than we anticipated, and I'd like to thank investors for their patience with us in this division. However, we do see significant progress in getting that first design win in both technologies. And we full expect 2016 to show results that match the promise. Our commitment is to continue speedily towards those first design wins whilst controlling our investment spend. However, we still expect an EBITDA loss in 2016 and then that move to profit in '17.

We're fully committed to both technologies with the investment in them largely behind us. So we really believe we're at the point now of starting to see some success in this very exciting opportunity for some growth.

Thank you for being patient with me, thank you for the time, and I'd like to, at this point, hand over to Steven Overman to talk about the Consumer and Film Division. Steven?

STEVEN OVERMAN:

Thanks, Phil. Good morning. Before I get started, I want to paint just a little bit of a picture of the Consumer and Film Division. Needless to say, it's diverse. It's a mix of Kodak's roots and its future. So, I have the good fortune of managing a very mature but profitable yet declining set of businesses as well as some very exciting growth opportunities. For example, Consumer InkJet, which Jeff mention upfront, is a business that we exited three years ago. But it's still very profitable and it continues to make significant cash contributions to the country from annuities from our install base.

Our film business is down 96 percent since its peak. And we made a significant decision over a year ago to continue in that business. And I'm pleased to say it's paying off. We've just completed our third straight quarter of profitability in film.

We also deliver consumer products through a portfolio of brand licensed products. And this is a great business to be in because royalties from brand-licensed products are basically pure upside for Kodak.

I think you're all getting very familiar with this slide. In CFD, we also serve a diverse range of customers from entrepreneurs and manufacturers to some of the world's most famous artists and creative people. So, quality for manufacturers. We're a major player in the printed circuit board market, and I'll talk a little bit more about that product in a moment. Acceleration for entrepreneurs, Kodak's specialty chemicals manufacturing capability has a long and trusted history of providing scale to innovation with over 1500 currently approved manufacturing processes.

And then choice for artists. So, as I just said, some of the most famous and influential creative people in the world depend on our product. I'm talking about people like J.J. Abrams, Steven Spielberg, Christopher Nolan. And then simplicity for consumers.

Kodak's mantra, created by our founder George Eastman, is, "You push the button, we do the rest." And we continue to be inspired by that today.

Let me walk you through our portfolio in a little more detail. I'll start with film. So, we're quite pleased with the performance we're seeing. There's a notable increase in demand for film. And many people like to compare the renaissance in film to the resurgence of vinyl in the music industry. But it's actually much broader than that. We're the market leader, by far the market leader, across the film production value chain in motion picture. From camera negative film for origination or capture to print film for exhibition to our archival film.

And I want to say a little bit more about archival film. Film is the world's most durable and reliable archival medium. It product for us.

But as I mentioned before, film is also the basis of Kodak's printed circuit board business where we're a major player. We actually invented the technology that's core to printed circuit board manufacturing today and we've been improving it ever since.

Our chemical manufacturing capability serves a range of industries from pharmaceuticals, where we manage the manufacturing of pharmaceutical intermediates. So these are ingredients used in drugs. We serve the agribusiness market providing crop protection. Optimizing agricultural production and doing it in an ecology friendly and sustainable manner. Biomass and biofuels, we work with partners to manufacture.

And then, of course, you've heard a lot about ink today. We offer cutting edge ink technologies in our chemicals business as well.

And then, as I mentioned, we offer an ever-widening portfolio of consumer products that are Kodak branded through licensing agreements. And brand licensing is all about identifying partners who can deliver a product whose quality lives up to the trustworthiness of the Kodak brand. And it's a very low-risk high upside way for Kodak to participate in a range of consumer categories.

The CFD portfolio has a few significant advantages from product quality to the fact that we are the leading provider of film to the motion picture industry and the P.C.B. industry.

And then, of course, the Kodak brand, which is not only world famous but is highly trusted.

I'd like to show you a video that I'm particularly proud to share. It shows some of the ways that Kodak is delivering science to create amazing stories and amazing products. Let's run the video.

So I should point out that the last footage in this piece of video is actually shot on the Kodak PixPro 360 camera, and it is the world's leading 360 action camera, you can wear it. So if any of you are planning on going skydiving this weekend and would like one, please let me.

We're enormously proud to be the product that brings some of Hollywood's most iconic properties to life, but we also manufacture and sell film to the military, electronics, archiving, and graphics industries. And although we expect continued decline in our Consumer InkJet business, as I said earlier, we're pleased that it continues to deliver significant cash to the company.

And then our consumer product business, which today is based on a brand licensing model. So once we've licensed our brand to a particular partner, there's no downside for Kodak. That category starts providing an annuity royalty. We've talked a lot about annuities today and brand licensing is another annuity business for Kodak.

Now, we admit that there are some other companies that have done this better than Kodak has recently. We think that with the fame and trustworthiness of the Kodak brand, we are just scratching the surface of the opportunity here. But just to give you a sense of the potential scale of brand licensing, our batteries, we've sold over a billion Kodak branded batteries and we have a rev-share model there.

We also contract manufacturers, so we contract manufacturer Kodak branded still photography film, so it's not just motion picture film, still photography film for our partners at Kodak Alaris. We make polyester film base for a range of industrial applications and we manufacture chemicals for partners and customers in a broad range of industries.

Here's our SWOT. So as you can imagine, the maturity of some of these businesses means we face some headwinds. So with film, because of the scale of our manufacturing and sensitizing capability, we have some legacy cost absorption to address. And my colleague Dolores is gonna talk about Eastman Business Park where there are a number of operations in addition to film manufacturing. So, over time, we see growth opportunity here as we add capacity.

And meanwhile, we do expect our profitable Consumer InkJet business to continue to decline, again, by about 40 percent year on year. We think it will continue until some time in 2018.

Our core strengths, of course, include our material science expertise, and also the diversity of manufacturing capabilities that we have in the park and within the CFD division. And we think we can offset Consumer Inkjet decline in a variety of ways. So high conductivity film, which we refer to as HCF, is one such opportunity. It's a market ready product and it's at the very low resolution end of the touch screen sensor portfolio that Philip was just describing. In other words, it's a touch screen that's very inexpensive and great for very basic but potentially very high volume touch switch applications like where you need to something on or off or hot or cold. Very basic applications that we think could form the basis of an internet of things.

Archiving, which I talked about earlier, is another big opportunity as the market becomes increasingly aware of and concerned about the fragility of digital content.

So, our leadership in these markets. Our Consumer Inkjet print install base is actually an asset for us because we have a direct channel as we sell them ink and we think we can leverage this in some other categories. We also have solid retail distribution partners. Tesco in the U.K., Walmart in the U.S., for example. And our fans in the motion picture industry, I mean, I just have to admit, they're the best advocates any company or any brand could ask for. They literally fight on our behalf for the sustenance of film.

And then our brand itself. It's incredibly resilient. We recently did a bit of research, which is called the Roth Co. Brand Valuator, and just got results back this year. And we learned that Kodak is still considered more salient, trusted, and unique than any other brand in our category, and our category is defined by Imaging Technology. So brands like Fuji, Canon, Polaroid, and Nikon.

So some recent events. I said we were expanding our consumer product portfolio, so we've signed some new licenses. We're getting into LED lighting, which is a fast-growing category in people's homes. Memory cards, inkjet printer, made in the U.S.A. television, tablets, and smart phones. Also some iconic films, particularly this season, iconic films are coming out that were shot on Kodak film and we have co-marketing agreements with the studios and with these filmmakers so that more and more people will be aware that they're watching something that was produced on Kodak film.

Also on film, a motion picture lab was just opened by our friends at a company called Alpha Grips here in New York City. So we've actually been able to return motion picture film processing to this market. And since that happened, and, by the way, this is sort of hot off the presses news, we've just passed a milestone. We've processed 100,000 feet of film, so it's ready to roll. We have signs up to eight features that will be shot in the New York market. So this is great for filmmakers, it's great for New York, and it just proves that when the ecosystem is shored up, it's a sustainable and great business to be in.

We're expanding our external chemical pipeline. We've got a distributor network in place for our HCF, this is the low resolution touch screen sensors I just described. So we're beginning to build a pipeline there. And we recently won an award for a product that we shared at Consumer Electronic Show earlier in the year at Las Vegas. It's kind of a tough award to get, for a home security monitor. So it connects to your iPhone and you can see what's going on in your house when you're away. And this product is actually getting quite a bit of press right now.

Another thing that we think is a really encouraging sign of the power of our brand is a collaboration we did with a of doing a second collection with them for the first quarter of 2016. And if you know anything about fashion, this is unprecedented to repeat something. Fashion is all about kind of moving on, but this was deemed so successful they want to do more with us.

We're also expanding our market reach not only for licensees themselves but where we distribute these products, so places like Latin America, the Middle East, Asia's in our sights for 2016.

So the financials. Jeff talked about this upfront. For Q3, revenues were at 64 million, down from 92 million in Q3 last year. And operational EBITDA declined from 24 million to 12 million. Now, these declines were expected and built into our plan for the year. And although we expect some continued reduction in revenues and earning from the InkJet printer cartridge business, for the third quarter in a row film recorded a profitable quarter. And we're continuing to find new opportunities for brand licensed products and consumer products.

So where are we taking this next? One more thing about archiving. People remember the Sony hack. Our partners at Sony, we were quite intimate with the Sony hack. We found it fascinating for a number of reasons, one of which is not only did we all learn that their data, stored digitally, is not as protected as one might like it to be, but we also learned that some of that data could be manipulated, it could actually be changed. Digital is simply an unstable way to store what's most important to us for the long term. So we've started using this term analog cloud to describe the concept that a wide array of content, not just media content, but a broad array of really important content could be best secured stored on Kodak film.

For example, think about a generation of people who are kind of collecting their memories and moments in Instagram. People who are capturing really important life moments like weddings and birthdays and births and graduations. They might be in for some disappointment when they learn that this content is not going to be permanently accessible when these platforms upgrade.

So we can imagine a surface that secures and preserves a broad array of content on film for the long term.

Meanwhile, our HCF product is ready for the market. We're also working on a new approach to brand licensing which we call our Kodak Inside strategy, inspired by our friends at Intel. And the idea is that with Kodak technology inside another technology branded product, we could generate real significant royalties. And we've got some qualitative information that suggests this is worth exploring.

Our product roadmap also includes what we call touch switch sensors. These are the low resolution touch screen sensors that I was describing earlier. But we do think they could create a kind of ubiquitous connectivity in an Internet of Things.

We're also working on making it simpler to bridge the gap between digital and analog media, so we're developing a very low cost, affordable, high quality film scanner with a partner. And our film cleaner is gonna be a boon to archives as well as to film print distributors.

Now, there's one more thing I'd like to mention before I hand the stage back to Jeff. Kodak has been a consumer products company for over a century. And for decades the world was full of beautifully designed Kodak products that people loved and relied on every day. So we've decided, in this division, to return to our roots and re-enter the consumer products business with a high profile very unique device, which we will be manufacturing and distributing. So this is not a brand licensing approach. It will complement our brand license portfolio. And several observations have inspired us to do this.

We've watched the rising interest in analog media with a new generation, and this is where we have been quite inspired by vinyl. And we've been studying consumer trends and aspirations, particularly with a new generation, but also with folks my age, both people who are professionally creative and people who aspire to deliver professional quality imagery.

And so based on what we learned, we're developing a high-end product that we believe we're the only ones who could actually do it. And we know it will excite not only a new generation of people, but also people who feel a great sense of nostalgia and fondness for products that they loved from Kodak in the past. And that's all I can say today. Stay tuned till January. We are going to be launching this at CES in Las Vegas at the Consumer Electronics Show, as it's called.

Thank you, and back to you, Jeff.

JEFF CLARKE:

Thank you, Steven. I'm gonna now take you through the Software and Solutions Division as Dave mentioned earlier. Eric Mahe had a personal event he had to attend, but he'll be available often. He's in New York quite a bit. And so if anyone wants to follow up on this division with him, we can arrange that for you.

You know, Kodak, we think of Kodak or our material products, consumer products. But Kodak has a very unique software business and it's a software business that really goes across the print industry. And so, what it provides in using our framework for our customers, it makes our printers more profitable because it's workflow software. It automates their tasks, it rips files from customers, allows customers to see the product and approve it, and then runs the workflow all the way through the different print devices and all the workflow steps of prints, from small ones to the largest printer in the world use the Kodak Prinergy software. It speeds up the whole process of printing. Without this automation, it would be very, very backward process of getting your images through all the way to their print medium. It's significantly differentiated. You know, this provides the ability to differentiate brands by organizing all of the different steps and all of the different media and printing jobs that you have.

And it's an interesting acceleration for entrepreneurs because what it does is while the largest printer can have this, the smallest printer can have this capability too. And so they can automate their tasks and provide their customers the same look and feel and experience around their files and management as the largest competitors they have.

So we have a series of portfolios here in Software and Solutions. I'm gonna focus, for time, only on the unified workflow, but we have some other exciting ones, particularly around Brand Protection Services, where we provide capabilities for people to protect their brand and scan and make sure that it's not a counterfeit brand. We'll come back to that at a different time.

So what is the product? It's an open architecture. We've shifted from Java, now it's an open-source architecture. This is very appreciated by our customers. It provides more flexibility and scalability and this drives as much as a 60 percent cost reduction in the operations of our different Prepress customers. It truly is, when you talk to the customers, they truly say, "This is the differentiator. All of our people use this. They're trained on it." And it provides a stickiness for Kodak because once a person's trained on this workflow software, they don't want to learn a new process. They've spent a lot of time learning it, all of the intricacies, this is how they do their job every day.

Let's do the video.

KELLY VANCURA:

We've had Kodak Prinergy here at Westamerica for approximately 9 years now. It's running pretty much the whole front end of our company right now. We were using it for all of our litho and now we are starting to use it for all our digital input data as well.

OZZIE VILLALOBOS:

We started off using Prinergy I, so the way I do my job has been the same for 14 years, it's just gotten a lot faster, better. Kodak Prinergy has just improved so much as far as the hardware side and the software side. So Prinergy has evolved with the types of file that designers are working with now and it just processes them quick. Technology has just taken problems away. Kodak, that's what Kodak's been doing. Seeing problems in the print industry and seeing what tool they can come out with to fix it. All the Kodak technologies are beyond our expectations. They work. That's the number one factor for us to be able to do what we do as a two man crew. We need the Proofer to proof, the Trendsetter to make plates, Prinergy to rip files, and it does.

JEFF CLARKE:

So what is the business model? I mean, this is traditional software. We sell it through our direct sales force but also as an attachment to our CTP in the print service division business. And then we have channel partners, particularly outside of the major geographies. We provide professional services around it, there's training, it works across multiple pieces of equipment, and it is a contract service, so it's a beautiful annuity, 10,000 customers and growing, that pay their monthly maintenance each quarter.

In terms of the SWOT, it's open architecture, flexible, scalable, very well-known in the industry, huge install base, and a great product because it saves the customer money, it makes their processes simpler, it's an ROI sale.

Where we have opportunities or weakness is we're not as strong in the packaging segment. And so this is a big opportunity for us to expand into that segment with Prinergy. We're also very strong in the offset but not as strong in digital. You've heard one of the customers who's shifting to digital. This is another opportunity for us.

In terms of opportunities, obviously the inverse of the weakness is the opportunity. We also have the ability to move this product to the cloud in a SAS model and we are experimenting with that around the world.

But the biggest change we've made this year, I've been in the software industry for most of my career and one of the things that I love about software with a sticky installed base is you can raise your prices every year. Kodak hadn't raised the price on this product for about seven years, so this year we introduced price increase, had almost no attrition of customers, so we'll be doing annual price increases this year. And half of the revenue growth has been price increases. So this is a product that's stable, continually improving, we just came out with Prinergy 7, customers are not gonna re-organize their entire business, and so we do have pricing power which we are going to now move into each year.

Why do we win? It's a straight ROI Immediate productivity improvements, and each version we come out with builds on that. In terms of recent updates, obviously on the right hand side of the slide we have product launches and enhancements and we're getting some new customers, most recently HF Group. And this is a very large installation for us and the first time that they've used our product. So 10,000 customers and growing. Strong share both globally and in the U.S.

On a finance basis, as you can see, year to date, it's been a very good year. We've 85 million of revenue, which is up 14 million. And, as you can see, we're 7 million increase in profitability, but half of that price, half of that, other changes that we've done in the supply chain and the entire OPEX part of the business.

So what's the outlook? We're gonna move more to the Cloud, more to a SAS model. Gonna go to market. We're gonna find workflow options that are not necessarily attached to print and we're gonna expand in digital packaging and into some new industries.

All right, I think I made up some time there. So, Terry Taber is gonna come up around our research labs and our intellectual property.

TERRY TABER:

Thank you, Jeff. Good morning. I'm really excited to be here today to talk about Kodak technology and what we believe we can create with some exciting new technologies. Over the next 8 to 10 slides, you will see the Intellectual Property Solutions Division or IPSD, to save some words, is the science center for Kodak. It houses the Kodak research labs, and therefore it is the core invention engine for the company. You will see that we have a healthy and exciting pipeline of technologies that are relevant to a significant number of emerging industries. Printed electronics, 3D printing, additive manufacturing. And you will see that we have a new attitude about how we're gonna monetize those technologies. We're going to look for partnerships, we're going to look for external investment, whether direct investment or NRE, non-recurring engineering costs and fees, we will look for intellectual property licensing as we have in the past, and we will also look at internal commercialization. So it's a whole new Kodak in terms of the way we bring technology, new technology to the marketplace.

There. So no surprise when you see this diagram that the one that's boxed in is "Science to Create." This is the technology generating part of the company. And it's not just gonna generate technology, it is gonna monetize technology. And in that way we will touch all of those areas that my business colleagues have talked about and even more beyond that.

So what's our portfolio? New technologies, new businesses. We are the fundamental invention engine. This, the research lab generates over 50 percent of the new invention disclosures and new patent applications for Kodak. And that 5,000 plus patent portfolio, 30 percent of that patent portfolio relates to the new businesses that we want to create out of IPSD. The other 70 percent are aligned with our other six business divisions.

You've heard this throughout the talks this morning. Kodak is a recognized leader in the combination of material science, deposition processes, and digital image science. And we understand how to do this in a way that's continuous manufacturing or roll-to-roll on a variety of substrates.

Oftentimes I'm asked what deposition processes are. It involves device physics, it involves hardware design. Oftentimes I just describe it in a very technical way that I call, "We know how to put stuff on stuff." So what better way to introduce this division by hearing from a few of the current scientists some of the new technology areas and applications that we're working on in the Kodak research labs before I dive into more of the business model and the markets that we will get into the near future. So if we could have the video.

DR. MAJID RABBANI:

I work on either embedding or printing information and images on text. This information could be invisible. We call that digital watermarking. Or it could be visible, like a two-dimensional barcode. And some of the applications of that is that we can either do authentication, anti-counterfeiting, track and trace, while using the invisible information. Or if it's visible information, we could make the media talk, for example. In the near future, considering the advancements in printing technologies, materials, substrates, and also the computational allegory functions for information extraction. We could enable a lot of consumer applications that we could not to before.

DR. DEEPAK SHUKLA:

One of the current applications which we are engaged in is to double up materials which can be adapted to enable printer electronics. So instead of printing your color records like yellow, magenta, cyan dyes which we are printing, we can print circuits. So we can print on paper, cardboard, plastics. We can create simple circuits to drive a simple display. But imagine there's a plastic label. Circuitry is on the backside, front side of the display. You can print them. So that reduces the cost tremendously.

DR. SHELBY NELSON:

The research I do will enable us to put high quality electronics on unusual packages, unusual substrates, packages that could be printed with both a label and electronics that track where it is and how hot it gets at different times. So the science that Kodak has always done enabled the creativity in individual photographers and in the movie world. And in this sense we're continuing that. The Internet of Things is an area where a huge amount of creativity is gonna happen in the next few years, and our electronics will be part of that.

DR. KEVIN WILLIAMS:

What really gets me excited though isn't just that we will make new materials with superior properties, but it's that those materials can now be used in new ways that are relevant in a digital world. Materials and chemistry will be that connection.

TERRY TABER:

So these four individuals represent an investment by Kodak over a hundred years in the Kodak research labs. And it's really on hundreds, thousands of PhD scientists over the decades that we have built this depth of understand in material science, deposition processes, and digital image science.

Some of the key fundamental technologies that really represent our leadership, you've heard about some in the businesses already, are microfluidic design led to the invention of the stream printhead that's in our Prosper Press and our S components. Our very high resolution laser writing system and the thermal imaging layer and the plate, the Flexo plate, materials, deposition, high energy, laser energy. All those came out of the research ideas of the scientists, some of whom you've already seen this morning.

Small particle design. It's one thing to make nanoparticles, it's another thing to be able to control the size, the shape, and function. And the nanopigmented inks, that my colleague Phil Cullimore talked about, are unique not only because they're pigmented, not only because they're nanoparticle, but everything else that goes in that formulation to make them function in that Prosper Press at the speed that it functions and the quality level that it functions and the reliability and the stability of the printed documents that come out of the press.

And functional materials. This could be a very long list. I've mentioned infrared dyes, I've highlighted specialty electro-photographic toners, conductive materials. You've heard bits and pieces of those already. But probably the most successful example in the last 10 years of a functional material is what my colleague Brad Kruchten talked about, the Sonora plate.

The ability to take all the processing out of a digital plate is inherent on having inventive scientists who brought forth the materials to make that possible.

In addition to these fundamental technologies that we've already commercialize, I'm gonna show you a pipeline of new inventions that allow us to build new businesses. Along with the technology and the patents, our know-how and how to integrate these into useful applications is key to what Kodak's about. We're not just a materials company, we're a materials company that can build formulations that interact with hardware that deliver a system solution.

And, as I mentioned, it's relevant to a lot of emerging significant industries, that of manufacturing, printed electronics, smart materials. This is a very important slide for this division and why you will walk out today believing that Kodak is a technology company. We are a science company. We're building on the strength of sciences that we know for decades and that we've invested of hundreds of very creative PhD scientists.

So what's our business model? How are we going to monetize new technologies in a way that we haven't done in the past? Well, I've highlighted some markets here. Print electronics. We're focusing on applications in smart sensors and energy. An example: self-cleaning solar panels. As solar panels become more dispersed, they're on rooftops, they're out in deserts, if they're not clean, they lose efficiency. It's very difficult out in the middle of one of the Southwestern deserts to clean those solar panels. One, you have to truck water, you have to do it on a regular basis. What if the solar panel could clean itself? To reduce or maybe even eliminate the need to clean manually to maintain efficiency. We're working on that with a consortium group that's funded by the DOE.

Materials and process design for additive manufacturing. I have a full slide, I'm gonna talk about 3D printing in particular, but as you might imagine, the types of materials that are gonna be required in additive manufacturing, which is the bigger umbrella for 3D printing, we bring thermal and photosensitive materials, both which are useful in additive manufacturing. We understand hardware to deposit and to maintain the functionality of those materials through the 3D printing process, and we understand system design, including bringing intelligence through our digital image science and what the workflow is required to actually do additive manufacturing. 3D printing that's really a manufacturing process.

Materials to manage light. We are involved with a manufacturer of curtains. A lot of curtains have light block materials to keep the light out, also to give UV protection. We have particle technology that allows us to control light. UV, imagine that, Kodak controlling light. UV, visible, and infrared. And so rather than these heavy backings which are costly multi-layer structures to obtain that light blocking material, we have a very simplified process based on particle technology that does the same capability around blocking at a lower cost and a simplified manufacturing process.

High resolution printing of electronics onto multiple substrates including glass. I don't have an example specifically to talk about here yet, but we're working with a couple of partners that we're not at liberty to mention to bring this technology capability. Our ability to do high resolution printing, again, based on our Flexographic laser writing system. You can see the synergies and the platform approach on our technology.

And materials for healthcare applications. We have a silver based antimicrobial, since we know a lot about silver including its antimicrobial properties. But we're also looking at copper-based antimicrobials, we're looking at polymeric antimicrobials, and we're looking at modifying surface texture to create antimicrobial, antiviral properties. All of these are right in the core of Kodak's material strength.

I already talked about monetization. It's not just about internal commercialization. That we will do, but we will also look for these partnerships, we'll also look for people who want to benefit from accelerating the technology. They might provide us NRE, they might provide us external investment in addition to the IP licensing that we have done and will continue to do.

So what's the pipeline? I've captured here what's out of that early research stage where you still have the scientists trying to think about what are the problems and so what do I need to invent. These we've actually demonstrated, invented something, and there are different timelines, actually, to get into market. But this should give you a flavor of the variety of technologies that we're involved in and the wide ranging application space that's available to us.

So I did talk about the light blocking particles and the applications there. There's a broader material platform that we're looking to do in controlling light in other ways, for other applications. Again, we're not ready to talk about some of those because of the partners we're involved with. 3D printing I want to talk about in depth on the next slide, so I'll skip that. Healthcare we're really focused on, as I mentioned, these capabilities around antimicrobials, which spans a range of materials. I talk about the solar panels and the high resolution printing.

Uh, you heard from one of the scientists, Dr. Nelson, that we're looking at new deposition. You saw a lab model there operating on printing electronics, including capacitors, onto multiple substrates. With the ability that we have to control the resolution and the design of the capacitor.

And then finally something that, whoops, go back, something that is under a lot of scrutiny, environmental regulation, is around the non-biodegradable microbeads that are in toothpaste and lotions and cosmetics, multiple products. A lot of regulation to get rid of the microbeads. We are working in the labs around biodegradable microbeads that not only might bring biodegradability to address the environmental, but because of the design bring an additional functionality and surface characteristics to what's available today with the non-biodegradable materials that they're using.

3D printing. So why can Kodak play in 3D printing? Well, you've already heard one business that we created out of microscale 3D printing. The touch sensor films that Phil Cullimore described earlier. We call that micro 3D printing because you're talking about dimensions that are in the micron range. And you need to control the X, the Y, and the Z direction, they all matter in those touch sensor designs. But on the macro scale, we're focused on the fact that we can bring, as I mentioned earlier, key materials into this space. We understand the requirements of the hardware to deliver those materials, and we understand how to build a robust system design that can allow 3D printing to go from a novelty of building prototypes and demonstrating its capability across a wide range of applications, into a true manufacturing process so that you actually can simplify the manufacture of a lot of complicated structures from a variety of materials.

So we have a number of current projects and discussions going on in the 3D printing space. One that we talked about in the earnings call last night and announcing today is our memo of understanding with Carbon3D, a revolutionary 3D printing company in Silicon Valley, a billion dollar cap. And we believe that the synergies of their invention around this real time 3D printing capability and the materials capability and the ability to build manufacturing systems, it's a great partnership and we look to much success with Carbon3D and Kodak working together.

I've talked a lot about the strengths in terms of our science. I would just reinforce the sciences that are our strengths with the scientific staff that we have, the depth of knowledge that they carry, not only invention but the know-how that we built up over their careers and over the decades.

Let me talk about weaknesses because that leads to opportunities. So, we have a new model, we have a new attitude about how do we monetize Kodak technology. So we're starting with a limited breadth or depth of knowledge around how to do this broadly, but the positive side of that is that means we focus on where our opportunities are. So even though we're using a new approach, a new model, we're very much focused on where the opportunities are. And so I've talked about those primarily in terms of smart textiles, printed electronics, smart materials, 3D printing, which I specifically called out in some detail. Vast opportunities in growing emerging new applications. We're excited about that. Our threat is they are newly developing markets. There are a lot of competitors, a lot of new entrants who want to participate in those. We have leadership technologies, we believe we have leadership technologies, but there's always more than one way to solve a problem. So we need to remain cognizant of that and how do we bring our technology, our differentiation to the marketplace first.

Recent events, just quickly. The key thing to not on this slide is we have multiple discussions going on related to that whole pipeline of technologies I talked about. We maintain a very strong university network. We actually have a PhD program, intern program, where professors allow their PhDs in their second year to come work at Kodak for three to four months. That maintains a very strong knowledge network for us because we have selected universities and professors that align with our core interest on business applications. We've hired eight new PhD scientists since our emergence as the new Kodak two years ago. The key there is we're bringing in skill sets that are relevant to these emerging industries, but also that we can attract new PhD scientists.

And, finally, externally I've highlighted four scientists here. We're involved with the NSF. We're asked often to have our scientists sit on boards, advisory or review panels. NSF, American Chemical Society, the SUNY Stony Brook Center that's funded by the DOE. We're on that council as well. And this year, Dr. Rabbani, who you saw earlier, was awarded the Electronic Imaging Scientist of the Year. So we're very well recognized and relevant outside the company.

Two slides to finish. One, financial summary. Year on year, the big difference is the non-recurring IP that Jeff's already talked about. I won't go into detail. You can see that this is an investment mode around the technologies. But even in investment mode, we're looking at ways to monetize some of our other assets. So the difference here is related to the fact that we have analytical scientists and instrumentation, that we're allowing external clients to come and confidentially utilize our analytical capabilities. We have thin film coating and machines to do early pilot work. We're allowing external companies to come utilize those. And we have a MEMS, or micro-electro-mechanical system fab that we allow external companies to come utilize those.

All those bring cash into the company. So we're looking to monetize not only our technology and our know-how, but some of the assets that we have as well.

And final slide, I think I've covered all these. We're focused on not only creating, inventing new technology, but taking that science, looking for very strong applications, new emerging industries, and bringing that to market with partners, with external investment, or by yourselves.

I want to thank you for your time. This is a very exciting time for Kodak Technology and I look forward to the Q&A session. With that, I'm going to hand it over to my colleague Dolores Kruchten who's gonna talk about Eastman Business Park Division. Thank you.

DOLORES KRUCHTEN:

Thank you and good morning. It's still morning. So it is a great pleasure to be here today. This is my second month back at Kodak and this is a very exciting opportunity that I want to talk with you about. And it's quite unusual that we're talking about an infrastructure capability, not a product. So let me talk you through why Kodak sees this as a great opportunity.

So, at Eastman Business Park, we are about having the infrastructure to help our scientists do the creation, build the product, and deliver value. And what we are putting together is what we're calling an innovation accelerator. So we are gonna create a community at Eastman Business Park where we bring together tools that people can leverage. We're gonna use infrastructure that was built and people that will help companies, a variety of companies, develop and innovate and manufacture products.

If you look at Kodak, Kodak is one of the few companies in the world today has a hundred year history of being a leading manufacturer, a leading company for the products they've sold. So we've had a hundred years of success with film.

The site that that was all started at was the Eastman Business Park. And it's still critical to Kodak today. In fact, all but one of the businesses are there today, but we don't need all of it. So what we're working on is how do we take that infrastructure, that people knowledge, that capability, and enable it to have other companies use it to develop their success.

So people come to Eastman Business Park today for that infrastructure, the people, and the tools that we have. It is a Homeland secured site, so not a lot of people, unless you are there and work there, have access to the park. So we wanted to give you a feel for the scale of it. So we put it up against Central Park. So you can see, it is, as Jeff said this morning, a massive and complex chemical manufacturing site.

And it's one that we did a calculation and we've estimated it would probably take around $10 billion to recreate it. So it is technical, it's big, and it can be leveraged in a variety of ways for Kodak and other companies.

So let me talk to you about what the infrastructure is. So, first, it is built on 1200 acres. We have 16 million square feet. So that is approximately the equivalent of eight Empire

State Buildings. So in that, we have today over one and a half million square feet that we can lease out to new tenants. We have 200 acres that we can build on. And today there are over 60 tenants other than Kodak that are operating on the site.

We have companies like J & J that do their clinical diagnostics there. We have companies like Lidestri who do food and spirit manufacturing. All the way down to one-person start-up companies that operate in a lab. So 6500 people on the campus.

We have some unique infrastructure that I don't know of another site in the U.S. that has. So, on the site we have 17 miles of railroad. We have buildings that the railroad runs into to deliver products. Very different, some coal, some tomatoes, a whole variety of things that are being delivered right into the customer site. We have our own fire department on the site. And we have a dedicated power plant that supplies up to 50 million gallons of water from Lake Ontario, power, and a waste treatment. So it is finally known as a self-contained city.

So very, very cool place. I've been there, like I said, two months, and I have yet to visit and tour through every buildings. We have hundreds of buildings on the site and in that two months I have not yet been able to get into all of them.

Some of the tools that are unique. So if you think about a small, one-person start-up company, they are operating in a lab and we have an R&D facility that has hundreds of labs that people can work in. And so as they're looking at (unintelligible), I now have an idea how do I actually take it into a pilot, into manufacturing. And on the site we have a multitude of tools that people can go in and they can use one hour of, one day of, one month of. So that's why we call our self an innovation accelerator. You don't have to build it, you can leverage and use what's there today.

We also have people leveraging. Some of the people that Terry has in his group, and others, that have capabilities around failure analysis, material analysis. We help people get licenses to operate. There's a whole range of things that we have capacity to do that will help these companies get up and running.

We also then actually just last year put in place a NY-BEST lab where it's a testing facility for batteries. And so instead of having to create your own testing facility, this is one that a multitude of companies leverage.

It's also really important that we have talented people. And so in the Finger Lakes Region that Rochester is part of, we have over 18 colleges that we've partnered with. And Terry talked a little bit about that. So we have a very, very strong, highly technical team of people in the region that can be drawn on for all these companies.

We also are right now in the midst of putting on the campus a college from the local community will actually be on-site, and it's to create middle trade training. So if you look at today, manufacturing has been probably the largest decline in the business sector in the U.S. over the last 40 years. And the U.S. government is really very interested in how do they create that as a strong growth option for us. One of the challenges are getting the skilled trades to do that. So on the Park, we will have MCC there that will be putting together a program that will feed the tenants at the Park and in the region with skilled, trained workers.

We're focused on industries that we want to bring into the Park that can use the infrastructure, the tools, and the people that are there. These are just a few that we've focused on and I'll talk to you just about a couple of them.

Photonics. This is an announcement that earlier this year Vice President Biden came to Rochester to announce that the U.S. Government was putting in place an innovation site for photonics and it would be based in Rochester. It's a $600 million program that's a combination of government and private funds, and the manufacturing site will be based at Eastman Business Park.

The value of that is these hubs that we're looking at become magnets. So when the SUNY puts their first manufacturing site at EBP, there are hundreds of other companies that are gonna want to be located around that to have access to the people and to the technology being created.

So that is just announced. We're expecting that next year they will start to move on and that will create a very strong hub around photonics.

One that we have traction on today is in this energy storage area. Of the 60 tenants, we already have 15 that are really focused around energy. And what happens is when you have companies, they start working together, leveraging some of their knowledge and capabilities, but we also have these tools like this digital pilot coder, like the testing lab that they want to use. And so they come to this site and they come as a 1-person, as a 10-person, as a 20-person company, and have had, so far, a very strong success rate.

Another interesting one that we've had a lot of success recently is in food and agriculture. Hydroponics is really becoming a valuable way for us to get our food source, and so being a site that was built for film manufacturing with no windows, they love this because they can come in, they have their own light source. We have more water than anyone could use today, and so they're coming here, they have water, they have power, they have the right infrastructure to build.

At the park, we have one of the five licenses for medical marijuana that New York State just granted, and the reason they wanted to come there as the homeland secured site, the water, and the building infrastructure, and they are on a very strong growth path.

We also have one of the largest food manufacturers, LiDestri, who supplies for Wegmans, on the site, and they are growing very rapidly. And in fact later this year, they're starting manufacturing on a company called Love Beets that's moving here from the U.K. They love the region because they can grow the beets, they love the park because of the power and the infrastructure, and so that is a new build of a current site.

We also, as we look at the others, this of course is Kodak will be attracting people as we develop out the business that Phil talked about, and really as you look at this concept of a magnet and (unintelligible), as we develop these strengths, we will attract other tenants who want to be in that nucleus and in that innovation community that we're creating.

So let's look at a video where some of the tenants will talk about how they see the value at Eastman Business Park.

DAVID LEVY:

Small companies are strapped for resources. How do you get important big company resources to work for you as a small company? Eastman Business Park gives you that. It gives you the infrastructure of a large company. You can pick and choose the pieces that you want. You can have facilities that are related to a large company, but you get to have that as a smaller company, and it
makes you move that much faster.

DOUGLAS SINGER:

As we move into different markets with different types of products, they'll require their own manufacturing and commercialization location, and we will first look to Eastman Business Park to see if they can supply what we need. And so far the track record has been excellent. We have always found just the right place here at Eastman Business Park at the right value to be an effective way to bring our products to a commercial state.

DOLORES KRUCHTEN:

If we talk about how we're gonna generate value for Kodak, it's in a couple of different ways. The first one is the cost sharing model. Today it costs about $70 million to run Eastman Business Park. The tenants there today are covering $15 million of that. And like I said earlier, all expect one of the business units that Jeff has talked about today are at the park. So we need the park, it's critical to us, but we don't need all of it. So we are working and bringing in other people that will share that cost.

We also are working on now a master plan. We decided, Jeff decided earlier this year that this was a critical asset we wanted to control, and so I am working in putting together right now a master plan that will look at how do we increase that value that we have? How do we improve the infrastructure around the verticals that we want to go after? What are the changes we have to make to continue to strengthen that innovation culture and innovation community?

So we're working on that right, and it is early in the planning, but you can see here that we will continue to grow in leasing the space that we have that's a combination of manufacturing, warehouse, and office. We also have land that we will build. And right now, in fact this week, one of the things that we're looking at is how do we get investment. It would be a combination of private and government.

And this week, the Finger Lakes Region went to Albany. New York State right now has a program they're calling Upstate Revitalization. And we have $1.5 million dollars that will be awarded to three regions. And so we went this week and presented a very, very powerful plan of which Eastman Business Park will be one of the pillars for that investment.

So with that, if we win that, which we will know in December, what it will do is it will bring brand new construction to this site, it will help us with our infrastructure build-out, and it will be a great start to investing in the master plan that we're putting together.

And the financials, like I said, this is early in the beginning of the plan that we want to put together really for the stronger innovation strategy that we have. The thing I believe that's really critical is this is one that the P&L is at really a break-even point, and the most important thing is that we have momentum, that we have a very strong pipeline of tenants. And it's a combination of new build, and once it will go into the existing $1.5 million square feet that we have available.

So some of the data points that you can see here, to talk about the momentum that we've had over the last four years, the tenant base has doubled in that timeframe. The pipeline today is millions of dollars of tenants that are looking and considering Eastman Business Park, and really coming to the park because of that ability to have the people, the infrastructure, and the really energy and community around that innovation accelerator.

And I would offer, because it is difficult, it's such a large park, if any of you would like a tour of it that we would be more than happy to take you through to show you why this is such a great opportunity for Kodak.

So thank you very much, and with that, I'll have John McMullen come to the stage.

JOHN MCMULLEN:

All right, thanks, Dolores. I think I can officially say "Good afternoon" to everybody. I think we just turned past noon.

So I'd also like to reiterate our thanks for all of you attending today. It's very important to us, both people in the audience today and as well as folks on the webcast. We're really pleased to have you and have the opportunity to share a lot of information that's hopefully useful for all of you.

So Jeff and the divisional leaders have gone through a lot of financial information, so I'm gonna cover four things. I'm gonna start by reminding folks our guidance and our targets through 2017. It's been about three hours since Jeff put that up, so I'm gonna put that up as a reminder.

I wanna talk a little bit more about cost--the progress we've made, what you can expect going forward. I'll share with you our current capital structure. I'm sure a lot of you are familiar with it. But talk a little bit about expectations around where we see that going over time, talk about what our priorities have been, and how you should think about that going forward from a capital allocation point of view. And then I want to walk you through a chart that's got a lot of numbers--you've probably seen it in the book--and take you through the cash drivers, and how that profile moves over time as we move to cash generation both in the fourth quarter, with our expectations this year, as well as 2016 and beyond, because there's a lot of things goin' on there that I think were important that you all understand.

So, let's start with the outlook. So as we discussed in the earnings call, and Jeff brought it back up again today, from a 2015 point of view, we reiterated our guidance. The midpoint of that guidance would deliver 64 percent year over year on a comparable basis, operational EBITDA improvement. We have a lot of leverage in the numbers both this year and going forward. From our cost actions that we've taken, we're seeing the beginnings of really solid growth in our packaging businesses. We talked about Sonora. There are a lot of things that are helping us move forward.

When you get to 2016, with the range of $130 million to $150 million, you know, approaching at the midpoint of 30 percent year-over-year increase, you're starting to see the investment businesses that Jeff talked about approaching near a break-even collectively between our Prosper investments and Micro 3D. And then as you get into 2017, as those businesses kick in from a profitability point of view, we accelerate our ability to grow operational EBITDA to about 40 percent at the midpoint. So, like to have that in your minds as we talk through some of the other data, particularly in the end, the last slide I do around cash drivers.

So let's talk about cost, because this has been clearly a significant priority certainly for Jeff, myself, and the management team throughout 2014 and 2015. I think it's important to think about, as the company went through the Chapter 11 process, and in the reemergence process, I think there were a lot of big building blocks of things that were taken care of and that helped the company be in a position to go into that reemergence process, but I can tell you certainly personally in the first year or so since I've been with the company, it was very clear that there's still a lot of work to do. And to the credit, I think, of the management team and all the employees at Kodak, we really got at it in '14 and '15, and did a lot of work.

So we've brought down the population by almost a quarter in the last seven quarters, as Jeff mentioned earlier. Opex, overall opex spend, down by almost a third. I added the corporate cost category here because we as a global function, myself and finance and HR and IT, we've put a lot of effort in bringing our global functions and our corporate costs down to what's appropriate for a company the size of Kodak, and what's appropriate to make sure that we're doing our part to build capacity to grow going forward.

So I think we've made good progress at 35 percent. The way you should think about that going forward is that there's still more opportunity and more week we can do certainly at a corporate cost level that we will be talkin' about with you as we go through the course of the next year. And one of the drivers of that is around simplicity.

We came in to what I would call a fairly complex organization. The divisional structure has certainly helped. But there's still things we can do to simplify, and as we simplify, our ability to drive those functions down will continue.

So one of the key drivers of our ability to do what we've done so far has clearly been the divisional organization. So when the team got together last fall and talked about moving to this seven divisional structure, a lot of things really popped for us. The visibility of cost in building those divisional models really increased for us. And I'll give you an example. We had a very shared go-to-market structure as a two kind of mega-segment company before goin' to the divisional structure. As we started breaking things down into the seven divisions, it looked at the different go-to-market needs for these divisions that yielded a lot of opportunity.

If you think about just building affordability models for these seven divisions, (unintelligible), what's a competitive business model, and how do we get at that? You know, that drove a lot good, thoughtful discussion, and ultimately plans and execution around cost.

We simplified a lot of from a matrix organization point of view by putting the accountability into--the execution and accountability into these seven division structures. So that was a big deal as well.

And then I would tell you, and I think Jeff and I have talked about this on our earnings calls, from an execution and from a predictability point of view, it's made a huge difference. And execution matters when you're trying to move as quickly as we have from a cost point of view.

I've been around for a long time, and I think it's a big deal for what we were able to accomplish over a period of about seven quarters, and it provides an enormous amount of leverage for the company going forward. It's something that we were able to do with very minimal disruption, which is really a credit to all of the employees at Kodak.

So we're never done. You know, we're never done from a productivity point of view. We're never done from looking for opportunities to continue to optimize our cost structure. We will continue to be relentless in terms of what we see and what we can do to drive further productivity and efficiency in the company. But I think we've made great progress to date. From a guidance point of view, and what we talked about very early in the year, I'm also very pleased, and we talked about this on the earnings call, that we are on track to deliver a $100-million-dollar year-over-year improvement in opex.

On a year-to-date basis, that's $85 million already through three quarters. On a run rate basis, we're basically there, and with one quarter left to go.

So let's move and talk a little bit about the capital structure. So I think these numbers will look familiar to you. Currently $686 million of debt. That translates into about a 6x total leverage factor, and just a little bit under 2 on a net basis.

So we think an appropriate target for Kodak would be to move to a 3x or below total leverage factor. We think that this is achievable in two years or so. If you look just by the nature, if you just look at the nature of our plans and the guidance that we're provided, and the cash generation that starts to take place in this quarter, you know, we can be approaching that type of leverage just by nature of the plans that we have in place.

So let's talk a little bit about priorities around capital allocation and where we've been in 2014, 2015, and as we move forward with further operational EBITDA growth and cash generation, what does it all mean for us?

Jeff talked about it a little bit earlier, but I'll reiterate. There's really been three things that we've been focused on in the first, you know, seven quarters here in terms of allocation priorities. First of all, you know, we've been saddled with a fair amount of what we would call reorganization or legacy items that we needed to put behind us. It's a big deal. You know, it's been about $100 million over the two years of things that frankly had nothing to do with the ongoing operations of the company that we had to put behind us. Professional fees, administrative claims, contractual obligations for relationships for prior businesses that weren't able to be taken care of through the bankruptcy process. So it's a laundry list of things, but it really added up over the last two years, so about $100 million.

We made a decision pretty quickly coming into the company in the reemergence process to invest in restructuring, and move very rapidly to bring our cost structure to approach where we need to be for a company of our size going forward. So we made a pretty significant investment in restructuring over the past two years, and getting upwards of near $100 million over that two-year period.

And then in addition, you know, Jeff talked a lot, and the divisional leaders talked about our products. You know, we made a decision as a company to continue to invest in some of the key growth engines of the company going forward. Prosper, in terms of investing in that business and accelerating, scaling the equipment placements, and in Micro 3D, you know, a true start-up business. But I'll show you what that investment stream has looked like relative to its impact on operational EBITDA as kind of a carveout in the next slide.

So those three things have really been key drivers from an allocation point of view, priorities for us over the last two years. As we move forward and we talk about our capital structure, you know, delevering the company is a big priority for us. So as we move forward, as we drive operational EBITDA growth, moving towards that three or below leverage factor is a priority for us. So excess cash will come into play relative to that.

I think as a company we would also like to have some capacity as we go forward. You know, have a little bit of dry powder as a company for small strategic things that may make sense. We'll think about that more as we go down that path over the next two years.

So let's move to my final slide, and I think this is a critical slide, so I want to take my time with it. And I really want to kind of walk you through it because there's a lot of numbers, so I'm gonna kind of share with you and talk a little bit about the structure first.

The first line on operational EBITDA is really what we shared, what we've shared throughout, so that reflects our actual performance on a comparable basis, so it's our operational EBITDA of 2014, less the IP and the nonrecurring charge benefits that we received, as well as foreign exchange. 2015 is our guidance, which we've reconfirmed, and then 2016 and 2017 are the targets that we've shared with you today.

Below that are the investments, okay, that are embedded within those operational EBITDA numbers relative to Prosper and Micro 3D. So the way I think about that is a decision to invest in cash foregone relative to those investments for those businesses because we view them as significant growth engines for the company going forward, and you start to see that when you look at the trajectory of those numbers. Big number in 2014 in terms of its impact from the operational EBITDA point of view. Significant decline in the numbers and the guidance that we're sharing with your in 2015. We start approaching break-even in 2016, and then we turned a profit in 2017. So big deal in terms of understanding the investment that's embedded within the operational EBITDA.

Now let's go through each line of cash drivers, because this is something that's trending as well, and as you see this play out in 2014, '15, you know, some assumptions that we've made relative to 2016 that I think are pretty balanced, and then how it plays out in 2017. You know, I want to show you how cash generation starts to take place.

So the first line, our interest expense. So I've talked about our debt structure. This is, you know, until a point in time if we were to refinance, you know, we would view this as a fixed cost. It goes down slightly every year as the debt amortizes a bit. But it's about $65 million dollars this year. This is cash out the door relative to our debt structure.

Whoop, sorry.

You look at our second line, and you look at working capital. You know, we did a pretty good job in 2014, so we moved an improvement of about $50 million. That was a cash benefit for us in 2014.

As we look at it this year, you know, we set some relatively tiered goals around working capital. We're not gettin' all the way there. If you look at, and particularly over the summer through the third quarter and outlook for Q4, we're not meeting the goals. In terms of, you know, the economic softening we're seeing, it's primarily in receivables, in payables, you know, inventory we control.

I think, you know, separate of some bills relative to businesses like Prosper and so forth and ramping up there, doin' a pretty good job there. But as we see softening in the economy, you know, particularly outside of the U.S., our ability to drive velocity in our receivables per our plans is not all the way there. We'll show some improvement, but it's not all the way there. You know, our ability to take the company more towards market from a payables point of view and a DPO point of view, you know, set goals for that in our plan. You know, our ability to do that with our suppliers and current conditions, we're not gonna get all the way there.

So we've looked at that, we said, "Okay, now in '16 and '17, you know, what would be balanced goals for continue to working capital improvement?" You know, we will work really hard to do better than those numbers, but I don't want to overshoot them in the way that I present kind of the flow of the data to you today.

So reorganization and restructuring. We've combined these, but when you look at it over the course of the two years, '14 and '15, about $100 million. Like I stated a little bit before, is really related to reorganization. The balance is restructuring. You see this taper off really dramatically as we go into 2016. The reorganization stuff is basically behind us as we head into 2016. We will always be lookin' for opportunities to further optimize. We're keeping a number in there relative to restructuring, but the reorganization piece and the historical things that aren't related through the ongoing operations now, pretty much behind us as we enter 2016.

So that's consistent with the way I think we talked about it when we came out with the guidance in 2015, and that's exactly the way it's playing out for us. We're not getting any particular huge surprises around that, and that pretty much goes away.

You look at capital expenditures, you know, this is a relatively big year for us in terms of the target that we set and shared with you in our guidance of about $70 million. A couple of things going on. Brad talked about manufacturing optimization in the Print Systems Division, the decision to close Leeds, build out Columbus, Georgia. That certainly played into it. And we're early. We're early in our Prosper business, so we're investing in commercial capital as we ramp that business. As we go out into further years and we get more scale in that business, replacing equipment, our ability to drive third party financing will increase, and that will take some pressure off capex.

So our assumptions as we move forward in 2016 and 2017, that we can return to more normal levels of what we think would be appropriate for the company that's a help.

And then cash tax payments. You know, we've been roughly between $15 million and $20 million. We will come in right around $15 million, maybe a little under this year. We think that's a reasonable assumption relative to 2016, and then as we start to grow more of the business, we may see a little bit of additional cash tax payments going out.

Foreign exchange. Obviously been an impact this year from a cash point of view, and, you know, we hope that that will settle down, but we don't control that.

So when you take those numbers--and we're not providing a cash target today for '16 and '17. You know, we need to see how the balance of the year plays out. Q4 is a big deal for us. We'll see how we do relative to working capital and so forth, and where we fall in that range that we shared yesterday on the earnings call. But if you just do the math, you know, it's a reasonable expectation that cash generation would be around $25 million to $45 million in 2016, and then increase to about $75 million to $100 million or $105 million just by nature of what the cash drivers should be and how they are trending in the '16 and '17.

So that's the way I'd have you think about relative to this slide. So we can obviously go into this in more depth in Q&A if there's something that you want me to clarify, but I thought this would be important.

So that's all I have for now. I think I'm now gonna turn it over to Jeff, and he's gonna summarize a little bit, and then we're gonna let you get some lunch and we'll be available for Q& A. So thank you.

JEFF CLARKE:

Thanks, John. And just a clarification, all of the numbers that have been thrown out there around this is for the operating business. It doesn't include the monetization items that I talked about, and those can be quite meaningful as they were last year.

So as I said in the beginning, I'm gonna tell you what we're gonna say--hopefully people said it--then tell you what we said. We think we made significant progress. It was a good quarter from an operating EBITDA perspective. We're on track to hit guidance this year on operating EBITDA. The quality of our earnings is much higher than it was a year ago, and significantly higher than two years ago. Our cash flow streams and our business models threw off annuities. This gives us predictability and allows us to carry the level of debts we have, and when we grow them, it's a more secure set of earnings streams.

Our core print business, the business Brad presented to you, is very stable. It's upscale, stable, and throws off consistent cash flows.

We've got a great business in our packaging business. It's growing very rapidly, and it's gonna have, as I mentioned, 80 percent currency adjusted EBITDA growth this year, and it has very good prospects for next year based on the placements already made this year.

Our Prosper business is at an inflection point. It's a business we've invested hundreds and hundreds of millions of dollars in. I think you saw how special it is versus the competition, and there's significant upside for the business.

We expect that we'll continue to invest in 2016 in the Micro 3D business. I think you saw from Philip that there's a significant differentiation for the product set. Our ability to go prosecute that in the industry has been muted by the significant 60 percent price decrease that ITO has provided over the last four years. We think they're gonna hit a wall. Eventually technology will be cheaper than mining, so we think we're gonna win on this, but it's not at the timeframe that we had looked at, so we're now looking at 2017 as the point where that starts contributing.

Our cash burn, as John just took you through, is significantly driven by the restructuring, which has allowed us to get a lot of our costs out, the legacy payments of cleaning up some of the history still lagging all over the company, and meaningful investments in Prosper and Micro 3D. We expect this quarter and 2016 to generate cash.

There's meaningful opportunities for one-time transactions. Right now when you look at the EBITDA, if you're pricing the company just on the EBITDA, you're missing the opportunities on top of that for cash generation of a one-time nonrecurring basis.

We're projecting $130 million to $150 million of operating EBITDA next year, and $180 million to $210 million for 2017.

I appreciate your patience. We were more predictable on this than we were on most of the other things we've done. We're within four minutes of the calendar, which is pretty good. And so please grab some lunch. The bathrooms are to the right if you leave the door. Try and get back in about 15 or 20 minutes, and then the management team's gonna skip lunch, need to stay hungry, so we'll be up here and be willing to take all your questions. So thank you.

LOUISE KEHOE:

Good afternoon, everyone. I'm Louise Kehoe. I'm Vice President of Media Relations at Kodak, and I'm pleased to moderate your question and answer session this afternoon. I hope you all--It looks like you all managed to get some lunch. That's great. We have two microphones that will be passed around, and we would ask you to please use the microphones for your questions so that it'll be picked up on webcast. If you would please state your name and affiliation before your question, we'd appreciate that. And with that, I invite your questions.

JEFF CLARKE:

Wow, we did a good job. Shannon?

LOUISE KEHOE:

Question at the front here. Thank you.

SHANNON:

I guess when we look at your cash flow, and I know you're not giving targets and all of that, but I'm just curious, when you look at the various segments of the additional cash drivers, can you give us some idea of where you have sort of the most conviction in terms of bein' able to hit them? I mean, you missed working capital this year. What makes you think, like, you can manage it next year? Your capex is obviously significantly down in the next two years. I understand there's lots of investment, but, you know, is this something that's gonna come up like the Micro 3D came up? So...

JEFF CLARKE:

We have most conviction on the interest payment of paying that. Yeah. No. Obviously, we're giving guidance here on the EBITDA. We're giving a broad range, like this year, so we feel comfortable about it. The strength of the annuities and the cost structure that rolls forward gives us very good confidence on the operating EBITDA. The most volatile part of that we've taken out, which is the Micro 3D Printing part, so there's a little upside if that goes faster, but that's now out of 2016.

Capex we have control over, particularly commercial capex. And we've spent a lot on commercial capex this year. We think it's a great investment to get Prosper out there in these. I'll let John talk about working capital, 'cause, you know, frankly we're seeing some headwinds on that because of the economic slowdown.

JOHN MCMULLEN:

Yeah, and so, you know, we put a number in there that I think's pretty balanced, Shan. You know, we particularly saw over the last quarter some changing patterns, and I'm hoping that we'll see that improve a bit in the fourth quarter. You know, I look at it relative to where we are in general as a company from a cash conversion point of view. Separate of the market, as the company gets healthier, and we are getting healthier, and we're growing EBITDA, you know, our ability to work that conversation cycle improves as well.

So from where we get further away from the reemergence and so forth, there's opportunities there for us. I think those are balanced numbers. We're gonna try to do more. We're gonna try to do more.

SHANNON:

Great, and then I had a question on the Micro 3D. I guess, you know, I came out and visited, and, you know, you've talked about it for a while and that, and I guess I was under the impression that ITO pricing was at least starting to stabilized and that things were looking up in terms of pipeline, and so I guess what changed in just a few months from your standpoint, and, you know, is this a situation where we have to wait till ITO pricing, you know, the cost of ITO goes up for the manufacturers so much that it just doesn't work, or, you know, what are kind of the drivers behind it? Because, you know, clearly Fuji's selling the product right now, so, you know, it works at a certain economics for Fuji. And again, just trying to understand, you know, what the big catalyst will be, I guess, for adoption, and again, what changed in the last, you know, few months.

JEFF CLARKE:

Philip, why don't you take that, and I can do some of the changes, but why don't you do the fundamentals and the changes?

PHILIP CULLIMORE:

No problem. Thank you. Thanks for the question. So I think two things have happened over the last three to four months. The first is something that's very positive, and that is that for both technologies, we've gotten into a position now where they're ready for prime time. So our silver technology is matured, is ready. We understand how to make those sensors well. In the copper side, our yields have increased and stabilized, and we've made some significant progress around the optical quality of those sensors.

So the first thing that's changed is that we've definitely matured in terms of our technology readiness. Shannon, I think the thing that we have learned over the last three or four months is that chart that I showed with the complicated approval process, I think that we underestimated the complexity and the timing of getting to a design win. And as we've had a product that we can actually now go and market, we've learned more about that. And there are some significant progress happening, we're just not able yet to announce that first win.

JEFF CLARKE:

Thank you, Shannon. Other questions?

LOUISE KEHOE:

Thank you. Question back here? Thank you. Yup.

TRENT PORTER:

Trent Porter, Guggenheim. Just a couple of follow-ons to that question on Micro 3D. First of all, is your 2016 guidance dependent on one or more design wins? And then how dependent is 2018, that guidance, on Micro 3D if, you know, God forbid you had to cut bait, what would that do to the 2018 guidance? And then the third question is on the silver side. It sounds like, you know, the larger addressable market is on the silver side. But as I recall, you were making the machines. Do you now have the ability, or can you go forward actually selling the sensors on the silver side the way you are on the copper side?

JEFF CLARKE:

Yeah, so on the first one, we've derisked 2016, so it's a cost center for 2016. We think we can manage that. We're not counting on any meaningful revenue. It'd be nice if it happens. It should happen based on where the product is and the pipeline is, but we've derisked that part of the plan. In terms of we didn't give 2018--I think you meant 2017.

TRENT PORTER:

Sorry.

JEFF CLARKE:

Yeah, we are expecting a contribution in 2017 from touch screen sensors. And while it won't be, you know, half of the number, we are expecting a contribution. This is a business we expect to win in, and as Shannon mentioned, Fuji is able to execute on a similar technology. We think our technology and approach is very similar, and it's helpful that Fuji has paved the market for us, but we think copper's the big winner here, and on the manufacturing side, I'll leave it to Steven. The question is can we sell the sensors today, and the answer is, I think, yes, right?

PHILIP CULLIMORE:

Yeah, it is. So I think the question was around the business model, and certainly we have a production line, you know, available, ready to go for both technologies. And we could be flexible with the business models, so we can provide sensors, we can provide materials to make sensors, we can assist with partners in putting in a production line for someone who wants to do that themselves. But we anticipate that our first design wins will be us providing sensors in both technologies.

TRENT PORTER:

Thank you.

JEFF CLARKE:

Yes.

LOUISE KEHOE:

Thank you.

MALE #1:

I...

LOUISE KEHOE:

A question in the middle, thank you.

MALE #1:

Yeah. Two questions, one regarding Prosper. You seem to have backed off the previous guidance a little bit there. I'm wondering if you could comment on whether that's timing related--obviously there weren't a lot of insulations this quarter--or whether that's some fundamental change to, you know, demand for the product, and kind of what's built into the 2016/2017 guidance with the respect—what assumptions are built in for Prosper. So that's on Prosper.

And then second question was there was some commentary in the 10-Q that suggested some concern about covenant compliance in early 2016, and there was some mention of potentially needing asset monetizations or even potential equity raise to meet covenant compliance. If you could expand on that a little bit, what you think you would need to hit that covenant.

JEFF CLARKE:

Great, and so what we'll do is I'll do a high level Prosper, Philip will add emphasis, and then John'll handle the covenant question.

When we built our plan this year, we, Philip and I and the team, did a deep review of the pipeline. Remember, it had taken, you know, four years to get to 39 presses, and the presses were not of the same level of sophistication as the ones we're selling now. These cost a million dollars more. So, you know, it was quite ambitious to put 25 in our plan. We at that time added up to 32, and, you know, these are long sales cycles. You don't go sell a Prosper in a year.

So we had good visibility to the 32. We felt we were being conservative by bringing it down to the 25. And got off to a good start. I think we had ten systems very early in the year. As each month went, still felt pretty good on the 25. Eventually sales started, our buffer from the 32 started coming down--not that we lost any, it's just they got pushed out a little bit. We sold the 25 systems. The systems are our signed, bound contracts. Many of them are sitting at printer sites now. We are very conservative in the revenue recognition of these. They need to be up and running, and customer acceptance. And, you know, these are really sophisticated, very sophisticated machines.

So I think our sales team, for the most part, did their job. Could they have brought some of the sales a little earlier? You know, I want to give you the sense of this. You know, this is the biggest decision most of our printers will make in a half decade. This changes their whole thing. This is buying a Ferrari, and they have to build new customers and new models, and they have to fill a press that's gonna do a billion pages a year. So some of them, while they agreed, you know, they had their own capital concerns around getting it to us and bring it in then. They have to completely reformat a floor that's much bigger than this room to put these things in.

So in retrospect, should we have gone out and put guidance a little lower? Yeah, we should have. Fortunately, from our overall guidance of the company, we've been able to adjust and still meet our guidance and have a healthy first three quarters, even overcoming this. But, you know, at the end of the day, it was an ambitious number, we hedged it down, we ended up getting the sales, but customers take a while to reconfigure their thing. So the long answer is, it's timing.

PHILIP CULLIMORE:

Thanks, Jeff. And I think you've really answered it. So I couldn't agree more. Our issue is timing, and I'll give you this one example.

One sale that I'm intimately involved with is this Channel Islands project. And again we had an idea there that the two units would be on site on the island printing before the end of the year. And simply getting the building ready and looking at a couple of the items around humidity control, getting all the equipment on site, have meant that we just can't get it done by the end of the year even though the presses will be sitting there on site. We have another couple of customers that have got buildings that won't quite be finished to house these presses in. We've got partners around the finishing equipment that, you know, are running as hard as they can to get their part of the solution over. It really is a timing issue.

You also asked a corollary question around the pipeline, and, yeah, actually our pipeline is as strong as ever, and in fact if you look at what's going on in the market with this transition of certain industries coming over to a digital technology, you know, we think the momentum is with us, and a great example is the work that we're doing with our partner Bobst, and some of the success that we're seeing those early beta sites for this corrugated solution.

So we feel really confident and comfortable that we've got momentum on this technology. You can imagine that we're running as hard as we can to make sure that we get as many of them actually on site and running by the end of the year.

JEFF CLARKE:

John, the covenant question?

JOHN MCMULLEN:

Yeah. So first of all, we're in compliance with our covenants, and we intend to run the business in a way that we continue to be so. So I want to make that clear up front. The point of other items in the disclosure is that if things were to worsen from an economic point of view, or if we had an operational execution issue, if foreign exchange became more negative against us in terms of our results, that we have a lot of levers, that we have a lot of levers of things that we could do to react to something like that.

So monetization of assets, you know, further operational actions that we could take. Refinancing. You know, an equity placement. And part of the reason for putting, you know, part of the reason for putting a bigger disclosure on that also is that we've had two step downs through the course of the year on the covenant ratios, so we began the year at 3.75 was the maximum of the--it's basically our debt, less U.S. cash, divided by our trailing 12 month op, you know, EBITDA number per the covenant definition. We've gone from 3.75 to 3.25, and then we moved to 2.75 in Q4, and then that's it.

So we felt that it was important to add more color around that, and talk about the tools that we have as a company to deal with that. That helpful? Okay.

MALE #2:

In the plates business, could you talk a little bit about the price erosion you're seeing in the traditional plates and also in Sonora, and in the cost base that you have, and how that will or won't allow you to maintain margins?

JOHN MCMULLEN:

Certainly. All right, so I mentioned, we're seeing an average price erosion of three to four percent. We see in the industry that it's higher than that, so we actually are advantaged in our price erosion compared to other competitors. And that's overall three to four percent for all of the business. If you break it down, Sonora is not having the same level of price erosion that we see in our traditional plates, so that's higher, and Sonora's lower. And with the price premium that we have with Sonora, that offsets that.

So we're running probably five percent overall with the business in non Sonora plates, and then with the Sonora included, it gets to the three to four percent, all right? So that's kind of the ratio. So Sonora is not seeing the same price erosion that we see with traditional plates.

From a cost basis, we end up--are able, and we've continued to show productivity. We have ranged anywhere from $15 million to $20 million in manufacturing productivity, plus the other cost reductions we can take. So we're comfortable, and we have done that for the last four years that we've been able to have that kind of productivity out of our manufacturing operations. So we see that as something that we can continue to maintain, and with the additional cost reductions, that we will be able to maintain and offset the price erosion of the industry.

MALE #2:

Sorry, could I just--one other thing about that. Just, you shut down Leeds. I'm just curious about your thoughts on any other facilities that you might be able to close, and if that's (unintelligible).

JOHN MCMULLEN:

Well, right now, because of the volume and the continued growth that we have of the plates business, we really don't see right now that there's enough capacity to shut any other facility down right now. So if we saw a downturn longer term, then we would have some flexibility to consider another shut down, but right now, we're expecting to continue to grow, and so we need the capacity that we have installed today.

JEN GANZI:

Hi. Thanks for takin' the question. Jen Ganzi, NewMark Capital. Maybe you could talk a little bit about, you know, sort of the interplay between, like, you know, your Sonora plate business, Flexcel, with, you know, the packaging business, and then the Prosper business. It sounds like there might be some overlap between, and I'm just curious if there's any risk of cannibalization, you know, within those businesses, or is it all sort of, you know, now to you, you kind of go to the customer with, like, a sort of global solution. Maybe just talk about how they sort of interplay with each other.

JEFF CLARKE:

Sure. So in terms of Sonora or our traditional plates business, you know, there will be some disintermediation or some replacement of the offset business with digital. So Prosper and other digital inkjet solutions will take some pages, some of the 70 trillion pages will move from offset to digital.

The fact is that we've seen a very stable business in plates, and partly because the runs are getting shorter. So you make a plate for every copy of something you want. So we may only print two million copies of the New York Times, but if the New York Times has the same number of pages, you sell the same number of plates even if they print a million or half a million. And there's been a lot of actual new titles, and direct mail isn't going away despite lots of other things. So we believe that the plate business will be relatively flat, and Sonora will allow us to grow faster than the rest of the industry.

The packaging, there really isn't much. I mean, again, you can do offset replacement with Flexcel, but we see Flexcel also over time being somewhat (unintelligible) by digital.

Would Philip or Brad want to add anything?

PHILIP CULLIMORE:

I'd like to. And, Brad, come to you. You know, you're absolutely right in saying there are gonna be some areas where a sale from EISD has an impact of a small plate decline in PSD. But equally the two divisions work in great harmony, and I'll give you an example as to how. The offset printing business has got a huge amount of investment already placed in web offset presses, cut sheet presses that our customers want to maximize the value from.

And one of the roles that EISD plays is as the creator of new value that supports the use of those presses for longer. So when we take a Prosper S-Series head and we mount it on a cut sheet press to create versioning, to create uniqueness on every page, what we're doing is helping that printer to keep that device useful for longer.

So actually we do both things. We both want to sell more Prosper presses, which has the impact of taking pages from offset, while equaling sell components that keep those offset presses really humming with great value for longer.

BRAD KRUCHTEN:

Exactly. Yeah, that's it. And when you mention that, just we then have the component, but we still didn't sell the plate. So we have the plate sale as well as the component sale, and the combination of those two work on the offset press. So it's harmonious.

JEFF CLARKE:

And to give you a scale of that, I mean, there are 1200 heads we have out there printing every day, printing, you know? So the offset will print the lottery ticket, and the variable data on the lottery ticket would come from the inkjet head. And so, you know, those are examples of applications where you still want to keep it offset, sell the plate, but also get the variable data on it. So, you know, as Philip said in his presentation, we think there will be a tipping point where nearly every offset printing shop's gonna need to offer variable data, and at that point, you know, they've invested, you know, tens of millions of dollars in their litho business and in their giant Heidelberg type presses, you know, that will drive the digitization of what we call this hybrid environment with the Prosper heads.

So yes, we impinge on each other, and yes, we compete against each other, sometimes in customer sites, but we also find synergies.

JEN GANZI:

Okay, great. And then just a quick follow-up on that, and maybe this is somewhat related to this is that, you know, it seems like you're growing EBITDA, you know, over the next couple of years while revenues are kind of flat to growing a lot less. And maybe just talk, is that a mix shift, is that a costed situation? Is it, you know, kind of this dynamic that you just talked about? I mean, maybe just expand a little bit on that.

JEFF CLARKE:

Well, at the portfolio, we have several legacy businesses that are in decline, most notably the consumer inkjet business. But we also have a relatively large, you know, Versamark base that is in decline. We have a Digimaster black and white electrophotographic product that is in relatively strong decline. And, you know, so what you're seeing is you're seeing the underlying growth of Prosper, Flex NX, Sonora, eventually, you know, software and services, and eventually Micro 3D printing being masked by these other declines in the business.

And so that's--until we get over that hurdle and you see us moving up, you're not gonna see kind of robust revenue growth that we're seeing in certain categories.

FEMALE #1:

(unintelligible)

JEFF CLARKE:

Sure, go ahead.

FEMALE #1:

(unintelligible)

JEFF CLARKE:

She's gonna give you the--one more time there.

LOUISE KEHOE:

Sorry. Yeah. Thank you.

FEMALE #1:

I just wanted to follow up. So the EBITDA goes up because these businesses are basically kind of expanding their margins as the revenue's growing, while the other ones aren't?

JEFF CLARKE:

Yeah. Well, I mean, I think what you're gonna see, and you know, each of you will do your own models. I hope we gave you some help on this. A large part of the EBITDA going up is that Prosper shifts from a major loss to contributing, and eventually we go from investment mode in Micro 3D to contributing. We're gonna see good momentum on the packaging side that already has reached the point of growth and stability and the overall PSD business. So what you've got here, as we've had, you know, since the last several years in this company, you have declining businesses and growing businesses, and we're finally getting to the point where we're crossing over.

LOUISE KEHOE:

Gentleman in the middle. Yeah.

BILLAL SIKANDER:

Yeah, I'm Billal Sikander with Monroe Hall. I've got four questions. One on operational EBITDA, I think you guys, at least in the EISD side, you had mentioned that you guys have take it to zero, and you talked about how that's (unintelligible). My understanding is that when you place new printers, they don't necessarily produce a lot of EBITDA. So EBITDA has less to do with that in my understanding. Maybe you can clarify that. And so if you can talk a little bit on the Prosper annuity bits, how that's trending, you know, you are placing 20, you place 5 in the first quarter, give us a sense of how the annuity is lifting, and whether that's in line with your expectations or your plans. That was question one.

Second question is capex. From what you mentioned, seemed like third party financing and the fact that you're financing some of these boxes, these three-million-dollar boxes showing up in your capex line, when you're selling 25 of this and you can't get third party financing, how is that gonna change next year? It seemed like there was some kind of mention that you would be able to take care of that, and I think there's some reason for it. Maybe you can sort of talk to that a little bit.

JEFF CLARKE:

Pause at those two, and then keep the other three. All right, so, I'll do the capex one, and Philip, why don't you just do on the general momentum on Prosper, and the fact that we lose money, and then make it (unintelligible).

PHILIP CULLIMORE:

Sure, Jeff, happy to. So yeah, the Prosper consumables business is growing 30-odd percent year over year. Here's my forecast. The first 39 presses that went in had a good bunch. A decent component of those 39 were black and white presses selling into book applications, and if you think about a book, you've got less ink on the page than on, say, a newspaper or on a direct mail piece. The 20-odd presses that have gone in this year are much more weighted towards that higher burn rate, higher color type application with the Prosper 6000.

But actually, of course, and as Jeff said, we're seeing those get installed later in the year. So we're really gonna see that next year in terms of that consumables lift, and that's what we've modeled in our forecast.

JOHN MCMULLEN:

And then on your question on the commercial capital piece, I think the way to think about is that, you know, this is--Jeff and Philip talked about, you know, the first four years of placing 39, and then, you know, moving to 20 to 25 installs this year, right? Big ramp. We're driving scale this year. The people are purchasing and looking for commercial capital help, so it's both. And as we get that scale and we're makin' a good step in terms of that scale this year, you'll see a mix of both, of both commercial capital and purchase, but as we get scale, and third party finance people will start coming in because they'll appreciate that installed base, and they'll appreciate the annuity streams that some of these installs over the last year or so are starting to generate. So it's kind of an evolving, it's an evolving model, and we've tried to taper that into our thinking about capex over the next couple years.

BILLAL SIKANDER:

So I guess the next two questions, before I get to it on this point, because you have a nice step down from 70 to 45 million, your capex. Maybe that had nothing to do with commercial capex, and maybe you can explain why that step down happens, because this seems to be a gradual change to a third party financing model, which takes away capex, commercial capex for you guys.

JOHN MCMULLEN:

Yeah. There's other things going on in our capex numbers this year. We've made investments in IT, we've certainly had to make investments to complete the transition to Columbus, Georgia, in Brad's business. So there's step downs in sort of general capital, there's step downs in productivity capital, and then it's probably a more modest step down, frankly, in the commercial capital. You'll see that kind of go like this over the next couple years. So there's other things in there.

BILLAL SIKANDER:

And on 3D, it seems like the cost structure has come down a bit. So year-to-date, it looks like it's 8 million—I think beginning of the year, the expectation was it's gonna be as high as 20 million, so that sounds encouraging if you can talk to that a little bit.

JEFF CLARKE:

Yeah, we're gonna--eight million is somewhat--is not a good run rate. What we will--we'll lose $16 million in Micro 3D Printing this year. It'll be less next year, but as I said, we aren't looking for--we're trying to derisk next year's plan on Micro 3D after having to deal with two years of pain on that projection. But it is down. I think Philip's done an extraordinary job optimizing the piece. We've did a very good exit negotiation with UniPixel, which I think gives us a hundred percent in forward profits, as well as taking over the infrastructure that they had invested in.

So I'm very pleased with where we are on it in terms of our predictability going forward, knowing the cost structure. But it's gonna be a loss, big loss this year, well, you know, again, testament to the other business units that we're gonna hit our guidance even with a big miss to plan on Micro 3D Printing, and then next year we've derisked this, and, you know, hopefully Philip will sign a big contract tomorrow, and when we give actual guidance rather than directions, we can help you. But right now, we're not makin' that mistake again.

BILLAL SIKANDER:

Sorry, and the very last question, your settlement with Collins, you talked about that. Can you just quantify how does that help, and obviously this has something to do with Versamark (unintelligible).

JEFF CLARKE:

Yeah, and no, we can't. The terms of that are confidential. However, it has been kind of a painful hanging-over-the-business item. Litigation cost is expensive. We're glad that we will not be burning any more litigation cost.

LOUISE KEHOE:

Thank you. Gentleman over here.

JOE FARRICIELLI:

Hi, Joe Farricielli. Question on the legacy business, and more from an operational standpoint. How are you preparing with what insight you have to that decline to take out cost? Do you hit an inflection point where you're stuck supporting a business line that has declining margins because you can no longer take out costs? More from the operational standpoint, what's your window or insight into taking out costs?

JEFF CLARKE:

All right, so Philip, why don't you take Versamark, and Brad take Digimaster.

BRAD KRUCHTEN:

Is there a specific--which legacy products did you want to talk to?

JOE FARRICIELLI:

Oh, really all of them. I mean, just kind of, you know...

JEFF CLARKE:

Yeah, so why don't you do Digimaster, you do Versamark, between Steven and I, we'll do CIJ.

JOE FARRICIELLI:

Thank you.

PHILIP CULLIMORE:

Yeah, so, again, I think I described this in the presentation we gave. We have a large legacy population of printheads out in the market that really are used for more transactional applications like the printing of phone bills or cell phone bills, or utility statements. Now some of those devices are 20-plus years old, and they're still out in the market, and they're still generating ink and service annuity, still they're generating refurb utility, but of course at some stage, and we've seen it this year, customers start to replace those with other technologies, or make that transition to a completely digitally printed product. And we've seen it this year. We've built it into our forecast for next year too. We still think it's gonna be a substantial part of our business moving forward for the
new few years, but we have had to reflect that decline rate in that muting of the top line in EISD, which is why you're not seeing all of that growth for Prosper kind of power through and lift that revenue line,

because we're also being diluted somewhat by the decline in the legacy Versamark printhead business. Okay, Brad.

JOE FARRICIELLI:

But my question was are you laying people off? Are you looking at this and saying I'm no longer gonna need to support this product, I have equipment that I'm going to be able to liquidate or scrap, I have parts of buildings that I'm no longer going to need and I can shutter, and I am going to have that cost coming down? Or are you stuck supporting x number of people because you have to supply a couple cartridges to two customers?

PHILIP CULLIMORE:

It's a great question, and I'll give you a very specific example of what's happening. So as an example, you can imagine that if you've got less refurb of our D-Series and our nine-inch heads going through a plant, you need less people, and of course we'll flex our workforce accordingly. But actually we've got growth going on, too, and for instance, in the Prospect S-Series heads, we're getting more and more refurbs coming through our factory as that base has gone up to the 1200-odd installations that Jeff talked about.

And actually we have some--we've made some choices around manufacturing source of supply for the line head for Prosper that was being manufactured on an outsource basis by a third party to bring that in-house. So actually we're balancing the decline on our legacy business with some pretty decent growth around the manufacturing capability on Prosper.

JEFF CLARKE:

Digimaster?

BRAD KRUCHTEN:

Digimaster, there's just a black and white high-speed digital printers. We make that on the same line that we make the NexPress, and so we just move back and forth. So there's no issues there. We also see that toner will be going down, and what we're doing is I talked about going to third parties, so we're gonna start utilizing that excess capacity to go after the LV and the MV segment in a third party aftermarket toner. So we don't see any downward trends for either Digimaster, both equipment or toner.

JEFF CLARKE:

And CIJ, consumer inkjet, you know, that is a very--it's a captive manufacturing site in China. We watch the inventories. We actually give very good information, you know, for the printers, the consumer printers that are connected to the internet, we know how much they print. We send promotions out to them. We work closely with the retailers to make sure that the retailers hold enough stock and don't get caught with too much if there is a step down. You know, the risk in the CIJ, which has been, you know, a very, very manageable kind of 40 percent predictable down is at some point, you reach a scale where the retailer says they don't want to carry it anymore, and at that point, you shift very rapidly over to the internet so you may get higher margin for fewer cartridges. Right now we want to keep the retailers there because the customers are used to going there, they promote the product, they release the cartridge. But we have plans, and we watch the inventories very tightly. But there's no stranded manufacturing or, frankly, a lot of business. I mean, all the people with that are--it's maybe a dozen or two dozen people total running the whole business.

JOE FARRICIELLI:

Thank you.

MALE # 3:

Two questions. The first on the OEM partnerships, like Bobst and (unintelligible). I think conceptually, I would have thought that these partnerships would accelerate and at some point have an exponential impact on Prosper, but, you know, I think I heard you say Bobst, you had your first placement or the first digital press using Kodak in May. I gotta believe that Bobst is--I remember they rolled out their digital presses for packaging applications at the beginning of the year. Why just one, and then if I can--the second question is, in terms of applications, can you give us a clearer example of what kinds of applications the most recent 25 presses went into? Are they focused in applications like the Channel Islands example, and what can a hybrid not do that I would need a Prosper 6000 for, and then where do you--what kinds of applications are you looking to drive
future growth? Are we still looking for distributed newspaper printing, that kind of thing?

JEFF CLARKE:

Philip?

PHILIP CULLIMORE:

Okay. So number of questions there. So I'll start with the question around what the 6000s are doing. And you're right in saying there's a variety of applications. Direct mail, low volume newspaper production. We've got customers that are customizing short run, typical commercial print flyers. Advertising booklets for stores. All of that type of application.

JOHN MCMULLEN:

Books.

PHILIP CULLIMORE:

Books is another big area. Color educational books is another segment where those presses are going into. So if you remember the chart I showed, it's very much the areas that were marked in the white color are the areas where we're seeing install based growth today.

What can a 6000 press do that a component can't do? It's very much around the physical size of the component. Think about that. So a Prosper 6000 press is 24.5 inches wide. The Bobst version for corrugated packaging is 49 inches wide. Every single point along that chain could be different one copy to the next. On the component side, we're more prescriptive in terms of the geography that can be varied. So the four-and-a-quarter-inch swath width on a Prosper S30 head is really useful for News International to be able to make sure that they have a unique code for every day and every copy of The Sun newspaper to allow customers to access their website. That's the difference. It depends on the type of application that you want to use.

You also asked a question around momentum, and you're absolutely right in saying that we do expect partners like Bobst to really give us strong growth as we move forward. These presses, though, are big beasts. There's lots and lots of engineering in them, and that engineering needs time to settle. So in partnership with customers like Bobst, we're being very, very deliberate and cautious about how quickly we roll those units out to make sure those first units, and there is actually more than one, really deliver on the customer promise, and once we're comfortable that we've got the magic source, the recipe nailed, then we start to roll out with more momentum.

MALE #3:

Thank you. If I could just add one quick additional one. On slide six, so conceptually in the developing markets, I think commercial print, number of pages is in secular decline. Globally, you've got, you know, I was surprised to see you've got publishing printing growing. And just conceptually, what is driving the growth in some of these areas where we see them as being in secular decline? Thank you.

JEFF CLARKE:

Do you want to do that?

BRAD KRUCHTEN:

I mean, so mainly in publishing, the growth is coming from emerging markets, so there's many of the newspapers, as populations continue to grow, they expand. So we see the publishing primarily being outside in Asia, Latin America, very strong. Japan continues to be a very strong publishing market. So I think if you look at it with perspective of the U.S. or Europe, you see the decline, but then really the number of magazines, and if you look at--or newspapers--of the top 15 newspapers, I think only three are in Europe or U.S., okay? So that's a very significant component of why all the other markets are much larger.

JEFF CLARKE:

And also, let's not forget that, again, a plate is sold for every page that's different. And so, you know, in San Francisco or the market I'm in, the San Francisco Chronicle is very thin compared to what it was years ago, but there are dozens of these community newspapers, free handouts, newspapers, you know, focusing on nightclubs or other things. And every one of those requires a plate. All the inserts still require plates. And so while there's been a proliferation of titles, much more of the free nature, and that drives plate sales, even though the number of subscribers to the Chronicle in this case is down.

MALE #3:

Makes sense. Thank you.

LOUISE KEHOE:

We have, let's see, one, two, three (unintelligible).

LUKE SMILEY:

Thanks. Luke Smiley from Watershed Asset Management. I had a couple questions on the cash flow.

JEFF CLARKE:

Sure.

LUKE SMILEY:

The first being I didn't see pension payments on that slide that you had. Was that included in the restructuring?

STEVEN OVERMAN:

Yeah, the pension funding's a relatively small number, and it's pretty much offset by non cash pension expense in the P&L, so we kind of neutralized those.

LUKE SMILEY:

Okay. And then you had positive 50 of working capital, but if I just look at your 10-K from 2014, it's about negative 150, and I'm just wondering what the (unintelligible) is.

STEVEN OVERMAN:

I may need some help from Dave on the 2014 that, yeah.

LUKE SMILEY:

Okay.

STEVEN OVERMAN:

Yeah, I don't know. Dave, if you...?

JEFF CLARKE:

Dave, you wanna...?

STEVEN OVERMAN:

(unintelligible), yeah.

DAVID BULLWINKLE:

Okay. So what you see in the 10-K is a reduction in liabilities, and that includes a lot of those other categories that we've put on the slide as separate categories, like reorganization and restructuring primarily.

STEVEN OVERMAN:

Right.

DAVID BULLWINKLE:

So if you look at the change in trade AP and restructuring liability payments and reorganization liability payments, that gets you pretty close to that 150 use of cash that you're citing. We classify 'em differently in this (unintelligible).

STEVEN OVERMAN:

Thank you, Dave.

LUKE SMILEY:

So I guess another way of asking this question is when you say that next year, next quarter, next year will be cash generative, is there any reason that it will be in the numbers that you lay out on that page make sense, but your cash will be lower than in the next year?

STEVEN OVERMAN:

That it will...

LUKE SMILEY:

Yeah, with sensitivity down, what are some of the things that (unintelligible) against us.

STEVEN OVERMAN:

Yeah, I mean, obviously, you know, the things that—the sensitivities are if foreign exchange was a big player next year. We don't project that into next year. You know, I think we have a balanced assumption around working capital, but if there was more economic disruption, you know, could we get all the way there? I mean, that's a sensitivity. And Jeff mentioned, we can manage capex, so I feel pretty comfortable with that, and I feel pretty comfortable with the position we put in. And then obviously our operational performance, you know, we have to execute against that.

LUKE SMILEY:

And then last question on the covenant number that you had with the cushion. I was wondering if you'd walk through how you're calculating that, because if I just net out the domestic cash that you reported, I came to a higher number. Are you using an adjusted EBITDA number, or...?

JEFF CLARKE:

Yeah, there's (unintelligible).

STEVEN OVERMAN:

There's a covenant definition of EBITDA which is different than our operational EBITDA, so there are certain puts and takes on that. And it's a relatively complicated, but, you know, something that we go through in enormous detail to make sure that we're calculating that correctly. So it is--the simple calculation again is our consolidated debt position less our U.S. cash divided by covenant EBITDA definition. Okay.

LUKE SMILEY:

And what was the covenant EBITDA (unintelligible)?

STEVEN OVERMAN:

The absolute total of covenant EBITDA? It moves from--it's a rolling trailing 12 month.

LUKE SMILEY:

Right, but last quarter, what was the number that you used?

STEVEN OVERMAN:

It's final.

JEFF CLARKE:

One seventy.

STEVEN OVERMAN:

Yeah, sort of roughly 170, yeah.

LUKE SMILEY:

Okay, great. Thanks.

STEVEN OVERMAN:

Maybe a little bit less.

JEFF CLARKE:

Yeah.

STEVEN OVERMAN:

That's it?

LOUISE KEHOE:

So the gentleman with--yes, there, with the hand up. Thank you.

MALE #4:

I'm (unintelligible) from CRT. I just wanted to get a little bit more color around the Carestream earnout. I didn't quite get what you said about the 200 million, whether it's set in stone as to how much that is, or can you just give us a little bit more color there?

JEFF CLARKE:

Yeah. So the Carestream earnout is a formula based on the return that Carestream ahs under the ownership of its current private equity owner, which is primarily Onex. And again, I don't want to discuss Onex's numbers, but it is a zero to $200 million range, and obviously, you know, I wouldn't have put it on the list if I thought it was zero.

MALE #4:

Okay. My next question is around Prosper. You know, just trying to get a sense of the growth rate of unit placement going forward. I know it was a big acceleration this year. Next year, can you give us just some sense of what we should expect?

JEFF CLARKE:

Philip?

PHILIP CULLIMORE:

Sure. So I think obviously we're going through finalizing our planning now, and as Jeff said, as we see how Q4 plays out, we'll be in a better position. But I think you should be thinking that the total numbers are relatively similar to this year. But here's the thing that we're expecting. We're expecting that--and again, I think one of the gentlemen mentioned it earlier--where we've got a bit more scale, we think, is gonna be in seeing some of these OEM opportunities start to accelerate, and our sense is that this transition on the components business to being something that's more of a requirement on an offset press, some of our customers requiring or seeing applications like in packaging that requires some localization, we'll see that number give us some upside, too.

MALE #4:

Thank you.

LOUISE KEHOE:

Gentleman here.

ALEX YAGGY:

Yes, thank you. Alex Yaggy with Cortina. I want to follow up on the Carestream question, just the asset sales in general and your capital structure. Are there certain asset sales that you are hoping to achieve before refinancing your current capital structure so you have a cleaner slate, so to speak, and again, is there any indication of when we might see any of these sales develop? Are there contracts you're negotiating, or is this something that may happen within, say, three years?

JEFF CLARKE:

Yeah, so we're working every day on the intellectual property portfolio, which is quite rich, and the ability to monetize that in many different ways. One way is a sale of some of it. One way is licensing. Another way is royalty. Another way is joint venture, setting up a separate company to use some of those patents. As the 3D printing world evolves, I think many of the thousand-some companies will eventually realize they need both capability and patents. As the Internet of Things evolves, I think those companies will eventually realize they need underlying intellectual property and capability, all of which Kodak is quite rich in patent portfolio capability on. So we're working with companies like that, and believe there's an opportunity of meaningful levels. These take a long time. Sometimes they're single millions, and sometimes, like last year, they're 70 millions. So, you know, that's a portion of what we have. We have other pieces that we want to monetize. Terry took you through about eight to ten really interesting pieces of technology that is past the conceptual stages and is approaching productizing.

We can't prosecute all those--already got seven business units, we don't want to have 15, so we can't prosecute all those on our own, so we're looking at monetizing those in earnouts, in partnerships, 80-20 sell it and maybe 80 percent will be owned by a start-up company or another company. We'd own 20 percent down the road. So we're quite active. I think I was pretty clear at the beginning of the year, we don't expect big ones this year, but obviously the list of items I have have a combination of small, medium, and big. And in terms of those being related to the refinancing, we believe we pay a lot of interest today given the future of the company.

The markets today are relatively closed for companies like us. We believe that one of these monetizations could surely be a catalyst to a total refinancing of our structure, and open up, you know, a very different capital structure, and obviously some favorability to equity holders as well as that happens.

ALEX YAGGY:

And if I could just follow up, that capital structure, when it occurs, whether it's six months or two years, roughly what does that look like? Is there a certain leverage ratio you think is appropriate, or a certain...

JOHN MCMULLEN:

Yeah.

ALEX YAGGY:

...dividend, however you want to think about it.

JOHN MCMULLEN:

Yeah, what I shared today was a target, you know, a target total leverage of three or below feels, you know, feels appropriate for a company like ours, so--and, you know, could we get there, you know, in two years or so? You know, we do everything that we've talked about today, we could get to that in a couple of years or so.

JEFF CLARKE:

Well, and that comment is on the current operating without the one-time...

JOHN MCMULLEN:

Yeah.

JEFF CLARKE:

...nonrecurring items.

JOHN MCMULLEN:

One time events could accelerate.

LOUISE KEHOE:

Very good. So I think we have one more question here, and then unless there's anything very pressing, we will wrap it up.

MALE #5:

Just a follow-on to that question. I think you said last night that your minimum operating cash or liquidity was $300 million. And I wonder if you could talk qualitatively a little bit more about what that is. I don't think it's a (unintelligible) working capital, so is that money that you need in places like China, or just what that's for. And then forgive me if you answered this last night, but assuming you do, you know, have 550 at the end of the year, 600, what are you keeping the rest on the balance sheet for? Is it just conservative liquidity position?

And then finally, I wanted to ask Steve, this exciting new product that you talked about, I just want to make sure we're not talking about burning $500 million a year like we did with consumer inkjet. So that's it for me.

STEVEN OVERMAN:

All I will say is not even close.

JOHN MCMULLEN:

Yeah, and so on the question around the comment and the earnings, this kind of said in the 300s, okay, so just for clarity, wasn't exact 300. And, you know, the thinking around that is that as we, you know, as we move further down the line here, can we potentially refinance at some point? You know, we will reduce our interest cost, things of that nature. So it's a reasonable--I think it's a reasonable peg for us, you know, not too far down the road as we get a lot of other things behind us. I mean, the cash has obviously been very important to us for some of the things that I talked about today historically that we've either had to take care of or we've chosen to invest in. So as we get more stable steady state, and we're in more of a growth mode both from a cash point of view, then we start thinkin' about that.

The geographic piece of it is really, you know, where we're pretty distributed from a cash point of view outside of a pretty significant U.S. cash balance right now to help us fund our operations. So that moves with our operations. So when I say 300s, that's a, you know, I give myself some room there based on geography.

MALE #5:

Okay, and if I don't ask this one, Joe is gonna beat me up. With your asset sale covenant, I'm assuming—are you required to buy back the debt with proceeds from asset sales, and is there any...?

JEFF CLARKE:

Yeah, it depends on the type of asset, but for most assets, you have to buy back first lien debt.

MALE #5:

Okay, thank you.

JEFF CLARKE:

You're welcome.

LOUISE KEHOE:

Thank you very much, everyone. And thank you for coming today. Jeff, would you like to wrap it up?

JEFF CLARKE:

Thank you, thank you very much. I look forward--we'll mill around a little bit here, and so if anyone has any other questions, just come grab one of us. If not, have a nice weekend, everyone.

STEVEN OVERMAN:

Thank you.

JOHN MCMULLEN:

Thank you.

LOUISE KEHOE:

Thank you.

PHILIP CULLIMORE:

We can take the mics off, I guess, straight away, can't we?