

## **Kodak 4Q profit drops 95 pct, misses expectations**

Eastman Kodak Co. said Wednesday its net income tumbled 95 percent in the fourth quarter on weaker camera revenue and sharply lower royalties from digital-imaging inventions.

The 130-year-old picture-taking pioneer, battling for almost a decade to recast itself as a digital photography and printing powerhouse, missed Wall Street expectations and posted its third yearly loss in a row.

Kodak earned \$22 million, or 8 cents a share, in the October-December period. That compares with a profit of \$443 million, or \$1.40 a share, a year earlier when results were swelled by \$421 million in one-time royalties from patent-litigation triumphs over two South Korean electronics makers.

Sales sank 25 percent to \$1.93 billion.

Excluding items, Kodak says it lost \$99 million, or 37 cents per share. Analysts polled by FactSet expected Kodak to earn 5 cents per share on higher sales of \$2.09 billion.

Kodak shares fell 36 cents to \$4.16 in morning trading. The stock is trading at the lower end of a 52-week range of \$3.49 to \$9.08.

Revenue from its digital businesses fell 25 percent to \$1.49 billion in the quarter, hurt by industry-related pricing pressures in Kodak's digital camera and commercial prepress solutions businesses. But sales in its core growth businesses, including inkjet printers, software and packaging, rose by 23 percent.

Traditional film-based revenue slid 25 percent to \$439 million, hit by volume declines and surging costs for silver and aluminum. The photographic film, photofinishing and entertainment film unit posted a \$3 million operating loss in contrast with \$53 million in operating profit a year earlier.

Graphic communications sales fell 3 percent to \$757 million, and operating earnings slid to \$12 million from \$36 million a year earlier.

In all of 2010, Kodak's loss narrowed to \$70 million, or 26 cents a share, from a loss of \$210 million, or 78 cents, in 2009. Sales fell 6 percent to \$7.19 billion from \$7.61 billion.

Kodak is banking on replacing the hefty profits it once made from film with ink revenue from promising new lines of digital inkjet printers for both consumer and

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commercial markets. It expects to generate its first profits from home inkjet printers this year. Its commercial line of versatile, high-speed digital presses is targeted to turn profitable in 2012.

After a \$3.4 billion turnaround from 2004 to 2007, Kodak's momentum was stalled by the recession. It is relying on leaner costs and patent-litigation payments to see it through its digital transition. It has chopped almost 50,000 jobs since 2002 and its work force of 20,300 is its smallest since the 1930s.

In December 2009, the U.S. International Trade Commission in Washington ruled that cell phones made by Samsung Electronics Co. and LG Electronics Inc. infringed an image-preview camera patent Kodak obtained in 2001. Kodak negotiated a one-time, \$550 million royalty-paying deal with Samsung and a \$414 million deal with LG Electronics, and nearly half those gains were posted in last year's fourth quarter.

This week, however, Kodak's patent complaints against Apple Inc. and Research in Motion Inc. ran into a wall.

The commission, which oversees U.S. trade disputes, said in a preliminary ruling Monday that Apple's iPhones and RIM's BlackBerry camera phones do not violate Kodak's 2001 patent covering ways to preview digital images. Kodak still expects to prevail when the agency issues its final decision in May.

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