

Moody's cuts debt ratings on Eastman Kodak

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Moody's Investors Services on Tuesday downgraded all of its debt ratings for Eastman Kodak Co., citing ongoing weakness in the company's core business operations and the likelihood flagging demand will continue to hamper the photography pioneer's results indefinitely.

Moody's said that the Rochester, N.Y.-based company's decision last week to draw down \$160 million from its \$400 million secured revolving credit line signals weaker cash flow prospects, as the draw occurred just before the company's fourth quarter, usually its strongest in terms of cash flow.

The company had \$957 million in cash as of June 30 and no material debt coming due until November 2013.

But Moody's senior vice president Richard Lane said he anticipates that Kodak will consume cash over the next year, weakening its liquidity profile.

The ratings firm lowered Kodak's corporate family and probability of default rating to "Caa2" from "Caa1," and its senior unsecured rating to "Caa3" from "Caa2." The ratings remain well into non-investment grade territory.

Moody's expects that Kodak will continue to operate at a loss over the intermediate term.

In addition, Moody's cut Kodak's senior secured rating to "B3" from "B1," and its speculative grade liquidity rating to "SGL-3" from "SGL-2."

Moody's rating outlook on Kodak remains negative, reflecting the likelihood that the company's cash position will weaken over the intermediate term.

In July, Kodak reported a wider second-quarter loss on weaker revenue from digital cameras and film.

Kodak has been burning through cash as it invests in printer businesses, and mining its rich patent portfolio for repeated cash infusions has become an indispensable tactic.

Since 2008, Kodak has generated almost \$2 billion in licensing fees and royalties.

But its sales of low-end cameras have been hurt by stiff competition from smartphones and video cameras and by its shift to pricier models.

Shares of Eastman Kodak ended the regular trading session up 8 cents, or 4.6 percent, at \$1.82.