

EXCHANGE --- Kodak's Drug Move Is Latest Of Several Pivots

Ziobro, Paul . Wall Street Journal , Eastern edition; New York, N.Y. [New York, N.Y.]08 Aug 2020: B.3.

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FULL TEXT

Eastman Kodak Co. for generations was a household name in photography, the maker of "Kodak Moments" that preserved families' most cherished memories.

Today's Kodak moments are mostly digital, and the company has spent much of the last decade attempting to maneuver out of bankruptcy and into new business areas. The latest pivot brings it squarely into the fight against the coronavirus outbreak.

Kodak last week agreed to a preliminary deal for a \$765 million government loan to jump-start production of ingredients used to make generic drugs, including the malaria drug hydroxychloroquine, which President Trump has touted in the treatment of Covid-19.

The loan now faces congressional scrutiny as lawmakers question Kodak's lack of a track record in pharmaceuticals and stock-option grants issued to executives ahead of the announcement of the loan. The company's stock has been on a wild ride over the past week, surging from \$2 to as high as \$60.

On Friday, Kodak said it would conduct a review of recent activity by the company and related parties in connection with the potential loan. The internal review will be undertaken for a special committee of the board by law firm Akin Gump Strauss Hauer & Feld LLP.

John Ward, a lecturer at Saunders College of Business at the Rochester Institute of Technology, said Kodak's roots in the chemical industry give it a chance to pull off the move into making pharmaceutical ingredients, but a lot of work remains to be done.

"It's not a matter of turning the switch and getting into this business," said Mr. Ward, who worked at Kodak for two decades. "There are some core capabilities there but they are going to have to make significant investments, bring in people, shift focus. it's TBD whether they can pull it off."

Kodak's latest move shows how far the 130-year old company has moved from its roots. Long considered a leading industrial manufacturer that attracted scientific talent to its corporate base in Rochester, N.Y., Kodak today mainly provides software and technology for the commercial-printing market.

Kodak's decline played out over decades, accelerating as photography went digital. The evolution ate away at Kodak's leading position in print photography, even though the company developed a digital camera in 1975.

A 2012 bankruptcy filing and restructuring forced Kodak to sell off a half-billion-dollar portfolio of patents covering digital photography and online photo applications to technology titans including Apple Inc., Alphabet Inc.'s Google, Amazon.com Inc. and Samsung Electronics Co.

Kodak emerged from bankruptcy protection the next year, narrowing its focus on commercial imaging. "Kodak is, in many ways, a startup," then-Chief Executive Jeffrey Clarke said in 2014 on the company's first post-bankruptcy earnings call. He said Kodak should be viewed as having two business lines: a high-growth line that includes digital-printing technology; and a declining business that once was its bread-and-butter, including commercial film. After posting more than \$2.1 billion in revenue in 2014, the company logged revenue of just \$1.2 billion last year and has posted losses in four of the last six fiscal years. Today, Kodak has nearly 5,000 employees world-wide, down from 7,300 in 2014. At one time, Kodak employed 145,000.

The last decade has sent Kodak on some unusual detours. They included launches of Kodak cellphones and

tablets, and in 2018, a digital currency called KodakCoin, which the company said would help photographers license their work and track when images are used without permission.

Credit: By Paul Ziobro

DETAILS

Subject:	Bankruptcy; Corporate profiles; Coronaviruses; Photography; COVID-19
Publication title:	Wall Street Journal, Eastern edition; New York, N.Y.
First page:	B.3
Publication year:	2020
Publication date:	Aug 8, 2020
Publisher:	Dow Jones &Company Inc
Place of publication:	New York, N.Y.
Country of publication:	United States, New York, N.Y.
Publication subject:	Business And Economics--Banking And Finance
ISSN:	00999660
Source type:	Newspapers
Language of publication:	English
Document type:	News
ProQuest document ID:	2431159126
Document URL:	https://ezproxy.rit.edu/login?url=https://search.proquest.com/docview/2431159126?accountid=108
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Last updated:	2020-08-08
Database:	Healthcare Administration Database,ABI/INFORM Collection,ProQuest Central Essentials

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