

Shareholder urges shakeup at Kodak



Written by

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One hundred shares of Eastman Kodak Co. stock were worth \$4,400 a decade ago, \$2,800 five years ago, \$600 a year ago and \$319 as of Wednesday.

Now a New Jersey investment management firm, citing frustration with that slide, is asking two financial industry giants that own big stakes in Kodak to agitate for major changes at the company.

Investment Partners Asset Management, in a letter to Legg Mason Capital Management and Fidelity Management, urges them to use their clout so that Kodak either adds business turnaround experts to its board or managerial ranks or sells itself to a company that could make better use of its technology and patents.

"It appears to me we have management that has tried and not succeeded," Investment Partners co-principal Gregg T. Abella said Wednesday. "Given the fact their balance sheet is deteriorating, I don't know how they can execute on new products without a new partner or asset sale. Change is absolutely called for."

Legg Mason and Fidelity both declined to comment Wednesday. Legg Mason owns 55 million shares, or more than 20 percent of Kodak, making it the single largest shareholder by far. Fidelity owns 12.7 million shares, or nearly 5 percent of the company.

Investment Partners oversees more than 205,000 Kodak shares and \$1 million worth of Kodak bonds. The firm has a history of activism with the companies in which it invests, having in the past year also contacted hearing aid company Otix Global Inc. and power company Constellation Energy Partners with recommendations for improvement.

Abella pointedly questioned Kodak CEO Antonio M. Perez last month at the company's annual investor conference in New York City about the idea of a sale of the company. Perez deflected the question.

On Wednesday, Kodak spokesman David Lanzillo said the company continues "to execute the strategy that we presented to

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investors on Feb. 3, and we remain committed to completing our transformation into a sustainable, profitable company."

That strategy has Kodak growing in commercial and desktop inkjet printing, packaging printing and printing industry software; raking in cash from such mature businesses as photo kiosks and some of its consumer electronics products; and managing the declining film and point-and-shoot camera business. Kodak anticipates that total revenue will be down this year from 2010 but that the company will begin growing again in 2012.

When asked about the likelihood of a buyer or a turnaround plan for Kodak different than what management is pursuing now, Abella said, "You don't really know until you try."

The photo and imaging company still likely has some value in its intellectual property portfolio and other assets, Abella said. "But that might have to be in the hands of somebody else who can commercialize it more effectively," he said.

Kodak shares fell 3 cents Wednesday to \$3.19, the lowest close since July 31, 2009.

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