

# Revitalising Kodak through an innovative pensions deal



## Case study

**Client name:**

Kodak Pension Plan

**Sector:**

Technology

**Grant Thornton services:**

Full service including pensions advisory, corporate finance, operational deal services, financial due diligence, taxation, valuations, debt advisory and accounting support

**Geographies served:**

Multinational

Kodak Alaris is a new \$1.3 billion business focused on personalised and document imaging

Amid fundamental shifts in the photographic market, Eastman Kodak – the owner of the iconic Kodak brand – filed for bankruptcy protection in the United States. The company's largest creditor, the Kodak Pension Plan (KPP), needed to ensure financial stability for its members. As KPP's advisers, Grant Thornton helped the scheme acquire two global Kodak divisions in a pioneering transaction. This secured long-term revenues to underpin the pension scheme's obligations and allowed Kodak to emerge from Chapter 11 on a solvent basis.

“We won a hard-fought deal which has safeguarded the pensions benefits of thousands of scheme members. All the way through, Grant Thornton brought clarity, insight and an expert commercial approach. Without them, we couldn’t have completed the transaction.”

Steven Ross, Independent Chairman, Kodak Pension Plan

## Big challenge, new solution

When you’re the largest creditor of a business that’s seeking bankruptcy protection, you’ve every right to be concerned for the future – especially when the business in question owes you US\$2.8 billion. This was the situation the UK Kodak Pension Plan (KPP) found itself in when Eastman Kodak Company (EKC) filed for Chapter 11 protection in the United States. The solution, however, was a deal that recast the role of a defined benefit pension scheme in today’s world.

## A world of change

In January 2012, after years of reducing revenue driven by market dynamics and a misfiring strategic focus, EKC filed for bankruptcy protection – giving it time to restructure the business for profitability.

For KPP, its largest unsecured creditor, this was both a significant concern but also an opportunity to redefine how it was funded. And as their financial adviser, the Trustees turned to Grant Thornton for help.

Part of the restructure gave KPP the opportunity to acquire Kodak’s global Personalised Imaging and Document Imaging divisions – retail services and initiatives through its worldwide kiosks and net to retail infrastructure, professional laboratory consumables, film capture, event imaging solutions and document capture technology.

But the deal was complex and demanded specialist knowledge.

## Breadth and depth of support

With so much at stake, it was critical KPP had a full range of expert resources to call upon. This meant Grant Thornton forming a multi-disciplinary, multinational team of 250 specialists.

Not only was our team core to negotiating the deal, we also managed the commercial and operational aspects of separating the two divisions which were both heavily reliant on Kodak’s centralised corporate infrastructure.

In addition, the team performed a full due diligence process to validate the commercial rationale for the deal for both the Trustees and the Pensions Regulator (a factor that was vital to a successful outcome). Our tax specialists ensured the corporate structure of the new global business was optimised across 30 jurisdictions, while the debt advisory team rapidly delivered a working capital funding package.

The resulting business – Kodak Alaris – now has over 4,700 employees across 30 countries and annual revenues of around US\$1.3 billion.

## Ready for a brighter future

Many defined benefit pension schemes face challenges in how they meet their commitments over the years and decades ahead. What the Kodak Alaris transaction shows is that, with some innovative thinking and the right team in place, it’s possible to establish a firm foundation that protects the interests of all stakeholders and positions the resulting business for growth.

As KPP’s Steven Ross concludes, “Without Grant Thornton, we could not have completed the deal. They worked seamlessly across service lines, helping us deliver a groundbreaking international asset carve-out. The team had a hands-on approach, tackling issues in a creative and flexible way that was critical to a successful day one.”

## Key lessons from KPP’s experience

The successful creation of Kodak Alaris and the protection of KPP’s members hold a number of lessons for other defined benefit pension schemes:

- 1 In a restructuring which affects its members, a pension scheme often has the commercial leverage to act proactively
- 2 There are new ways to meet a scheme’s ongoing obligations even in challenging circumstances
- 3 Schemes should look beyond simple protection and focus on new sources of growth
- 4 It’s critical to take a broad view and get a multi-disciplinary team in place to help.

## Do you have similar challenges?

Contact the lead partner:



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