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PRESENTATION

Operator

Good day and welcome to the Second Half Full-Year Conference Call for IMAX China. All participants are currently in a listen-only mode. (Operator Instructions)

Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Michael Mougias, Head of Investor Relations for IMAX China. Please go ahead, Sir.

Michael Mougias - *IMAX China - Head of IR*

Good morning, everyone, and thank you for joining us on IMAX China's Full Year 2015 Earnings Conference Call. Joining me today is our Chairman, Rich Gelfond, CEO, Jiande Chen, and Jim Athanasopoulos, our CFO and COO, will have prepared remarks. Also joining us today is Greg Foster, IMAX China Board Member, and Head of IMAX Entertainment.

For the purpose of this call, all financial figures will be provided in US Dollars unless stated otherwise. Furthermore, the financials we provide you today will follow IFRS Accounting Standards, which may differ in some respects to US GAAP.

I would also like to remind you of the following information regarding forward-looking statements. Our comments and answers to your questions on this call may include statements that are forward-looking, and that they pertain to future results or outcomes. Actual future results or occurrences may differ materially from these forward-looking statements.

The full text of our full year 2015 earnings release, along with supporting financial statements, are available on our website, imax.cn. Today's conference call is also being webcast in its entirety on our website.

And with that, let me now turn the call over to Rich Gelfond.



Rich Gelfond - *IMAX China - Chairman*

Thanks, Mike, and thank you all for joining IMAX's first ever conference call as a publicly-traded company. The IMAX business in China has come a long way since we installed our first theater at the Shanghai Science and Technology Museum in 2001.

With a network now spanning 307 theaters across 109 cities, as of December 31st, we have witnessed growth that has thus far exceeded any expectations I had on my first trip to China 15 years ago. Our early involvement in the cinema industry has afforded us tremendous brand value and has helped cement IMAX as the go-to format for blockbuster movies.

During 2015, we exhibited 41 films in Greater China, eight of which were local language and 10 other films that were Hong Kong and Taiwan releases only. These 41 films generated a record \$312 million in IMAX box office, up roughly 54% from 2014 and had exceeded the 49% growth the industry as a whole saw in 2015. Equally important, our box office percentage per screen average grew 10% to \$1.34 million, which exceeds the historical average of \$1.22 million we had achieved in each of the last three years.

This per-screen figure is particularly impressive in light of our significant network growth over the same time. Furthermore, our strong box office performance was not the result of just one or two big hits, but rather a function of numerous successes spread across a portfolio of both domestic and foreign films. These include titles such as "Furious 7", which grossed \$39 million in IMAX, "Mojin", which was released in December and grossed \$28 million, and "Monster Hunt", which grossed \$27 million.

I should call out that in addition to being our highest-grossing film, Chinese film "Mojin" also became the highest indexing local language film for IMAX. On just 1% of the screens, IMAX represented 11% of the box office on opening weekend.

It has been very gratifying to see such success across a broad spectrum of films, and we believe this is a testament to the current strength of our business in China. As I look at Q1, "Mojin", "Kung Fu Panda 3" and now, "Monkey King 2" have all been significant local language successes for us. In fact, "Monkey King 2" set a new IMAX record for opening weekend over Chinese New Year, generating almost \$11 million and indexing just over 10%; an impressive feat when you consider that we account for less than 1% of all screens.

And for anyone that is wondering if people in China still love the cinema, let me just point out that the one week box office performance over Chinese New Year that took in \$548 million, which was up 87% over the same week last year.

Just to put that in further perspective, that one-week record haul is also considerably more than the Chinese box office generated for the entire year just one decade ago.

I should briefly note that "Star Wars", which broke so many box office records in North America and many other international territories as you know, does not have the same legacy here in China than it does elsewhere.

That being said, we are confident that as China becomes more familiar with the franchise through films, Disney's new theme park opening in Shanghai later this year, TV, consumer products and so on, the phenomenon that is "Star Wars" will become another very popular brand here in China as we go forward.

For the full year, we added 75 new IMAX theaters to the network. As I previously mentioned, we ended the year with a total theater count of 307, 290 of which are commercial theaters. We also signed deals for an additional 74 new theater systems, exceeding our own internal expectations, and bringing our total backlog at yearend to 215 theaters. We expect 34 of the theaters in backlog to be installed in tier one cities. One statistic that many of you may find surprising is that of the 307 theaters installed in China, only 40 are currently located in tier one cities.

Many assume that our network is predominantly based in tier one cities, when in fact the majority of our network had expansion over the last several years have been in tier two, three and four markets. It is reassuring to see that our business, despite its [creative] nature, is able to maintain similar economics, and in 2015, increased PSAs across a broad spectrum of cities in China.

Among our exhibitor partners, we want to thank Wanda Cinema for being such a strong partner to us, and we're very excited to be increasing the number of Wanda installations for 2016 to approximately 50 theaters. We also signed important new partnerships with a variety of other exhibitors in 2015, including CJ CGV for 25 theaters, a 15-theater deal with Omnijoi, and our first ever deal with Hengdian Entertainment for five theaters.

We are very pleased with the continuing interest in IMAX theaters from both existing partners as well as new ones as exhibitors seek to differentiate their theaters with the ultra-immersive IMAX cinema experience. Impressively, with regard to the 1,000-zone cap we have set for ourselves in the region, including backlog, we are already more than halfway there.

From a financial perspective, for the full year 2015, we delivered \$110.6 million in total revenues, up 41% from 2014. Our gross margins were \$72.3 million, or 65% of total sales. This compares to the 59% we achieved in 2014. On an adjusted basis, our net income came in at \$43.4 million, up 67% from last year. Our strong results for 2015 reflect a continuing demand for the IMAX format, coupled with continued operating leveraging, resulting from a rapidly expanding network and a strong box office.

We ended the year with \$91 million in cash, \$57 million of which was net proceeds from our initial public offering. Our CFO, Jim Athanasopoulos, will go into more details of our financials shortly, but I just want to say that I couldn't be more pleased with our financial performance in 2015. You should note that while we expect the majority of our cash to be used to further expand the network and purchase systems from IMAX Corporation, we're continually looking at new investment opportunities to grow our business even further.

One of those investments, which I am particularly excited about, is our China Film Fund. To talk more about that and other new initiatives, let me turn it over to our CEO, Jiande Chen, who can provide more details on some of these new growth initiatives. Jiande?

Jiande Chen - IMAX China - CEO

Thanks, Rich. A strong appetite for both foreign as well as domestic content sets China apart from other markets and allows IMAX China to choose from a broad array of the very best films throughout the year, significantly mitigating potential seasonality in our business. And the ways the Chinese box office growing so significantly, in addition to Hollywood's continued focus on China, we expect budgets for locally produced films to continue to grow, and lend themselves to big blockbuster movies being created in the future.

This trend toward a high-quality, locally-produced blockbuster content plays well to our experience as our large format immersive screens are considered by most of the top filmmakers around the world as the absolute best way to watch their movies.

It is on the basis of all those encouraging trends that we have reestablished our local film funds in cooperation with the China Media Capital. Our company and CMC will each invest \$25 million with the intent to invest in commercial Chinese contents that we believe we do well on our immersive format premier theaters.

By taking an ownership stake in this content, we are showing our commitment and the belief that the local language content in China is positioned for significant growth for the years to come. Stay tuned for more on this content initiative later this year.

Furthermore, the IMAX TCL private theater, named the "Palais", was launched last year. The first demo theater was set up at the Le Meridien Hotel in Shanghai last June, and the feedback has been universally positive. Shortly after the launch, deals were signed for 80 systems to be installed, mainly with those luxurious real estate developers. We do not expect this venture to have any impact on our financials this year. However, early demand has been positive and that we hope to have more updates for you as the year process.

And with that, I will pass the call to our COO and CFO, Jim Athanasopoulos, who will reveal our financial and operating metrics in more details. Jim?



Jim Athanasopoulos - *IMAX China - CFO, COO*

Thanks, Jiande. Thanks to everybody for joining us today. As Rich mentioned, we exceeded our targets on virtually every important metric in 2015. Revenue grew 41%, adjusted EBITDA grew 59%. Adjusted net income grew 67%, and our theater network grew 31% to 307 screens.

In addition, we signed agreements for 74 new theater systems, bringing our yearend backlog to 215 screens. Overall, it was a highly successful year, and I am pleased to say that early indications suggest 2016 is shaping up to be another strong year.

Looking first to box office. As Rich mentioned, we finished the year with total box office revenue of \$312 million as compared to \$203 million in the prior year, which is an increase of roughly 54%. Of this box office revenue, \$291 million was generated in the PRC, while \$21 million was generated in Hong Kong and Taiwan.

As a result of our strong box office performance, per screen average came in slightly above \$1.34 million, which is roughly 10% above the historic per screen averages we produced for the years 2012, 2013 and 2014.

We believe the higher per screen average was largely the result of an exceptional film slate of both Hollywood and local language titles, as well as new theaters that we installed over the last two years that are now maturing and are beginning to reach their full potential.

Looking forward, we have a promising start to box office in 2016. "Mojin", "Star Wars", "Kung Fu Panda 3" and "Monkey King 2", which became the highest-grossing IMAX film over a Chinese New Year have all performed very well. As we continue our aggressive rollout of screens this year, we expect to see the returns on those investments over the next couple of years as well.

While predicting box office is never an easy task, our strong relationships with filmmakers and studios, as well as our ability to introduce IMAX DNA into the filmmaking process through our cameras and our DMR services, all play a part in helping to ensure that we can program optimal content for our screens every week of the year. And the quality and performance of our recent local language titles, we believe that puts us in a strong position to maximize box office growth for the foreseeable future.

Now let me turn to network growth. In 2015, we installed 75 new theaters and two upgrades. All of our installations last year were for commercial theaters. Of these installations, 25 were sale-type arrangements, 29 were full revenue-sharing arrangements and 21 were hybrid revenue-sharing arrangements.

As a result, we ended the year with 307 theaters, 290 of which were commercial theaters. Of the 307, 130 are sales, 130 are full revenue-sharing, and 46 are hybrid revenue-sharing arrangements. Overall, revenue sharing arrangements make up 58% of our network as of December 31, 2015.

In terms of install guidance for this year, we currently anticipate installing roughly 100 new theaters, which would be a 33% increase over last year. Of these installations, we expect roughly 32 sale-type installs, 50 full revenue share installs and about 18 hybrid installs.

With regards to timing similar to previous years, we expect the majority of these installations to be back end-weighted. Also, please keep in mind that the exact breakdown of theater types, as well as total number, could vary.

We signed agreements for an additional 74 theaters in the year, up from 40 in 2014. We ended the year with a backlog of 215 theaters, 57 sale type, 63 full revenue-sharing and 95 hybrid revenue-sharing. Revenue-sharing arrangements comprise 73% of the backlog.

Of the 215 theaters and backlog, we expect 34 of them to be installed in tier one markets, relatively consistent with where we've been in the past. We will not be providing guidance on future signings, however, I can tell you that demand for new theaters thus far has been strong from both existing and new exhibitor partners.

With our end-to-end cinema technology, high brand awareness in China, and the steady rapid expansion of cinema business in the China market, we believe there's a sizable opportunity for us to continue expanding well beyond our current footprint. All in all, we believe the record-breaking 2015 and strong start to 2016 will lead to more signings and opportunities in the remainder of the year.

Moving along to the P&L, our total revenues for the year were \$110 million, up 41% from last year. Breaking this out a little further, we achieved \$82 million in theater business revenue, \$28 million in film business revenue. These figures were up 38% and 53%, respectively, over 2014. The resulting gross profit for 2015 was \$72 million, which resulted in gross margin percentage of 65%, up 59% from the prior year.

Our gross profit on the theater business was \$50 million with 62% margins, and \$21 million for the film business with 76% margins. Our expanding gross margins are primarily the result of creating scalability in our business and a strong slate of Hollywood and local language content.

Our SG&A for the year, including non-recurring IPO-related costs, came in at \$23.9 million, as compared to \$11.2 million in the prior year. One-time IPO-related costs of \$9.2 million are the primary reason for the increase in SG&A, coupled with an uptick in our share-based compensation, which grew to \$3 million from \$1.1 million in the prior year.

If we exclude non-recurring IPO costs, our SG&A would have been \$14.7 million, or 13% of our revenues, as compared to 14% of our revenues in 2014. For the full-year 2016, we expect SG&A to grow consistent with historical growth rates. Our tax expense for the year came in at \$11 million, or 21% on an adjusted profit basis. For the full-year 2016, we expect our effective tax rate to be in line with the adjusted 2015 rate.

Our adjusted net profit for the year was \$43.4 million, which was up 67% from 2014. Our adjustments in net profit included the add-back of share-based compensation net of tax, IPO listing fees, non-cash loss for the accretion of amortized costs related to redeemable class D shares, and the fair value adjustment of certain conversion options.

One item of particular significance is the fair value adjustment of \$210 million, which is a non-cash, non-recurring item associated with the market-to-market re-valuation of the conversion options held by our pre-IPO minority investors, which were exercisable in the event we did not go public.

This one-time item reversed upon our public offering, however, the offset did not flow through the P&L, rather was an offset in the equity. For a full breakdown of these adjustments, please see our adjusted profit reconciliation. The important thing to remember here is this loss is both non-recurring and non-cash. Our capital expenditures for the year were \$19.6 million, and mainly the result of continued rollout of our full revenue-sharing theaters. For this year, we will have few one-off CapEx items associated with continuing to expand our DMR capabilities, and establishing a screening room in China. We do not expect this facility to have a meaningful impact on our cost or margins. Its primary purpose is to further integrate IMAX China with local directors, talent and film studios, as we have so successfully done in Hollywood.

Looking at our balance sheet, we ended the year with a cash balance of \$91 million. All-in-all, we believe 2015 turned out to be a highly impressive year. We delivered strong results on both top and bottom line, added 75 new screens to the network, and successfully listed the business in the Hong Kong Stock Exchange.

Momentum from 2015 has carried into this year with successful film releases like "Star Wars", "Kung Fu Panda 3" and "Monkey King 2." And while we have seen very strong growth over the past several years, we believe our success in China is just the beginning.

With that, I'll turn it over to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) And we'll now take the first question from the line of Gary Yu with Morgan Stanley. Please go ahead.



Gary Yu - *Morgan Stanley - Analyst*

I have three questions from my side. First, on your installation guidance, I realize there is a significant increase in full revenue sharing installation. Are these theaters all coming from Wanda, or you are expecting some other partners with timing of new revenue-sharing arrangement? So, that's the first one.

Rich Gelfond - *IMAX China - Chairman*

I'm sorry. Why don't you ask them one at a time? You could ask them all; I want to make sure I answer them fully. But, yes, the first one is, the increase in guidance is coming from revenue share deals with Wanda, you are correct.

Gary Yu - *Morgan Stanley - Analyst*

And second question is partly related to that. If I remember correctly, by the end of 2016, probably we have installed most of the backlog we signed with Wanda. So, are we negotiating with Wanda on potential new contracts, given the strong installation that we're expecting in 2016?

Rich Gelfond - *IMAX China - Chairman*

Again, you're correct. That virtually pulls the bucket under the existing contracts and, obviously, we don't really comment about future contracts, but I would say to you that it's our expectation that we would enter into an additional agreement with Wanda and we'll keep you posted as to the status of that. But I'm sorry, I really can't say more about that right now.

Gary Yu - *Morgan Stanley - Analyst*

Last question on city breakdown; appreciated the majority of the new installation and backlog beyond tier one cities. Could you also share some color on what the breakdown of tier two versus tier three, four cities in terms of existing theater, and also the backlog to be installed in the next couple of years?

Rich Gelfond - *IMAX China - Chairman*

We don't really break it down that way. All I could say to you is it's relatively consistent with the way our existing network breaks down. I know you have an access to that data. So, it's not dramatically different than our existing network.

And your questions about Wanda are good ones, and I think we're very pleased to see them accelerating their install pattern. I think that's a very good sign for the future.

Operator

We'll now take your next question from Mandy Chen with Bank of America. Please go ahead.

Mandy Chen - *Bank of America - Analyst*

I have two questions. The first one, for Hollywood, there will be very clear same slate leases, but in the Chinese language films, we don't have much color on that. Would you mind commenting what will be the Chinese language IMAX film this year?

Jiande Chen - *IMAX China - CEO*

This year, we have a very extensive start, and as we all know, we have the "Mojin" we had the "Monkey King" and we had "Kung Fu Panda 3" and then "Crouching Tiger", and so, then, in the following few months and we are in the final stage to talk to the local studios to finalize all these movies we have been putting into our windows.

Rich Gelfond - *IMAX China - Chairman*

And we would expect it will be somewhere between 8 to 10 movies this year, local language movies. We just haven't announced them yet, but we're far along in those discussions.

Mandy Chen - *Bank of America - Analyst*

I see. With the [Film Fund] that you're going to invest out, how many movies do you think will be the potential split between the Hollywood movies and the domestic Chinese language MAX film? Will it be half-half, or will it be -

Rich Gelfond - *IMAX China - Chairman*

We'll only invest in Chinese local language movies out of the fund, and approximately be two movies a year. It could be one to three, I'd say, it could be three. But the target rate would be around two a year.

Mandy Chen - *Bank of America - Analyst*

And other question is on the laser product. So, will you roll out any laser product in China, or would that affect increasing costs for the installations?

Jim Athanasopoulos - *IMAX China - CFO, COO*

Yes. So far this year, we've had two laser upgrades as part of an original contract, one is under a full revenue-sharing arrangement and one is under a sale revenue-sharing arrangement. Yes, the costs for laser are high, so the margins aren't going to be what they're at currently with our sale agreements, but again, our laser products are meant for the biggest theaters that are out there - iconic locations, big screens, so we have a product available that has IMAX quality for those size screens.

Mandy Chen - *Bank of America - Analyst*

What's the cost for the laser screen compared to the normal screen that you booked on the comp side?

Rich Gelfond - *IMAX China - Chairman*

It's interesting, because the laser cost depends on the size of the screen. The bigger the screen, the more lasers you use. So, it's a higher cost than the Xenon screen. But you really can't generalize from one screen to the other. It depends on the particular location.

Operator

We'll now take your next question from the line of Richard Huang with Nomura. Please go ahead.

Richard Huang - *Nomura Group - Analyst*

I just have two questions. First one is can the management probably comment a little bit about the expansion of Dolby into China, apparently? They're trying to approach one of your bigger customers. I mean, can you sort of highlight maybe some of the differences between the two technologies because I'm aware that they already have a business presence in America. And I'll ask my second question later on.

Rich Gelfond - *IMAX China - Chairman*

So, there are many differences. Dolby is a company that's been exclusively in the sound business, in the sound standards business. They introduced their first theaters about a year ago. They have a network of about 15 theaters in the world and three customers. IMAX has over 1,000 theaters. We've been in our business for 45 years. Our brand is well-known, we have almost 100% brand awareness in China.

As far as my understanding about Dolby, I don't think related to cinema, they have any brand awareness in China. On a head-to-head comparison basis of the 10 that exist in North America, Dolby theaters on a per-screen basis and using incrementality versus cannibalization, the IMAX business tends to be incremental and the Dolby business in the early stages appear to be cannibalistic.

They have one customer in the United States and one customer in China. IMAX has hundreds of customers around the world. IMAX is an end-to-end solution, which means we use proprietary cameras, proprietary projection systems, real-time feedback loops where we monitor during every show kind of what's going on in the theater, so we know if the bulb is going down. We work with filmmakers, we work with studios. Dolby gets - they have some proprietary technology, but then they get the movie from the studio, the same one showing in the screen next door. They don't treat the movie, and then they play it.

Commenting further on the relationship, I think Wanda is trying to provide its clients with a broad array of choices. So, at the same time, they announced the Dolby deal, they also announced the deal for 4DX, which is moving seats coupled with an image. They have another private theater product, and they think as out-of-home entertainment expands, they want to offer the consumer a number of choices, which makes a lot of sense to me.

But in the United States, there have been, besides Dolby, private label competitors for the last five or six years, and ironically, when they're in the same location, they seem to have a positive impact on IMAX rather than a negative impact, meaning IMAX's percentage at the multiplex seems to go up rather than down.

Richard Huang - *Nomura Group - Analyst*

And just one follow-up question is the Company - I mean, is very cash-generative, and I'm just curious on the usage of the cash going forward. I mean, there's been somehow on the plan?

Rich Gelfond - *IMAX China - Chairman*

Well, I think when you see the notice, which we sent the exchange, we go into more detail on that tomorrow, but it would be to open more joint revenue-sharing theaters, it would be - we're building a screening room and a postproduction facility in China. We'll also go and examine the possibility of acquiring interest in complementary businesses that make sense with the IMAX brand and the IMAX ecosystem.

Operator

We'll now take our next question from the line of Yi Dai with Goldman Sachs. Please go ahead.



Yi Dai - *Goldman Sachs - Analyst*

I have one question about competition from the China Giant Screen. We found that in China, there is more and more Hollywood films, also provided a double versions, including the China Giant Screen version and the IMAX version. And it looks like that is getting harder and harder to get exclusive partnership with the Hollywood players on some blockbusters. So, what's your view on this and what are the actions they might take to avoid this?

Rich Gelfond - *IMAX China - Chairman*

Because IMAX, in our deals with the studios, we don't ask for exclusivity. And in fact, it plays in regular screens, right? Small screens as well as in IMAX theaters. And we feel that our experience is sufficiently better than anyone else that exclusivity doesn't matter to us.

Our clients know how much better we are, and if you look at our results for 2015, our phenomenal box office growth, and you look at this year's results, particularly the local language things where we're doing close to 10% or more than 10% of the country's box office on 1% to 2% of the screens. The public understands very well, as far as China Giant Screen is concerned, they don't do the same per screen averages we do. They're not close, they provide an experience in the areas which probably couldn't afford an IMAX theater, or maybe the demographic isn't there. So, we view it as complementary, not really competitive.

Yi Dai - *Goldman Sachs - Analyst*

And I have another question about some disruptive technology, such as VR rising very quickly, and I learned that some Chinese cinemas are beginning to install some VR cinemas. So, what's your view on this sort of technology? Would that be very disruptive to the traditional cinemas, including IMAX system?

Rich Gelfond - *IMAX China - Chairman*

I don't think it will be disruptive. I think it's very interesting technology. And in fact, at IMAX, we're exploring different VR options. Frankly, there are hundreds, if not thousands of VR offerings that are in their early stages of being released. And I think it's very hard to say which VR technology is going to win out.

On the other hand, we're starting to have early discussions about what the right technology under the IMAX brand would be. But I don't know how much experience you've had looking at systems, but we have a team of people that's actually examined a number of VR options. And I think when we get closer to figuring it out, we'll probably get involved, but IMAX and cinema in general is a social experience and VR tends to be a little bit more of a solitary experience. So, I think there's a place in the entertainment landscape for VR and I think there's a place where IMAX can play in that landscape, but I don't really see it as a competitive offering.

Yi Dai - *Goldman Sachs - Analyst*

And I have the last question about the private cinema business. I think you already have a very good start in China rolling about 80 private cinemas right now. So, what's your expectation for the 2015 if [expectation] in China and worldwide?

Rich Gelfond - *IMAX China - Chairman*

Well, as I think Jim said during his remarks, we don't really expect the TCL joint ventures private cinema to have an impact on our earnings one way or another in 2016. And our investment is scaled. So, we haven't put a lot of money in it, it's going pretty well in the early stages. And as we roll it out, we'll see how it goes. So, if it goes well, we'll invest more and we'll expect achieved results in 2017 and beyond. And if it doesn't go as fast as we like, we'll achieve positive financial results later.

But it's a new product that was just launched about six months ago. So, I think it would be premature to give predictions.

Operator

We'll now take our next question from the line of John Liu with HSBC. Please go ahead.

John Liu - HSBC - Analyst

I have two questions. First, do you worry about the margin as we move further into tier three and tier four cities? As fewer people there can afford IMAX film, and the payback period should be longer, right?

Rich Gelfond - IMAX China - Chairman

The answer is, no, I don't worry about the margins in those markets. We've rolled out theaters in tier - as I said, only about 15% are in tier one cities. And if you look at our per-screen box office, this year exceeded that of the last three years and we had a lot of [information] this year.

I kind of agree with part of your premise. I think in a tier three or tier four city, you wouldn't have so much density of IMAX theater, but there's still a segment of the population that could afford it.

So, if you were in Beijing or Shanghai, you probably have tighter density, whereas in a tier three or a tier four city, you might have less theaters, but the ones that we do have, there are enough people that could afford them, and interestingly, the same thing applies in other countries. So, in the United States, in places you've never heard of, like Sparks Nevada and Hooksett, New Hampshire, are some of our best grossing theaters. So, I think worldwide, there's also less competition in tier three and tier four cities. So, it is not an opera hall, there is not sporting events. So, I think we find that we do play well in those markets, so there is no difference in the margin.

John Liu - HSBC - Analyst

My question is about the China Film Fund. And could you elaborate more on this fund. What will they further invest in the content and in the distribution and something like that?

Rich Gelfond - IMAX China - Chairman

So, the idea would be, let's say we're talking to one of the Chinese studios about doing a film over Chinese New Year in 2017. And they're very excited about (inaudible) and they want an IMAX release. Will I ask for a copy of the script? Will I ask who's cast in it, will ask who's directing the movie? And then we'll say, well, we're interested in releasing it in IMAX, but we're only interested if we could also invest side-by-side with you.

So, we wouldn't be making the movies. We wouldn't be the producer. But we'd be a side-by-side investor. But we would insist on the same pari passu returns in the same proportion. But it's a way, right now, as you know, we get a fee from either our joint revenue share or a sale-type lease, we get our fee from the studio that's releasing it. But we would also own a part of the negative. So, I hope that's responsive to your question.

Operator

We'll now take the next question from the line of Liping Zhao with CICC. Please go ahead.



Liping Zhao - CICC - Analyst

I have two questions here. The first one is related to the economic growth. Due to the soft economics growth in China, actually the market is concerned that the construction of commercial real estate will slow down in the next few years. I don't know whether you have seen the delays of some of the installations in your backlog due to this reason?

Rich Gelfond - IMAX China - Chairman

We have not. As a matter of fact, as we said on this call, our backlog has accelerated, so Wanda asked to install 20 more theaters than they did just a few months ago. So, we haven't seen that. That will be my first reaction.

The second is, on worldwide basis, cinema in general and IMAX tends to do very well in recessionary environments. Because people cut back on high-end expenses, like travel or luxury goods, but they tend to do things like go to the movies.

So, historically around the world - and then the third thing, I would say is Chinese New Year this year, as I said, the Chinese box office in general was up 87% year-over-year. So, I read a lot of articles about economic issues, but they really don't seem to be affecting the cinema industry.

So, in 2008 and 2009 and 2010, in North America, for example, during the deep financial crisis, those are some of the best years we had on a per-screen basis in IMAX. So, I don't really think it's going to be a major factor.

Liping Zhao - CICC - Analyst

Just as more follow-up; as I remember that Wanda is the only partner that you will sign the full revenue share arrangement contract, right? Do you, like, planning to extend this arrangements to other partners as well?

Rich Gelfond - IMAX China - Chairman

The answer is yes. Wanda was the first and they signed that agreement, which gave them some degree of exclusivity around that business model. There were others that also could do it. But that's expired and depending if we find the right partner with the right financial condition and the right operating expertise, we started with Wanda because they were such an excellent marketing company, so financially solid, and we thought they were a great partner, but if we found someone else with those characteristics we would do it again.

Liping Zhao - CICC - Analyst

And my last question is about the foreign exchange. Because due to the fluctuation on the ForEx market, actually, I think the - I don't know whether you have a foreign exchange hedging strategy on your side?

Rich Gelfond - IMAX China - Chairman

We don't generally hedge. Again, there is a natural hedge, because remember, many of the expenses in IMAX China are in RMB, they're not in foreign currency. If you look this year, where there was a move, it had a very minimal effect on our financial results, obviously, you can tell by the results. We have a little bit of exposure, but we don't view it as material exposures.

Is there anything you want to add, Jim?

Jim Athanasopoulos - *IMAX China - CFO, COO*

We're keeping a close eye on it. As Rick said, there is a natural hedge involved with our operating expenses. We do purchase our equipment from IMAX Corp. in US Dollars, so there's a little bit of exposure there, but we're definitely keeping an eye on that and we'll be monitoring and taking next steps appropriately, but so far we've been fine with it.

PRESENTATION

Rich Gelfond - *IMAX China - Chairman*

I think that's the end of the questions. We want to thank you all for joining us, which is - it's historic, because it's our first call as a public company in China. Our business is clearly performing on all fronts. We're adding theaters at a rapid pace, growing box office and per screen averages. And most importantly, delivering a differentiated experience that resonates with the growing Chinese consumer-base that is more interested in experience-driven consumption than shopping and retail.

Despite concerns over a macroeconomic slowdown in the region, we continue to see business that has never been better and a commitment from our exhibitors that has never wavered.

As we look at development plans in China, our partners are building out the malls of the future and these malls are being filled with restaurants, bars, live entertainment, indoor parks, and of course, IMAX. We're thrilled to be such an integral part of these developments and the future of entertainment in China.

With that, I'd like to thank our shareholders for their continued support and belief in our business. Going public during tumultuous markets is never an easy decision. However, when your business is performing at such strong levels, the decision becomes far easier. I'd also like to particularly extend my utmost gratitude to the employees of IMAX China who make all of this possible. Thank you all.

Operator

Ladies and gentlemen, this concludes today's call. Thank you for your participation, and you may now disconnect your lines.

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