



Third Quarter 2016 Results

October 20, 2016

Forward-Looking Statements

This presentation contains forward looking statements that are based on IMAX management's assumptions and existing information and involve certain risks and uncertainties which could cause actual results to differ materially from future results expressed or implied by such forward looking statements. All statements other than statements of fact could be deemed forward-looking, including, without limitation, references to future capital expenditures (including the amount and nature thereof), business and technology strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of business, operations and technology, plans and references to the future success of IMAX Corporation together with its consolidated subsidiaries (the "Company") and expectations regarding the Company's future operating, financial and technological results. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the expectations and predictions of the Company is subject to a number of risks and uncertainties, including, but not limited to, the signing of theater system agreements; conditions, changes and developments in the commercial exhibition industry; the performance of IMAX DMR films; the potential impact of increased competition in the markets within which the Company operates; competitive actions by other companies; the failure to respond to change and advancements in digital technology; risks associated with investments and operations in foreign jurisdictions and any future international expansion, including those related to economic, political and regulatory policies of local governments and laws and policies of the United States and Canada; risks related to the Company's growth and operations in China; the Company's largest customer accounting for a significant portion of the Company's revenue and backlog; risks related to new business initiatives; conditions in the in-home and out-of-home entertainment industries; the opportunities (or lack thereof) that may be presented to and pursued by the Company; risks related to cyber-security; risks related to the Company's inability to protect its intellectual property; risks related to the Company's implementation of a new enterprise resource planning system; general economic, market or business conditions; the failure to convert theater system backlog into revenue; changes in laws or regulations; and other factors, many of which are beyond the control of the Company. These factors, other risks and uncertainties and financial details are discussed in IMAX's most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

Use of Non-GAAP Financial Information

In this presentation, the Company presents adjusted net income, adjusted net income per diluted share, adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share as supplemental measures of performance of the Company, which are not recognized under U.S. GAAP. The Company presents adjusted net income and adjusted net income per diluted share because it believes that they are important supplemental measures of its comparable controllable operating performance and it wants to ensure that its investors fully understand the impact of its stock-based compensation (net of any related tax impact) on net income. In addition, the Company presents adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share because it believes that they are important supplemental measures of its comparable financial results and could potentially distort the analysis of trends in business performance and it wants to ensure that its investors fully understand the impact of net income attributable to non-controlling interests and its stock-based compensation (net of any related tax impact) in determining net income attributable to common shareholders. Management uses these measures to review operating performance on a comparable basis from period to period. However, these non-GAAP measures may not be comparable to similarly titled amounts reported by other companies. Adjusted net income, adjusted net income per diluted share, adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share should be considered in addition to, and not as a substitute for, net income and net income attributable to common shareholders and other measures of financial performance reported in accordance with U.S. GAAP. Definitions of these non-GAAP financial measures and reconciliations to the most directly comparable GAAP financial measures are included elsewhere in this presentation.

Third Quarter Business Highlights

Continued signings and installations momentum sets stage for robust 2017 film slate

Systems

- Signed record 162 IMAX theater systems in the quarter
- Installed a third-quarter record 50 theaters
 - Includes two laser upgrades in Q3 '16, vs. one digital and seven laser upgrades in Q3 '15, respectively
- Announced pilot virtual reality facilities in L.A. and Manchester, England, both to open late 2016

Film

- Gross box office from DMR titles of \$186.3 million in Q3 2016, down 2% vs. prior year
 - Domestic box office of \$68.1 million, up 12% y-o-y driven by PSA growth of 8%
 - RoW box office of \$63.0 million, up 7% y-o-y
 - Greater China box office of \$55.2 million, down 22% y-o-y
- Worldwide PSA of \$184.7 thousand in Q3 2016, down 16% vs. prior year
 - Domestic PSA of \$174.2 thousand, up 8% y-o-y
 - RoW PSA of \$213.7 thousand, down 9% y-o-y
 - Greater China PSA of \$170.9 thousand, down 43% y-o-y

Q3 Financial Summary

Q3 - 2016	<u>Financial Results</u> (\$ in millions, except per share)
Gross Box Office	\$186.3
IMAX Theater Systems	\$55.7
Film	\$26.0
Other	\$4.9
Total Revenue	\$86.6
GAAP Net Income	\$2.5
GAAP EPS, Diluted	\$0.04
Adj. Net Income	\$7.9
Adj. EPS, Diluted	\$0.12
Adj. Gross EBITDA	\$29.2
Adj. Attributable EBITDA	\$24.5

*Please see appendix for details regarding non-GAAP adjustments and for the definition and reconciliation of EBITDA as calculated in accordance with the Company's credit facility.

Core Business and New Initiative Reconciliation*

<u>Q3 – 2016</u> <u>(\$ in millions,</u> <u>except EPS)</u>	<u>Core</u> <u>Network</u> <u>Business</u>	<u>New</u> <u>Initiatives⁽¹⁾</u>	<u>Minority</u> <u>Interest</u>	<u>IMAX</u> <u>Consolidated⁽²⁾</u>
Revenue	\$86.1	\$0.5	-	\$86.6
Gross Margin	\$45.2	(\$0.3)	-	\$44.9
GAAP Net Income (Loss)	\$6.7	(\$2.3)	(\$1.9)	\$2.5
GAAP EPS, Diluted	\$0.10	(\$0.03)	(\$0.03)	\$0.04
Adj. Net Income (Loss)	\$12.2	(\$2.3)	(\$2.0)	\$7.9
Adj. EPS, Diluted	\$0.18	(\$0.03)	(\$0.03)	\$0.12
Adj. Gross EBITDA	\$31.0	(\$1.8)	-	\$29.2
Adj. Attributable EBITDA	\$31.0	(\$1.8)	(\$4.7)	\$24.5

(1) Includes Home/TCL, IMAX Shift and the VR initiative.

(2) Totals may not foot due to rounding.

*Please see appendix for details regarding non-GAAP adjustments and for the definition and reconciliation of EBITDA as calculated in accordance with the Company's credit facility.

**This table is a pro-forma calculation and is to be used for directional purposes only.

Other Financial Highlights

Cash Returned to Shareholders	<ul style="list-style-type: none">Repurchased 500,000 shares in the quarter, returning \$15 million to shareholders
Operating Expenses⁽¹⁾	<ul style="list-style-type: none">OpEx represented 32% of revenue in Q3 2016, compared to 28% in Q3 2015
Effective Tax Rate	<ul style="list-style-type: none">Q3 2016 effective tax rate of approximately 33%
Capital Expenditure⁽²⁾	<ul style="list-style-type: none">Capital expenditures of \$52.7 million in the first nine months of 2016, compared to \$75.1 million in the first nine months of 2015
Free Cash Flow	<ul style="list-style-type: none">Ended the quarter with cash balance of \$218M, inclusive of over \$100M spent on share buybacks through the first nine months

(1) Includes SG&A and R&D, and excludes stock-based compensation.

(2) Includes the Company's investment in joint revenue sharing equipment, purchase of property, plant and equipment, other intangible assets and investments in film assets.

Guidance Summary

2016 & 2017 Installation Guidance

- FY 2016 Install guidance of 155 to 160 theaters
 - Q4 install guidance of roughly 63 theatres- 17 STL, 35 Full JV, 11 Hybrid
- Initial 2017 installation guidance suggests similar to 2016 levels

Full Year 2016 Operating Expense Guidance

- Core SG&A of \$91 million, in line with 2015
 - SG&A related to new initiatives of \$2.5 million in 2016, compared to \$3 million last year
- Core R&D of \$12.5 million in 2016
 - R&D related to new business to account for \$3.5 million
- Total Core Opex of approximately \$103 million to \$104 million
 - Opex related to new business of approximately \$6.5 million in 2016, in line with 2015

Full Year 2016 Minority Interest Guidance

- Minority interest impact to EBITDA estimated at \$19 million to \$20 million in 2016
- Minority interest impact to net earnings estimated at \$11 million and \$12 million in 2016

APPENDIX

Non-GAAP Financial Reconciliation- Adjusted Earnings Per Share

Adjusted Net Income and Adjusted Diluted Per Share Calculations – Quarter Ended September 30, 2016 vs. 2015:

The Company reported net income of \$4.4 million or \$0.07 per basic and diluted share for the third quarter of 2016, as compared to net income of \$10.5 million or \$0.15 per basic share and \$0.14 per diluted share for the third quarter of 2015. Net income for the third quarter of 2016 includes a \$7.7 million charge or \$0.11 per diluted share (2015 — \$4.3 million or \$0.06 per diluted share) for stock-based compensation. Adjusted net income, which consists of net income excluding the impact of stock-based compensation and the related tax impact, was \$9.9 million or \$0.15 per diluted share for the third quarter of 2016, as compared to adjusted net income of \$13.9 million or \$0.19 per diluted share for the third quarter of 2015. Adjusted net income attributable to common shareholders, which consists of net income attributable to common shareholders excluding the impact of stock-based compensation and the related tax impact, was \$7.9 million or \$0.12 per diluted share for the third quarter of 2016, as compared to adjusted net income attributable to common shareholders of \$12.0 million or \$0.17 per diluted share for the third quarter of 2015. A reconciliation of net income and net income attributable to common shareholders, the most directly comparable U.S. GAAP measure, to adjusted net income, adjusted net income per diluted share, adjusted net income attributable to common shareholders and adjusted net income attributable to common shareholders per diluted share is presented in the table below:

	Quarter Ended September 30,			
	2016		2015	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Reported net income	\$ 4,384	\$ 0.07	\$ 10,514	\$ 0.14 ⁽¹⁾
Adjustments:				
Stock-based compensation	7,742	0.11	4,252	0.06
Tax impact on items listed above	(2,210)	(0.03)	(901)	(0.01)
Adjusted net income	9,916	0.15	13,865	0.19 ⁽¹⁾
Net income attributable to non-controlling interests	(1,859)	(0.03)	(1,904)	(0.02)
Stock-based compensation (net of tax of less than \$0.1 million) attributable to non-controlling interests	(128)	-	-	-
Adjusted net income attributable to common shareholders	\$ 7,929	\$ 0.12	\$ 11,961	\$ 0.17 ⁽¹⁾
Weighted average diluted shares outstanding		67,746		70,860

(1) Includes impact of \$0.3 million of accretion charges associated with redeemable Class C shares of IMAX China.

Non-GAAP Financial Reconciliation- EBITDA

	For the 3 months ended September 30, 2016	For the 12 months ended September 30, 2016 ⁽¹⁾
<i>(In thousands of U.S. Dollars)</i>		
Net income	\$ 4,384	\$ 53,489
Add (subtract):		
Loss from equity accounted investments	690	3,263
Provision for income taxes	2,551	17,279
Interest expense, net of interest income	99	358
Depreciation and amortization, including film asset amortization	11,984	45,036
Write-downs, net of recoveries including asset impairments and receivable provisions	1,654	3,700
Stock and other non-cash compensation	7,882	30,071
EBITDA before non-controlling interests	29,244	153,196
EBITDA attributable to non-controlling interests ⁽²⁾	(4,738)	(20,006)
EBITDA attributable to common shareholders	\$ 24,506	\$ 133,190
Adjusted revenues attributable to common shareholders ⁽³⁾	\$ 77,171	\$ 350,657
Adjusted EBITDA margin	31.8%	38.0%

(1) Ratio of funded debt calculated using twelve months ended EBITDA.

(2) The EBITDA calculation specified for purpose of the minimum EBITDA covenant excludes the reduction in EBITDA from the Company's non-controlling interests.

	3 months ended September 2016	12 months ended September 2016
Total revenues	\$ 86,550	\$ 389,754
Greater China revenues	\$ 29,736	\$ 123,961
Non-controlling interest ownership percentage	31.54%	31.54%
Deduction for non-controlling interest share of revenues	(9,379)	(39,097)
Adjusted revenues attributable to common shareholders	\$ 77,171	\$ 350,657