



# IMAX Second Quarter 2019 Financial Results

July 30, 2019

# 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. Important factors that could affect these statements include, but are not limited to, 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, 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 performance of IMAX DMR films; the signing of theater system agreements; conditions, changes and developments in the commercial exhibition industry; risks related to currency fluctuations; 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 relating to recent consolidation among commercial exhibitors and studios; 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 and data privacy; risks related to the Company's inability to protect the Company's intellectual property; general economic, market or business conditions; the failure to convert theater system backlog into revenue; changes in laws or regulations; the failure to fully realize the projected cost savings and benefits from any of the Company's restructuring initiatives; 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. The Company undertakes no obligation to update publicly or otherwise revise any forward looking statements, whether as a result of new information, future events or otherwise.



# Strategic Update

**Richard Gelfond**

Chief Executive Officer

# Focus on Growing Our Core Business



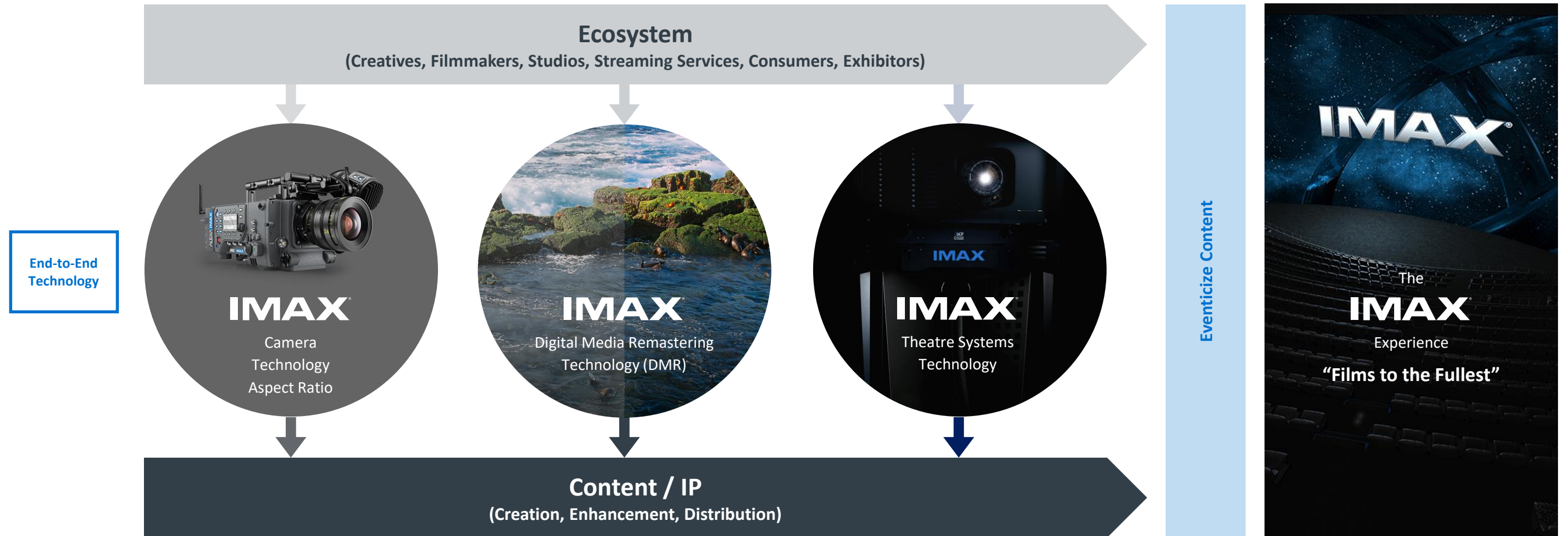
## ... Driving Strong Performance in Q2 Across KPIs<sup>1</sup>

Revenue	↑	+7%
Global Commercial Theatre Network	↑	+10%
Global Box Office	↑	+7%
Domestic Box Office	↓	(6%)
Rest of World Box Office	↑	+1%
Greater China Box Office	↑	+29%
Greater China Same Store Sales (YTD)	↑	+9%
New Theatre Signings	↑	+35%

<sup>1</sup> Percentage and other changes refer to second quarter 2019 vs. second quarter 2018 unless otherwise noted.

Focusing on our Strategy, Delivering Solid Results and Setting Foundation For Growth

# End-to-End Technology Solution Creates “The IMAX Experience”®



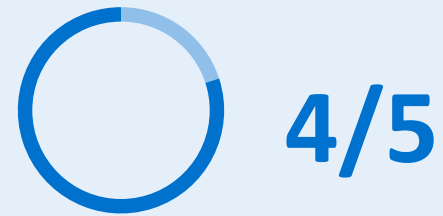
More IMAX DNA in Films Drives Increased Success / Higher Indexing

# The Ever-Expanding Experience Economy



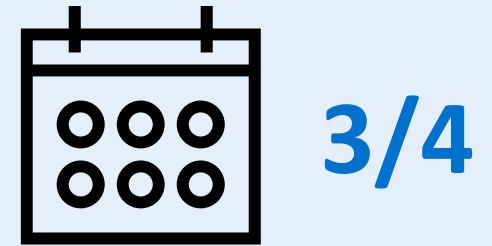
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Global spending on experience is set to rise to \$8T by 2030



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4 out of 5 Millennials say attending live events makes them feel more connected to other people, the community and the world.



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3 out of 4 Millennials would rather spend money on a desirable experience or event than buy a desirable object.

Sources: Euromonitor, Forbes, Financial Review

Trends Support Increasing Demand for “The IMAX Experience<sup>®</sup>”

# Strength of Our China Business

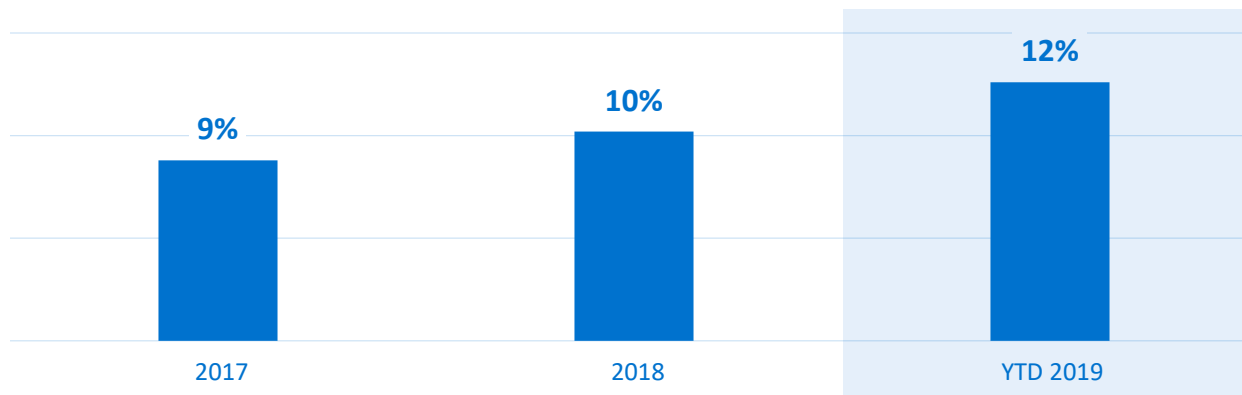
## Business Attributes

- The premium offering and outstanding performance across key metrics
- Strong 2019 slate driving box office growth
- Focus on capital efficient expansion – CGV deal
- Strategic relationship with Maoyan

## Record Performance Across KPIs

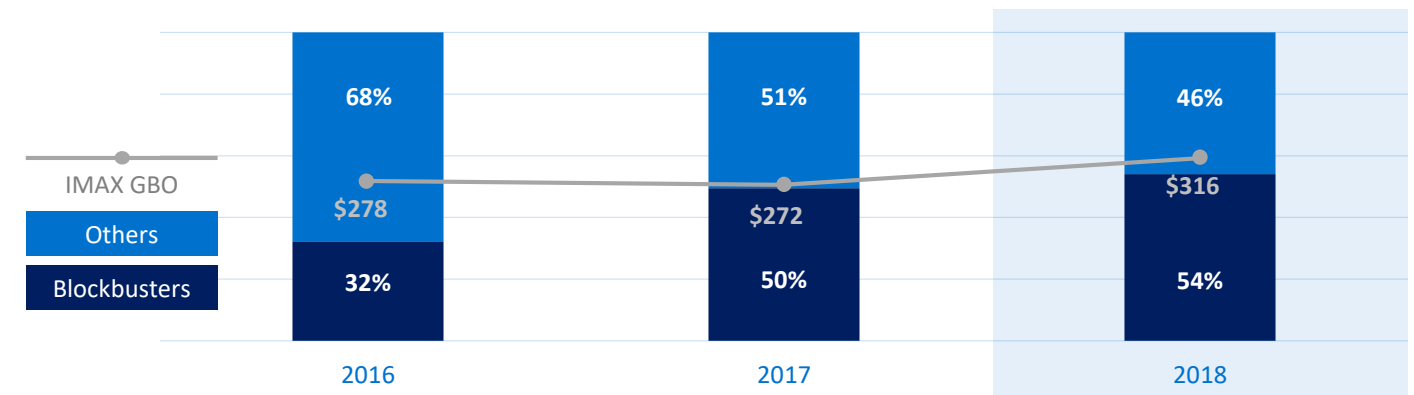
- Record YTD revenue, up +15%
- Record Box Office YTD: Greater China, up 24%; Mainland China, up 35% (RMB)
- Same Store Sales YTD: Greater China, up 9%; Mainland China, up 17% (RMB)
- ROIC TTM for JVs > 20%
- #1 all-time IMAX GBO – Avengers 4 (\$86M)
- #2 all-time IMAX GBO – Wandering Earth (\$48M)

### IMAX Indexing on Opening Weekend Hollywood Films<sup>1</sup>



<sup>1</sup> GBO over RMB 1.0 BN, excl. HK + TW.

### Increasing Box Office from Blockbusters in China<sup>1</sup>



Sources: Ent Group, including service fee, Company Data

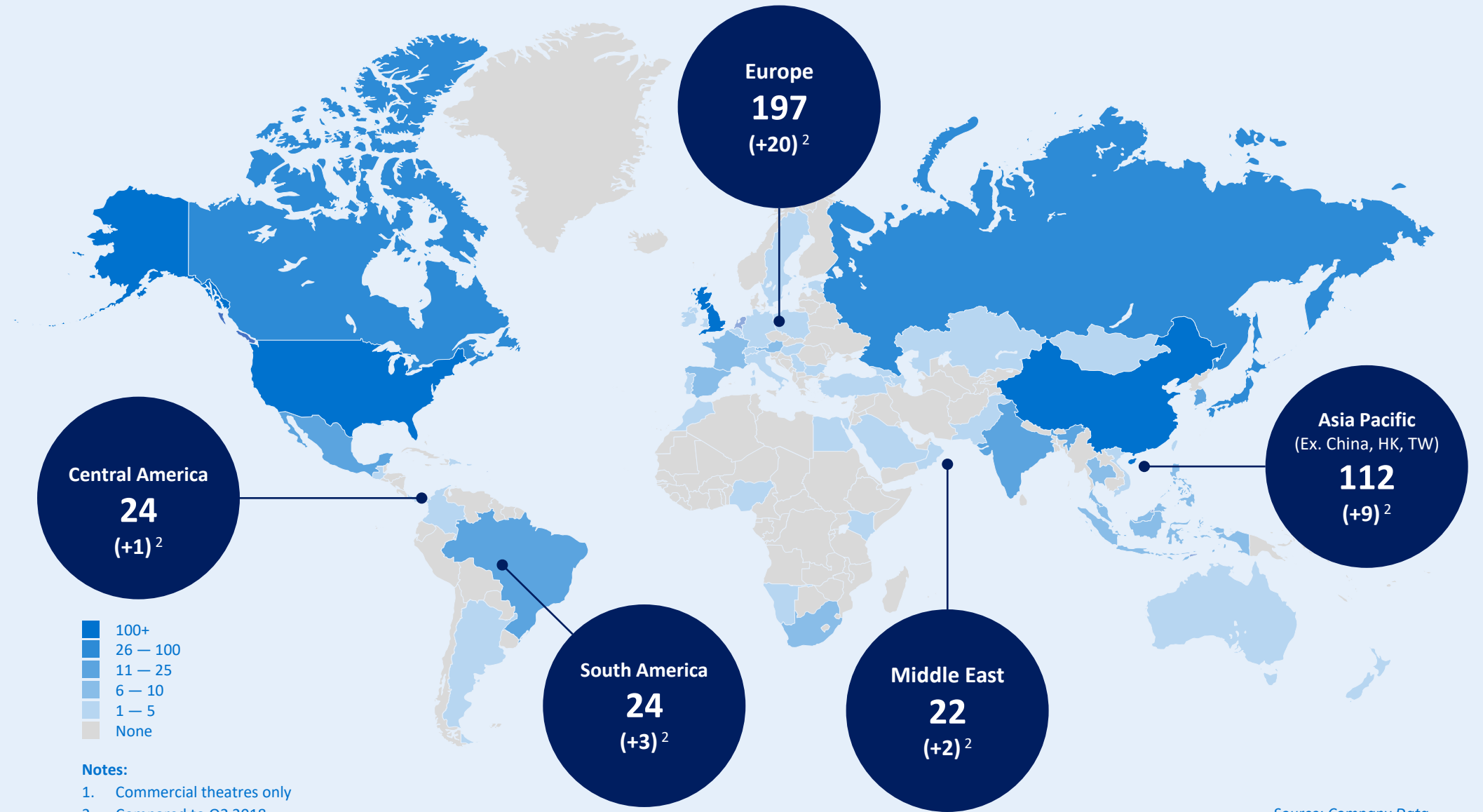
Strong Performance in China Across Key Metrics; Direct Result of Strategic Actions Taken in 2017

# Growing and Diversifying Our Global Network

## Q2 2019 Highlights

- Overall Commercial Network Growth of 10%
- Large Signed Deals:
  - CGV deal in China: 40 theatres
  - Cineworld (Regal): 15 US theatres
- New Theatres in:
  - +5 Norway
  - +4 UK
  - +3 India
  - +3 France
  - +2 Middle East
  - +2 Japan
  - +2 Malaysia
  - +2 Germany
  - +1 Greece

## 1,445 Commercial Theatres in 81 Countries<sup>1</sup>



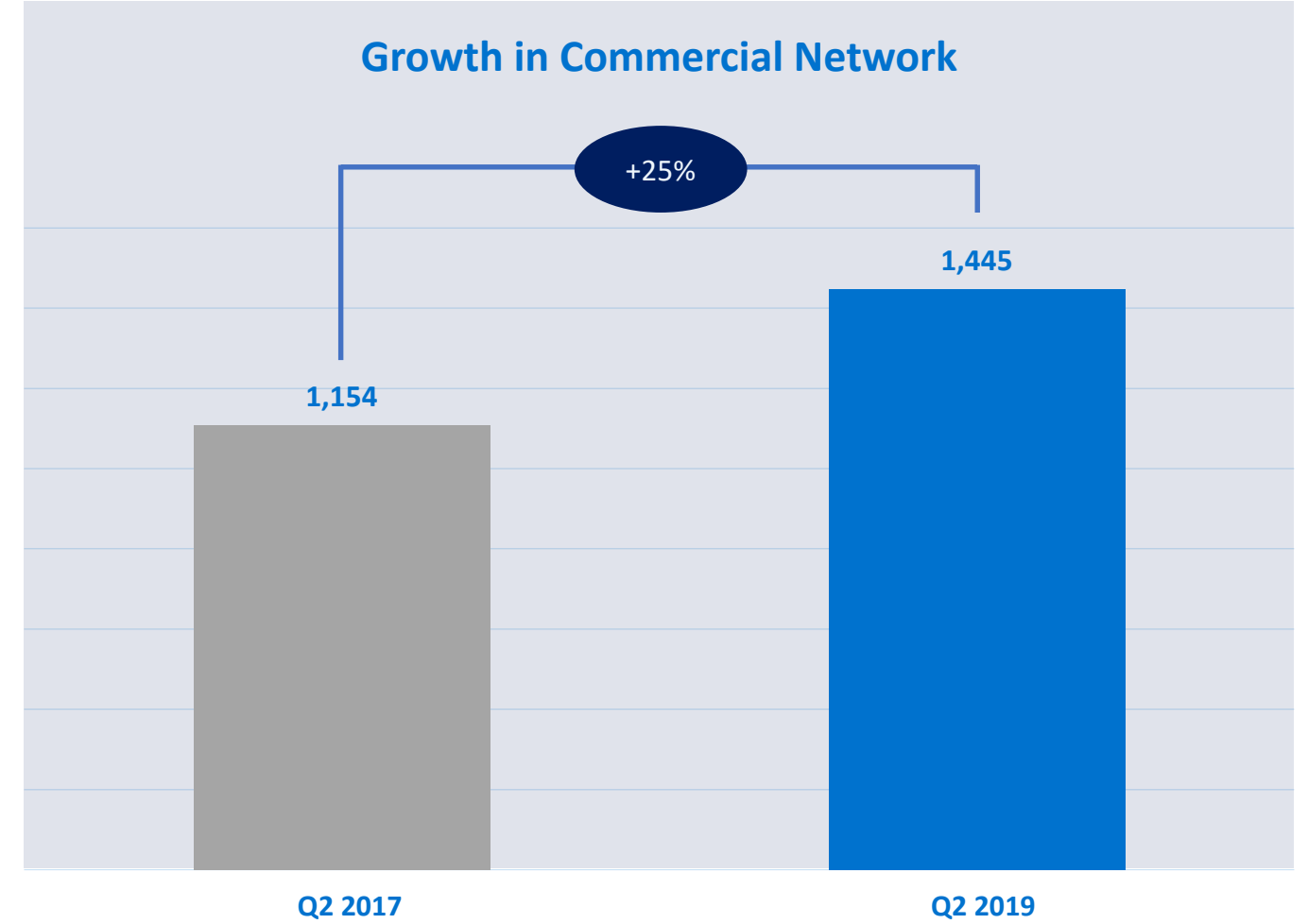
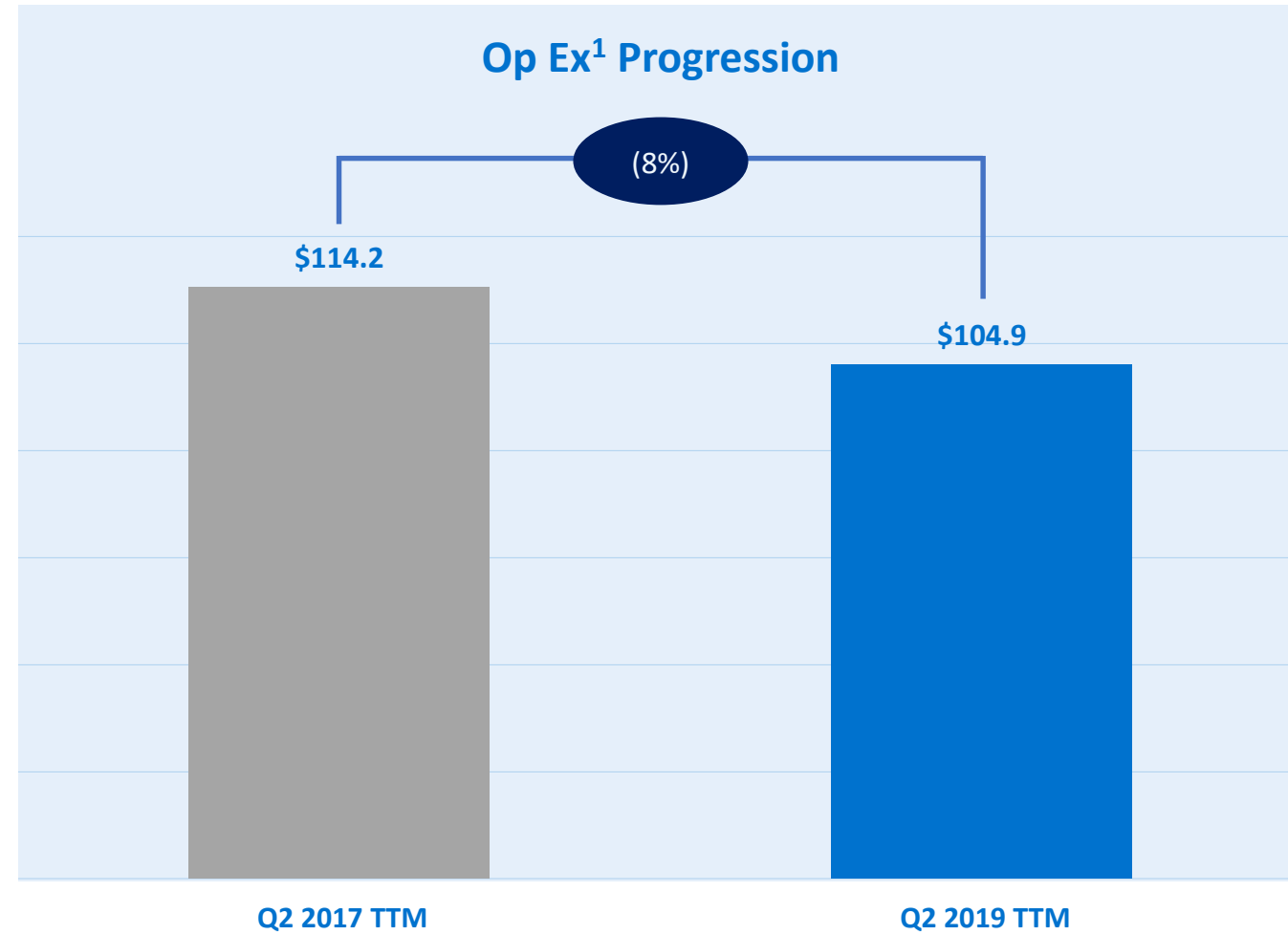
Source: Company Data

**⅓ of GBO Outside North America Providing Strong Geographic Diversification**



# Disciplined Cost Management While Growing the Network

\$ in Millions



<sup>1</sup> Operating expenses defined as selling, general and administrative expenses, less stock-based compensation, plus R+D costs.

Source: Company Data

Op Ex<sup>1</sup> Down While Commercial Network has Grown 25%; Marketing Investments Reinforce Our Position in the Ecosystem and the IMAX Experience<sup>®</sup>

# The Key Growth Attributes of Our Business



## Ecosystem

- Deeply embedded in the fabric of the entertainment industry
- Strong relationships with the most innovative creators

## End-to-End Technology

- Gold standard for the industry
- Full-service from pre-production to the screen

## Content

- Focus on eventicizing content
- Opportunities with sources of alternative content

## Network

- Broadest out-of-home distribution network
- Opportunities to distribute alternative content
- Increasing geographic diversification

Many Opportunities for Growth Along our Value Chain

The image shows the interior of a large IMAX theater. The seats are dark and arranged in a curved, tiered fashion, facing a large screen. The screen displays the IMAX logo in a metallic, 3D font, set against a background of a starry space scene with blue nebulae and a large, glowing blue structure that resembles a stylized 'X' or a futuristic architectural element. The theater's walls are dark, and there are small lights visible on the ceiling.

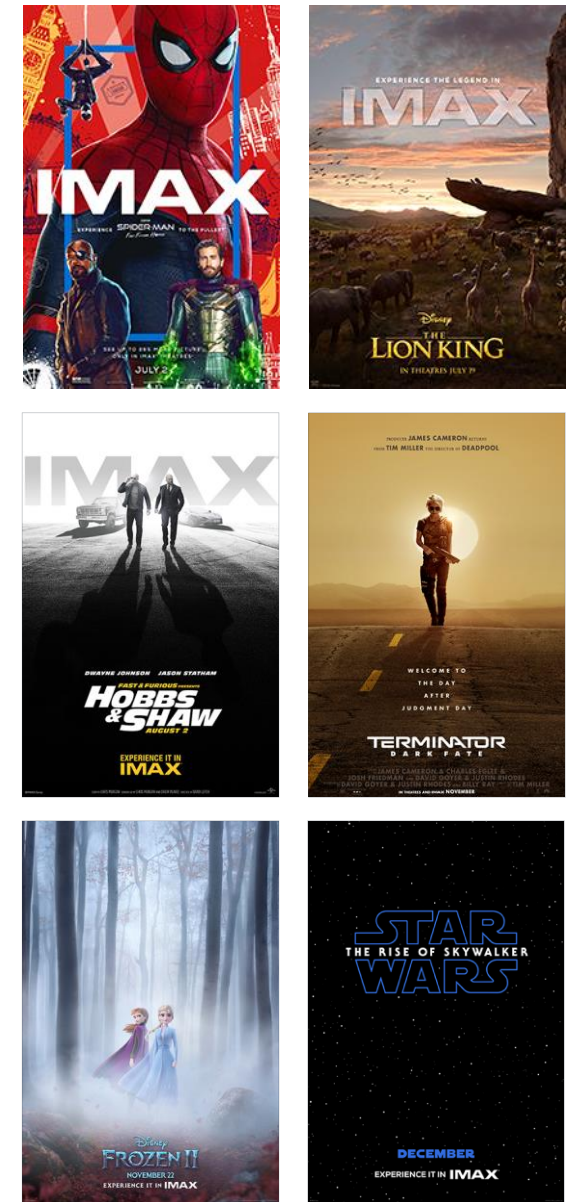
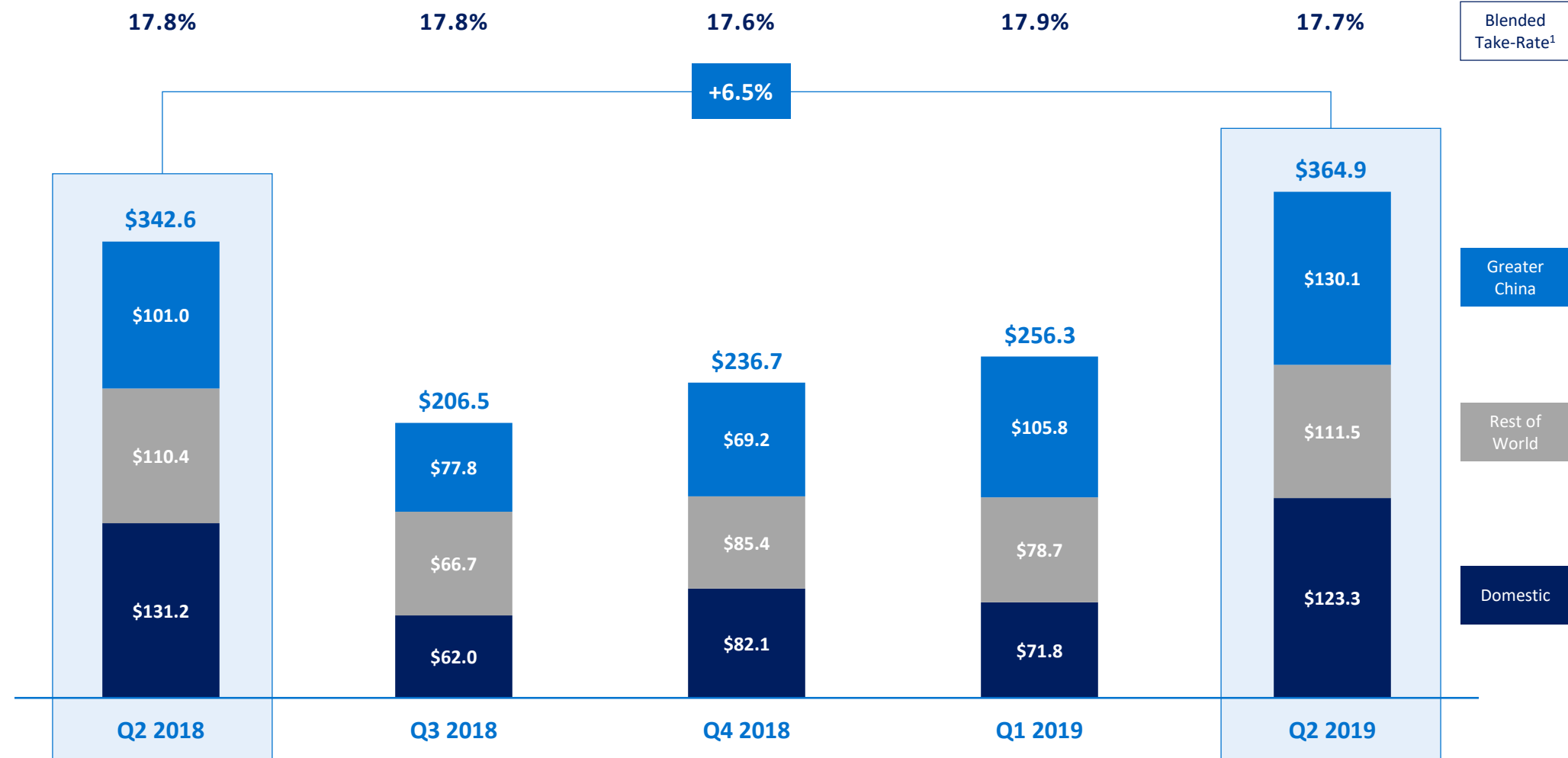
**IMAX<sup>®</sup>**

# Financial Review

**Patrick McClymont**  
Chief Financial Officer

# Global Box Office & Take-Rate<sup>1</sup>

\$ in Millions

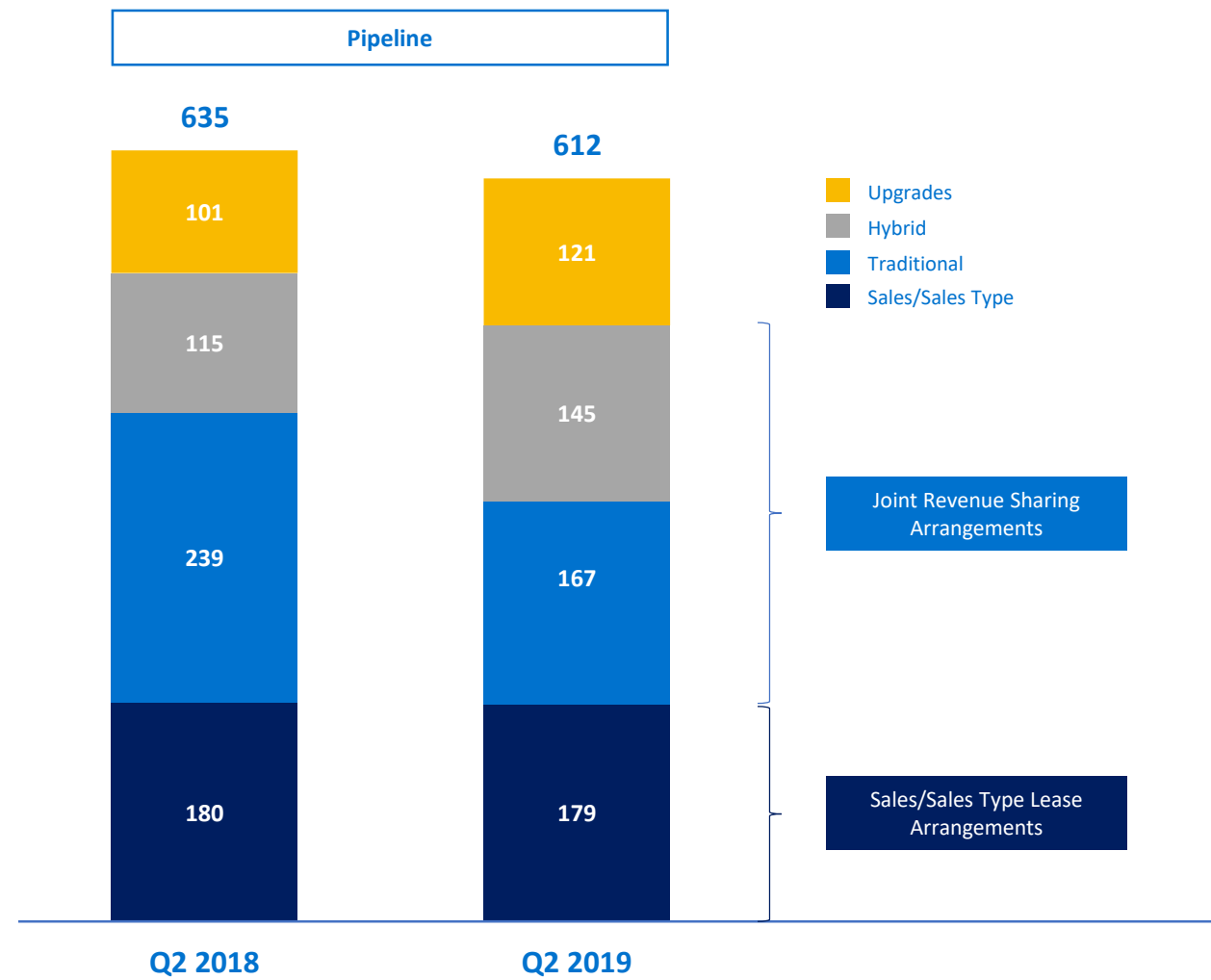


<sup>1</sup> Blended take-rate defined as total Network business revenue divided by global box office.

Source: Company Data

Strength in Box Office Driven by Strong Film Slate and Expanding Network

# Network Update – IMAX Systems Pipeline



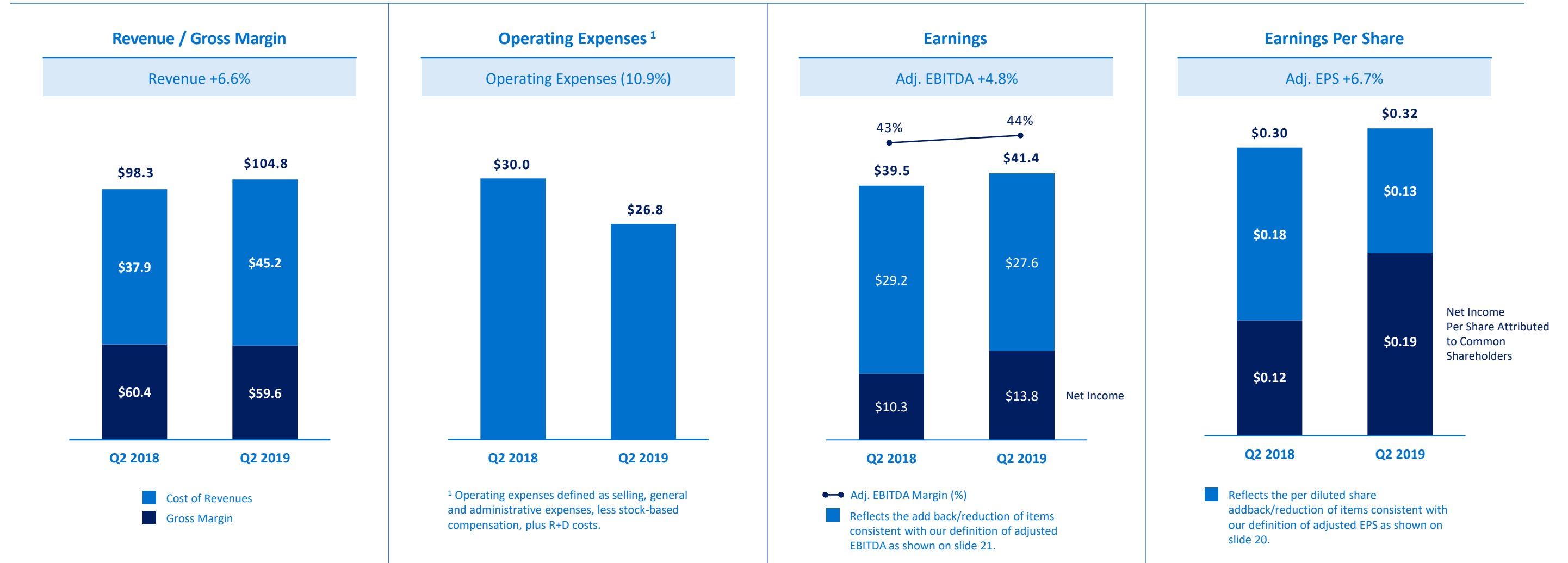
Source: Company Data

Continued Strong Demand for IMAX Systems; High Visibility into Multi-Year Growth

	Q2 2019	
	Signings	Installations
Sales and STL	7	9
JRSA	2	13
Hybrid JRSA	45	5
<b>Total New</b>	<b>54</b>	<b>27</b>
Upgrades	19	8
<b>Total Theatres</b>	<b>73</b>	<b>35</b>

# Q2 2019 Financial Summary

\$ in Millions, Except EPS Data



Source: Company Data

Solid Operating Results and Cost Discipline

# Capital & Liquidity

\$ in Millions

	As of June 30, 2019
<b>Cash &amp; Cash Equivalents</b>	<b>\$106.5</b>
Cash & Cash Equivalents in PRC	\$64.9
<b>Revolver Facility (Due June 2023) <sup>1</sup></b>	<b>\$300.0</b>
Facility Utilized	\$25.0 <sup>2</sup>
<b>Available Facility</b>	<b>\$275.0</b>
<b>Total Available Liquidity</b>	<b>\$381.5</b>

- Repurchased 88 thousand shares at avg. price of \$19.45 for a total of \$1.7 million
- IMAX China actively repurchasing shares which accretes to our earnings; paying IMAX Corp. \$5 million in dividends for six months ended 6/30/19
- Cash generation improving
- No change in approach to capital deployment

<sup>1</sup> Does not include uncommitted accordion feature which would allow Company to expand borrowing capacity to a total of \$440 million.

<sup>2</sup> Does not include the impact of \$2.0 million of deferred financing fees.

Source: Company Data

Strong Balance Sheet Provides Flexibility; Key Point of Differentiation of our Model

# IMAX FY 2019 Guidance as of July 30, 2019<sup>1</sup>

\$ in Millions

Metric	2018 Actuals	FY 2019 Guidance
Global Box Office	\$1,032.1	Low Double-Digit Growth vs. 2018
Operating Expenses <sup>2</sup>	\$110.7	In-Line with 2018
Stock-Based Compensation	\$20.1	~\$22.5
Effective Tax Rate	21.8%	~23%
Adjusted EBITDA Margin (%)	39.6%	41% - 42%
Total Theatre Installs	172	185 – 190
<i>New System Installs</i>	149	140 – 145
<i>Upgrades to IMAX With Laser</i>	23	~45
Total Theatres Equipped with IMAX Laser	37	~140

<sup>1</sup> The forward-looking statements herein are made as of July 30<sup>th</sup>, 2019. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

<sup>2</sup> Operating expenses defined as selling, general and administrative expenses, less stock-based compensation, plus R+D costs.

Source: Company Data

Affirming FY 2019 Guidance; Delivering on our Commitments



# The Path to Growth

Strong foundation set by strategic actions taken in 2017



The Key Drivers of Our Model

# Q & A



# Appendix



## Q2 2019 Non-GAAP Financial Reconciliation — Adjusted Earnings Per Share

<i>(In thousands of U.S. dollars, except per share amounts)</i>	Quarter Ended June 30,			
	2019		2018	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Reported net income	\$ 13,836	\$ 0.22	\$ 10,255	\$ 0.16
Adjustments:				
Stock-based compensation	7,027	0.11	6,756	0.10
Exit costs, restructuring charges and associated impairments	-	-	456	0.01
Legal arbitration award	-	-	7,500	0.12
Change in fair value of equity investment	4,544	0.07	-	-
Tax impact on items listed above	(1,655)	(0.02)	(3,228)	(0.05)
Adjusted net income	23,752	0.38	21,739	0.34
Net income attributable to non-controlling interests <sup>(1)</sup>	(2,439)	(0.04)	(2,630)	(0.04)
Stock-based compensation (net of tax of less than \$0.1 million and less than \$0.1 million, respectively) <sup>(1)</sup>	(177)	-	(147)	-
Change in fair value of equity investment <sup>(1)</sup>	(1,443)	(0.02)	-	-
Adjusted net income attributable to common shareholders	<u>\$ 19,693</u>	<u>\$ 0.32</u>	<u>\$ 18,962</u>	<u>\$ 0.30</u>
Weighted average diluted shares outstanding		<u>61,507</u>		<u>63,426</u>

## Q2 2019 Non-GAAP Financial Reconciliation — Adjusted EBITDA

	For the 3 Months Ended June 30, 2019	For the 12 Months Ended June 30, 2019 <sup>(1)</sup>
<i>(In thousands of U.S. Dollars)</i>		
Net income	\$ 13,836	\$ 37,596
Add (subtract):		
Provision for income taxes	5,308	10,386
Interest expense, net of interest income	64	392
Depreciation and amortization, including film asset amortization	15,593	59,207
EBITDA	\$ 34,801	\$ 107,581
Stock and other non-cash compensation	7,186	23,513
Change in fair value of equity investment	4,544	2,053
Write-downs, net of recoveries including asset impairments and receivable provisions	1,169	5,518
Exit costs, restructuring charges and associated impairments	-	9,234
Legal arbitration award	-	4,237
Executive transition costs	-	2,994
Loss from equity accounted investments	138	409
Adjusted EBITDA before non-controlling interests	\$ 47,838	\$ 155,539
Adjusted EBITDA attributable to non-controlling interests <sup>(2)</sup>	(6,418)	(23,398)
Adjusted EBITDA per Credit Facility	\$ 41,420	\$ 132,141
Adjusted revenues attributable to common shareholders <sup>(3)</sup>	\$ 94,581	\$ 336,162
Adjusted EBITDA margin	43.8 %	39.3 %

(1) Senior Secured Net Leverage Ratio calculated using twelve months ended Adjusted EBITDA per Credit Facility.

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

	3 months ended June 30, 2019	12 months ended June 30, 2019
Total revenues	\$ 104,797	\$ 376,067
Greater China revenues	\$ 32,575	\$ 125,289
Non-controlling interest ownership percentage <sup>(4)</sup>	31.36%	31.85%
Deduction for non-controlling interest share of revenues	(10,216)	(39,905)
Adjusted revenues attributable to common shareholders	\$ 94,581	\$ 336,162

(4) Weighted average ownership percentage for change in non-controlling interest share

## Q2 2019 Free Cash Flow Reconciliation

*(In thousands of U.S. Dollars)*

Net cash provided by operating activities

Net cash used in investing activities

Net free cash flow

	<b>For the Three months ended June 30, 2019</b>	<b>For the Six months ended June 30, 2019</b>
	\$ 49,186	\$ 48,517
	(15,038)	(42,684)
	<u>\$ 34,148</u>	<u>\$ 5,833</u>

## Use of Non-GAAP Financial Measures

In this earnings 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, EBITDA and adjusted EBITDA per Credit Facility and free cash flow 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) and non-recurring charges 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) and non-recurring charges 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.

The Company is required to maintain a minimum level of "EBITDA", as such term is defined in the Company's credit agreement (and which is referred to herein as "Adjusted EBITDA per Credit Facility, as the credit agreement includes additional adjustments beyond interest, taxes, depreciation and amortization). EBITDA and Adjusted EBITDA per Credit Facility (each as defined below) should not be construed as substitutes for net income or as better measures of liquidity as determined in accordance with U.S. GAAP.

The Company believes that EBITDA and Adjusted EBITDA per Credit Facility are relevant and useful information widely used by analysts, investors and other interested parties in the Company's industry.

Free cash flow is defined as cash provided by operating activities minus cash used in investing activities (from the condensed consolidated statements of cash flows). Cash provided by operating activities consist of net income, plus depreciation and amortization, plus the change in deferred income taxes, plus other non-cash items, plus changes in working capital, less investment in film assets, plus other changes in operating assets and liabilities. Cash used in investing activities includes capital expenditures, acquisitions and other cash used in investing activities. Management views free cash flow, a non-GAAP measure, as a measure of the Company's after-tax cash flow available to reduce debt, add to cash balances, and fund other financing activities. Free cash flow does not represent residual cash flow available for discretionary expenditures. A reconciliation of cash provided by operating activities to free cash flow is presented on slide 22 of this earnings presentation.

## Primary Reporting Groups

The Company has four primary reporting groups identified by nature of product sold or service provided: (1) Network Business, representing variable revenue generated by box-office results and which includes the reportable segments of IMAX DMR and contingent rent from the JRSAs and IMAX systems segments; (2) Theater Business, representing revenue generated by the sale and installation of theater systems and maintenance services, primarily related to the IMAX Systems and Theater System Maintenance reportable segments, and also includes fixed hybrid revenues and upfront installation costs from the JRSA segment; (3) New Business, which includes home entertainment, and other new business initiatives that are in the development, start-up and/or wind-up phases, and (4) Other; which includes the film post-production and distribution segments and certain IMAX theaters that the Company owns and operates, camera rentals and other miscellaneous items.



The background is a cinematic space scene viewed through a curved window. A large, detailed jet flies in the lower-left corner, leaving a trail of orange flames. In the upper-right, a planet with a blue atmosphere and a dark side is visible against a starry black sky. A blue rectangular frame is centered over the image, containing the text.

# IMAX

FILMS TO THE FULLEST