



# Fourth Quarter and Full Year 2016 Results

February 23, 2017

## 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, 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 signing of theater system agreements; conditions, changes and developments in the commercial exhibition industry; risks related to foreign currency fluctuations; 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; 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; 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 our non-controlling interests 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. The Company also presents EBITDA, as defined in its credit facility (and which is referred to herein as “adjusted EBITDA,” as the credit agreement includes additional adjustments beyond interest, taxes, depreciation and amortization). 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, adjusted net income attributable to common shareholders per diluted share and adjusted EBITDA 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.*

# Core Business Highlights- FY 2016

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

## Systems

- Signed agreements for record 319 systems during the year across 28 countries
- Installed 182 systems in 2016, bringing the global theatre network to 1,215 screens (including 1,107 commercial screens) across 75 countries
  - Includes 2 xenon and 14 laser upgrades in FY '16, vs. 2 xenon and 16 laser upgrades in FY '15, respectively
  - Of the 166 new commercial installations, 56 were sales and sales-type lease theatres, 76 were traditional joint revenue sharing theatres, 33 were hybrid revenue sharing theatres and one was a short-term operating lease
- Ended 2016 with Backlog of 498 systems, up 34% vs. the 372 systems in the year ago period
  - Domestic backlog of 61 systems
  - Greater China backlog of 334 systems
  - Rest of World (ex China) backlog of 103 systems

## Film

- Gross box office from DMR titles of \$247M in Q4 2016, resulting in FY 2016 box office of \$966M
  - Domestic box office of \$101M and \$369M for Q4 and FY 2016, respectively
  - Greater China box office of \$60M and \$296M for Q4 and FY 2016, respectively
  - Rest of World (ex China) box office of \$86M and \$301M for Q4 and FY 2016, respectively
- Worldwide per screen average (PSA) of \$233K in Q4 2016, resulting in FY 2016 PSA of \$964K
  - Domestic PSA of \$255K and \$935K for Q4 and FY 2016, respectively
  - Greater China PSA of \$168K and \$932K for Q4 and FY 2016, respectively
  - Rest of World (ex China) PSA of \$281K and \$1,037M for Q4 and FY 2016, respectively

# New Business Highlights- FY 2016

## Original Content

- Announced strategic partnership with Marvel and ABC to feature two pilot episodes of the *Inhuman's* television series exclusively in IMAX theatres
- First ever investment in content that allows us to participate in on-going licensing opportunities in broadcast, SVOD and potentially global syndication windows

## Virtual Reality

- Opened flagship L.A. virtual reality centre on January 6, 2017- Since launch the site has already been visited by more than 7,000 people and gross sales have already exceeded internal projections
- Announced \$50 million dollar VR fund
- Announced a number of strategic partnerships with partners including Google, Acer and HTC
- Additional 5 VR pilot centres signed and scheduled to be open in coming months

## IMAX Shift

- Opened first IMAX Shift pilot location in Brooklyn, NY in May of 2016

# Q4 2016 Core Business and New Initiative Reconciliation<sup>(5)</sup>

<b>Q4 – 2016</b> <b>(\$ in millions, except EPS)</b>	<b>Core Business<sup>(1)</sup></b>	<b>New Initiatives<sup>(2)</sup></b>	<b>Non-Controlling Interest</b>	<b>IMAX Consolidated<sup>(3)</sup></b>
Revenue	\$106.8	\$0.1	-	<b>\$106.9</b>
Gross Margin	\$56.6	(\$1.3)	-	<b>\$55.3</b>
SG&A (excl. SBC)	\$23.4	\$0.6	-	<b>\$24.0</b>
Stock-Based Comp.	\$8.0	-	-	<b>\$8.0</b>
R&D	\$3.6	\$1.1	-	<b>\$4.7</b>
Operating Expenses <sup>(4)</sup>	\$27.0	\$1.7	-	<b>\$28.7</b>
GAAP Net Income	\$13.9	(\$1.9)	(\$3.1)	<b>\$8.9</b>
GAAP EPS, Diluted	\$0.21	(\$0.03)	(\$0.05)	<b>\$0.13</b>
Adj. Net Income <sup>(5)</sup>	\$19.6	(\$1.9)	(\$3.2)	<b>\$14.5</b>
Adj. EPS, Diluted <sup>(5)</sup>	\$0.30	(\$0.03)	(\$0.05)	<b>\$0.22</b>
Adj. EBITDA <sup>(5)</sup>	\$45.1	(\$2.4)	(\$5.8)	<b>\$36.9</b>

(1) Core Business includes box office sharing revenue, theatre sales and maintenance businesses as well as distribution and theatre operations.

(2) New Initiatives include Home/TCL, IMAX Shift and the VR initiative.

(3) Totals may not foot due to rounding.

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

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

# FY 2016 Core Business and New Initiative Reconciliation<sup>(5)</sup>

<b>FY 2016</b> <b>(\$ in millions, except EPS)</b>	<b>Core Business<sup>(1)</sup></b>	<b>New Initiatives<sup>(2)</sup></b>	<b>Non-Controlling Interest</b>	<b>IMAX Consolidated<sup>(3)</sup></b>
Revenue	\$376.6	\$0.7	-	<b>\$377.3</b>
Gross Margin	\$204.8	(\$2.1)	-	<b>\$202.7</b>
SG&A (excl. SBC)	\$91.7	\$2.5	-	<b>\$94.2</b>
Stock-Based Comp.	\$30.5	-	-	<b>\$30.5</b>
R&D	\$12.3	\$4.0	-	<b>\$16.3</b>
Operating Expenses <sup>(4)</sup>	\$104.0	\$6.5		<b>\$110.5</b>
GAAP Net Income	\$47.7	(\$8.4)	(\$10.5)	<b>\$28.8</b>
GAAP EPS, Diluted	\$0.70	(\$0.12)	(\$0.16)	<b>\$0.42</b>
Adj. Net Income <sup>(5)</sup>	\$69.4	(\$8.4)	(\$11.0)	<b>\$50.0</b>
Adj. EPS, Diluted <sup>(5)</sup>	\$1.02	(\$0.12)	(\$0.17)	<b>\$0.73</b>
Adj. EBITDA <sup>(5)</sup>	\$152.0	(\$10.4)	(\$19.7)	<b>\$121.9</b>

(1) Core Business includes box office sharing revenue, theatre sales and maintenance businesses as well as distribution and theatre operations.

(2) New Initiatives include Home/TCL, IMAX Shift and the VR initiative.

(3) Totals may not foot due to rounding.

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

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

# Other FY 2016 Financial Highlights

<b>Cash Returned to Shareholders</b>	<ul style="list-style-type: none"><li>Repurchased 3.8 million shares during the year at an average price of \$30.25 per share</li></ul>
<b>Operating Expenses<sup>(1)</sup></b>	<ul style="list-style-type: none"><li>Operating expenses grew 4% in 2016, reflecting management's ongoing commitment to cost controls</li></ul>
<b>Effective Tax Rate</b>	<ul style="list-style-type: none"><li>Full year 2016 effective tax rate of approximately 28%</li></ul>
<b>Capital Expenditure<sup>(2)</sup></b>	<ul style="list-style-type: none"><li>Capital expenditures of \$85M in 2016, compared to \$92M in 2015</li></ul>
<b>Cash Balance</b>	<ul style="list-style-type: none"><li>Ended the year with cash balance of \$205M, inclusive of roughly \$117M spent on share buybacks during the year</li><li>Cash balance in China of \$106M and cash balance excluding China of \$99M</li></ul>
<b>Free Cash Flow<sup>(3)</sup></b>	<ul style="list-style-type: none"><li>Free cash flow for 2016 was \$13M</li></ul>

(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.

(3) Please see appendix for details regarding the definition and calculation of free cash flow.



# APPENDIX

# Q4 2016 Non-GAAP Financial Reconciliation- Adjusted Earnings Per Share

	Quarter Ended December 31,			
	2016		2015	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Reported net income	\$ 12,076	\$ 0.18	\$ 26,245	\$ 0.37 <sup>(1)</sup>
Adjustments:				
Stock-based compensation	8,038	0.13	6,949	0.10
Tax impact on items listed above	(2,389)	(0.04)	(1,453)	(0.02)
Adjusted net income	17,725	0.27	31,741	0.45 <sup>(1)</sup>
Net income attributable to non-controlling interests	(3,131)	(0.05)	(3,752)	(0.05)
Stock-based compensation (net of tax of less than \$0.1 million and \$0.2 million, respectively) attributable to non-controlling interests	(112)	-	(703)	(0.01)
Adjusted net income attributable to common shareholders	<u>\$ 14,482</u>	<u>\$ 0.22</u>	<u>\$ 27,286</u>	<u>\$ 0.39</u> <sup>(1)</sup>
Weighted average diluted shares outstanding		<u>66,950</u>		<u>70,764</u>

(1) Includes impact of less than \$0.1 million of accretion charges associated with redeemable Class C shares of IMAX China.

# FY 2016 Non-GAAP Financial Reconciliation- Adjusted Earnings Per Share

	Year Ended December 31,			
	2016		2015	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Reported net income	\$ 39,320	\$ 0.58	\$ 64,624	\$ 0.90 <sup>(1)</sup>
Adjustments:				
Stock-based compensation	30,523	0.45	21,880	0.31
Tax impact on items listed above	(8,783)	(0.13)	(4,056)	(0.06)
Adjusted net income	61,060	0.90	82,448	1.15 <sup>(1)</sup>
Net income attributable to non-controlling interests	(10,532)	(0.16)	(8,780)	(0.12)
Stock-based compensation (net of tax of \$0.2 million and \$0.2 million, respectively) attributable to non-controlling interests	(533)	(0.01)	(703)	(0.01)
Adjusted net income attributable to common shareholders	\$ 49,995	\$ 0.73	\$ 72,965	\$ 1.02 <sup>(1)</sup>
Weighted average diluted shares outstanding		68,263		71,058

(1) Includes impact of \$0.8 million of accretion charges associated with redeemable Class C shares of IMAX China.

# Non-GAAP Financial Reconciliation- Adjusted EBITDA

	<b>Quarter Ended</b>	<b>Year Ended</b>	<b>Year Ended</b>
	<b>December 31, 2016</b>	<b>December 31, 2016</b> <sup>(1)</sup>	<b>December 31, 2015</b>
<i>(In thousands of U.S. Dollars)</i>			
Net income	\$ 12,076	\$ 39,320	\$ 64,624
Add (subtract):			
Provision for income taxes	6,577	16,212	20,052
Interest expense, net of interest income	207	315	693
Depreciation and amortization, including film asset amortization	12,176	45,953	41,787
EBITDA	<u>\$ 31,036</u>	<u>\$ 101,800</u>	<u>\$ 127,156</u>
Write-downs, net of recoveries including asset impairments and receivable provisions	3,037	5,940	3,725
(Gain) loss from equity accounted investments	(150)	2,321	2,402
Stock and other non-cash compensation	8,690	31,586	22,379
Adjusted EBITDA before non-controlling interests	42,613	141,647	155,662
Adjusted EBITDA attributable to non-controlling interests <sup>(2)</sup>	(5,752)	(19,743)	(14,885)
Adjusted EBITDA attributable to common shareholders	<u>\$ 36,861</u>	<u>\$ 121,904</u>	<u>\$ 140,777</u>
Adjusted revenues attributable to common shareholders <sup>(3)</sup>	<u>\$ 96,192</u>	<u>\$ 339,868</u>	<u>\$ 347,862</u>
Adjusted EBITDA margin	<u>38.3 %</u>	<u>35.9 %</u>	<u>40.5 %</u>

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

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

(3)

	<b>Quarter Ended</b>	<b>Year Ended</b>	<b>Year Ended</b>
	<b>December 31, 2016</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Total revenues	\$ 106,913	\$ 377,334	\$ 373,805
Greater China revenues	\$ 33,735	\$ 118,532	\$ 110,591
Non-controlling interest ownership percentage <sup>(4)</sup>	31.78%	31.61%	23.46%
Deduction for non-controlling interest share of revenues	(10,721)	(37,466)	(25,943)
Adjusted revenues attributable to common shareholders	<u>\$ 96,192</u>	<u>\$ 339,868</u>	<u>\$ 347,862</u>

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

# Free Cash Flow Reconciliation

## *Free Cash Flow:*

Free cash flow is defined as cash provided by operating activities minus cash used in investing activities (from the 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. A reconciliation of cash provided by operating activities to free cash flow is presented in the table below:

	<b>For the 3 months ended December 31, 2016</b>	<b>For the 12 months ended December 31, 2016</b>
<i>(In thousands of U.S. Dollars)</i>		
Net cash provided by operating activities	\$ 32,568	\$ 77,872
Net cash used in investing activities	(26,398)	(64,886)
Free cash flow	<u>\$ 6,170</u>	<u>\$ 12,986</u>