

October 23, 2008

**Key Metrics**

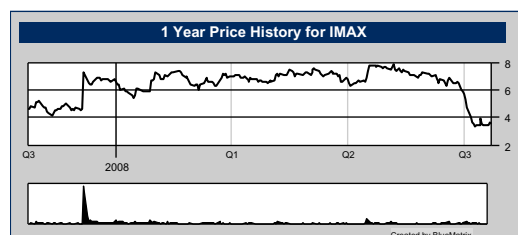
IMAX - NASDAQ	\$3.41
Pricing Date	10/10/2008
Price Target	\$9.00
52-Week Range	\$8.28-\$2.70
Shares Outstanding (mm)	43.4
Market Capitalization (\$mm)	\$148.1
3-Mo Average Daily Volume	209,092
Institutional Ownership	26%
Debt/Total Capital	172.2%
ROE	NM
Book Value/Share	NM
Price/Book	NM
Dividend Yield	NM
LTM EBITDA Margin	(0.04%)

**Revenue(\$mm)**

	2007A	Prior 2008E	Curr. 2008E	Prior 2009E	Curr. 2009E
1Q-Mar	26.8	--	23.5A	--	35.8E
2Q-Jun	27.1	--	21.2A	--	37.8E
3Q-Sep	29.6	--	31.5E	--	39.4E
4Q-Dec	32.3	--	36.0E	--	41.0E
FY	115.8	--	112.2E	--	154.0E

**EBITDA**

	2007A	Prior 2008E	Curr. 2008E	Prior 2009E	Curr. 2009E
1Q-Mar	2.6	--	(1.4)A	--	10.0E
2Q-Jun	3.2	--	(3.6)A	--	11.7E
3Q-Sep	3.7	--	7.7E	--	14.1E
4Q-Dec	(3.4)	--	11.2E	--	17.4E
FY	6.1	--	13.9E	--	53.2E



**Company Description:** IMAX Corporation ([www.imax.com](http://www.imax.com)) operates as an entertainment technology company, specializing in three-dimensional (3D) film presentations. It primarily engages in the design, manufacture, sale, and lease of projection systems based on patented technology for large-format, 15-perforation film frame, 70mm format theaters, including commercial theaters, museums, and science centers, and destination entertainment sites.

## IMAX Corporation

### Rating: Buy

#### Setting Stage for 2009 and Beyond: Management Meetings Indicate Deals in Place

**Investment Highlights:**

- **EBITDA growth potential remains on track to eventually reach \$90mm in 3 to 4 years.** With a sales backlog of roughly 246 theaters, we believe IMAX has the signed contracts in place to expand its EBITDA from roughly \$6mm LFY to upwards of \$90mm in 3 to 4 years.
- **Joint Venture expected to generate strong returns and recurring revenue streams.** Within the backlog, roughly 139 theaters are under a joint venture agreement in which IMAX shares in the gross box office (BGO). With an upfront cost to IMAX of roughly \$500k, historical data suggests a payback period of 2.2 years and IRR of 42%. Once all theaters are installed and operating, annual EBITDA could approach \$40mm while providing similar recurring revenue streams.
- **Financing appears in place for JV roll-out.** IMAX currently has roughly \$37.5mm in cash and roughly \$20mm available under two recently amended credit facilities. We estimate the maximum capital required will be roughly \$23mm with all costs recouped after roughly 2.5 years. Thereafter, the JVs should turn cash positive.
- **Despite robust order backlog, room for growth remains.** IMAX could eventually install 1,000 (400 domestic - 600 international) theaters worldwide. As of June 30th, domestic/international screens totaled only 302.
- **Digital format fueling joint venture model - more expansive movie lineup.** In addition to creating a significantly easier and less costly installation process, IMAX's new digital format reduces the cost to studios from roughly \$2mm to \$4mm per film to virtually nothing. The improved economics should allow IMAX to expand annual films shown from roughly 6-8 to 10-12. More movies should equate to higher GBO. IMAX typically receives roughly 12.5% of the GBO from the studios, and it received roughly \$20mm from films in 2007. A tripling of its theater base could triple film profits in kind with no increase in costs.
- **After a stellar 2008 line-up, 2009 looks to keep the ball rolling.** Led by The Dark Knight, IMAX provided a strong 2008 film lineup and 2009 is shaping up even stronger. Expected releases include, The Day After Tomorrow, The Earth Stood Still, Watchmen, Monsters vs. Aliens, Transformers 2, Harry Potter and the Half Blood Prince, Night At The Museum 2, as well as an IMAX original film, Under The Sea, and a possible re-release of The Dark Knight. We do not think the signings are completed and would not be surprised to see four more titles signed up for 2009.

EQUITY RESEARCH

We recently hosted non-deal management meetings with IMAX. We came away from the meetings very encouraged about the company's future growth prospects and continue to believe that the transformation to a digital format bodes well for strong Sales, EPS and EBITDA growth in 2009 and beyond. As of June 30, 2008, the company's sales backlog included 246 theater systems consisting of arrangements for 107 sales and sale-lease type systems, valued at \$153.4mm, or roughly \$1.4mm per system, and 139 theater systems under the joint revenue sharing agreements. Expectations for the year are for roughly 50 joint venture installs and roughly 10 sale-lease installs. The company has announced completed installations of 18 digital systems (14 in 3Q - 4 in 4Q to date), and appears on track for roughly 40 digital installs for the November 2nd release of Madagascar 2. Of the 84 IMAX theaters showing the recently released Eagle Eye movie, 14 were new joint venture digital theaters that delivered, per screen, average revenues above the overall IMAX network. Opening weekend exit surveys conducted at the new joint venture IMAX digital locations returned positive with 20% of the audience apparently new, having never seen a movie in an IMAX Theater.

#### **How the Joint Venture works - IRR roughly 40% - expected strong recurring revenue stream**

Based off of historical joint venture IMAX results, average annual gross box office (GBO) revenues per theater are approximately \$800K. After the studio (roughly half of \$400K) payment, theater fixed costs (roughly \$100K), and IMAX maintenance costs (roughly \$40K), net gross box office receipts amount to \$260K. Add to that number, concessions (approximately \$3 a head or \$250K), net gross box office revenues are estimated at \$500K, which is split 55% for the theater and 45% for IMAX, or \$225K per theater per month. With an upfront cost to IMAX of roughly \$500K, we estimate that the payback period for the JV investment is 2.2 years with an internal rate of return of 42%. These figures do not include revenues generated from the studios, which equates to roughly 12.5% of the gross box office (est. \$800K, average ticket price times total attendance), or \$100m per year per theater. If you combine film revenues and joint venture proceeds, the payback period shrinks to 1.5 years and the IRR increases to an estimated 63%. Net-net, we estimate that IMAX could, under this joint venture agreement, garnish approximately 41% of the total GBO.

Once again, these projections are based off of historical returns on existing theaters under operation. While a case could be made that a more expansive base of IMAX theaters may cannibalize theater sales, we believe any potential cannibalization impact would most likely be offset by a more robust film slate (currently 6 to 8 per year expected to expand to 10 to 12).

#### **Funds appear in place for joint venture roll-outs**

IMAX recently announced a new \$10mm revolving letter of credit facility, which replaces its existing \$5mm facility. The new facility, coupled with approximately \$37.5mm in cash and another \$40mm credit facility, of which an estimated \$20mm has already been drawn down, should provide ample funding to execute its joint venture agreements going forward. At a cost of roughly \$500K per theater and 131 domestic joint venture deals currently signed, total capital expenditures would equate to roughly \$66mm. During this roll-out period, we expect the already launched theaters to be generating profits, as mentioned above, that should help offset the upfront costs associated with the plan. Based upon a two and a half year analysis, the maximum IMAX would need to tap into the revolver for joint ventures would be \$23.4mm. After roughly two and a half years, the debt could be completely paid off with an annual, or recurring, EBITDA stream of roughly \$43mm, assuming the theaters renew the contract after seven years.

As for concerns that theater capital requirements may retrench, the joint venture places the majority of the burden on IMAX. IMAX supplies the product while the theaters essentially pay \$150K for adjustments to the theater itself. As for the joint ventures, Regal Cinemas, a subsidiary of Regal Entertainment Group (RGC-\$12.46-NYSE), is signed up for 31 with AMC Entertainment (AMC) agreed to install 100. At roughly \$150K per theater, it should cost AMC approximately \$15mm, spread over roughly 2 years, in total to install the 100 joint venture theaters. With AMC's revenues at roughly \$2.5bn, \$7.5mm per year to upgrade to IMAX does not seem like a significant amount, in our view.

#### **Sale Lease/back option remains - should provide additional cash flow**

Another scenario theaters have is to complete a sale/leaseback transaction (SLB). Under this scenario, the theater pays IMAX roughly \$1.3mm for the equipment in addition to roughly \$100,000 per year for maintenance and rent. IMAX still receives its 12.5% payout from the studio but does not, like the joint venture agreements, participate in the theater GBO. As mentioned above, the company currently has roughly 107 SLBs in backlog for an estimated future value of \$153mm. We expect international opportunities to utilize SLBs more extensively, although the company is testing out its JV format in select territories, and project roughly 25 new installs per year. In addition, to provide solid margins, as demonstrated by the upfront JV cost of \$500K versus a \$1.3mm estimated price tag, SLBs should provide upfront cash payments to further support JV roll-outs.

#### **12.5% film revenue stream looks additive going forward**

All GBO generated in IMAX theaters returns roughly 12.5% to IMAX. In 2007, IMAX generated roughly \$20mm in revenues on approximately 100 screens and 7 movie releases. At an estimated cost of \$1mm per film to IMAX to convert the film to the IMAX format, revenues and profits generated from films appear extremely appealing. With territorial exclusivity clauses built into each IMAX theater, ticket cannibalization could be limited with potential cannibalization expected to be offset by more yearly title releases. As IMAX expands its theater base with existing order backlog, film revenues should expand in kind with conversion costs remaining relatively constant. With existing backlog targeting at least another 246 theater builds, we do not believe it is unrealistic to expect IMAX commercial film revenues to expand three to four times once all installations are completed.

#### **2009 Movie Line-up Building Out; Could expand to 10 titles by 2009 year end**

As consumer acceptance has built up for the IMAX experience, the company has been able to build up its annual movie release schedule from 4 in 2004 to an expected 8 in 2008. That number could expand to 10 releases in 2009 with the potential for upwards of 12 annual releases thereafter. Outside of a strong track record for box office receipts (typically outsell traditional theaters by 6x to 10x), the evolution of its digital format has created a more economically feasible, to movie studios, cost structure that should allow for more robust roll-outs and a reduced showing time for each film. Prior to digital, it cost the studios roughly \$20,000 (for 2D films) to \$40,000 (for 3D films) for each print. Therefore, if 100 theaters were to show a film in the IMAX format, 100 prints would be required and the cost to the studios would be roughly \$2mm (for 2D films) and \$4mm (for 3D films). Longer term, as IMAX fills backlog orders, those costs could expand by 2 to 4 times in a non-digital world. In the digital world, the print costs are reduced to next to nothing, roughly \$1k per print, and limits the studio's cost exposure while potentially increasing the attractiveness of showing the films in IMAX. With reduced upfront costs, show-time requirements (estimated from 6 weeks in theaters to roughly 4 weeks) could be reduced; therefore, maximizing prime showing times, which is typically the first two weeks following a release, for each film and potentially expanding potential revenue streams. Additionally, the digital

world should reduce the company's and theater's exposure to an individual film underperforming expectations as more content will be available and could make the IMAX experience more attractive to theaters not showing films in IMAX.

### **2009 Movie Slate**

The Day The Earth Stood Still (December 12, 2008)

The Dark Knight (January - Warner Brothers apparently in talks with IMAX for re-release)

Watchmen (March 6, 2009)

Monsters vs. Aliens 3D (March 27, 2009)

Night at the Museum 2: Battle of the Smithsonian (May 22, 2009)

Transformers: Revenge of the Fallen (June 6, 2009)

Harry Potter and the Half-Blood Prince (July 17, 2009)

### **IMAX's plate is full - but room for growth remains**

While IMAX's order backlog should keep it extremely busy over the next three to four years, ample room for expansion exists. As of June 30th, domestic screens totaled 155 with international screens at 147. Factoring in territorial exclusivity agreements, maximum domestic and international screens is estimated at 1,000 screens (400 domestically and 600 internationally), leaving nearly 700 opportunities for theater growth. Excluding the 246 theaters in backlog, IMAX has the potential to add another 450 theaters to its system. While we do not believe anything is imminent, we do not believe the exclusivity agreements prohibit theaters from having multiple IMAX screens within its designated territory; therefore, additional upside could exist. Since 2Q, IMAX has signed a joint venture to open three digital projection movie theaters in Austria (the first in Europe).

Recently, the company appointed Julian Stanford to General Manager, Theater Development - Europe, Middle East, and Africa (EMEA) and will be responsible for growth throughout the EMEA. Currently, within those territories, there are 55 IMAX theaters and 15 additional theaters scheduled to open in the region by the end of 2011. Previously, Mr. Stanford was with Aristocrat Technologies, a global video game company, and was head of sales (EMEA) for United International Pictures where he oversaw film distribution and sales for Paramount, Universal, and Dreamworks films.

### **Potential remains to expand EBITDA from \$6mm in 2007 to upward of \$90mm in three to four years**

Based off of currently signed orders and backlog, we estimate that IMAX could expand its EBITDA from approximately \$6mm in 2007 to nearly \$90mm in three to four years with strong recurring revenue streams and free cash flow expectations thereafter. While the company's balance sheet is highly levered with approximately \$180mm in debt, the debt is not due until December of 2010, and if the roll-outs are successful, which we expect them to be, recurring revenue streams should be established with free cash flow expanding and allowing for debt pay-downs and/or refinancing. Our \$9.00 price target reflects a 10x EV/EBITDA multiple on our FY09 EBITDA estimate of \$53mm, and is supported by a discounted cash flow analysis of currently signed joint venture contracts, estimated at roughly \$40mm in estimated recurring annual EBITDA.

## IMAX (IMAX)

(In Millions, Except Per Share Data)

	FY 2006	Q1 Mar-07	Q2 Jun-07	Q3 Sep-07	Q4 Dec-07	FY 2007	Q1 Mar-08	Q2 Jun-08	Q3E Sep-08	Q4E Dec-08	FYE 2008	Q1E Mar-09	Q2E Jun-09	Q3E Sep-09	Q4E Dec-09	FYE 2009
<b>Sales</b>	<b>127.7</b>	<b>26.8</b>	<b>27.1</b>	<b>29.6</b>	<b>32.3</b>	<b>115.8</b>	<b>23.5</b>	<b>21.2</b>	<b>31.5</b>	<b>36.0</b>	<b>112.2</b>	<b>35.8</b>	<b>37.8</b>	<b>39.4</b>	<b>41.0</b>	<b>154.0</b>
% Increase	-4.3%	17.2%	-28.1%	-3.4%	-11.4%	-9.3%	-12.4%	-21.9%	6.5%	11.4%	-3.1%	52.2%	78.5%	25.1%	13.8%	37.2%
Cost of Goods/Services	75.1	15.3	14.8	19.7	24.8	74.7	13.4	15.3	17.9	19.7	66.3	19.2	20.3	20.5	19.8	79.8
As % Sales	58.8%	57.0%	54.6%	66.7%	76.9%	64.5%	56.9%	72.3%	56.8%	54.7%	59.1%	53.6%	53.7%	52.0%	48.3%	51.8%
% Increase	7.2%	2.7%	-32.8%	7.8%	25.4%	-0.5%	-12.6%	3.4%	-9.2%	-20.7%	-11.2%	43.5%	32.6%	14.5%	0.5%	20.4%
<b>Gross Profit</b>	<b>52.7</b>	<b>11.5</b>	<b>12.3</b>	<b>9.9</b>	<b>7.5</b>	<b>41.2</b>	<b>10.1</b>	<b>5.9</b>	<b>13.6</b>	<b>16.3</b>	<b>45.9</b>	<b>16.6</b>	<b>17.5</b>	<b>18.9</b>	<b>21.2</b>	<b>74.2</b>
Margin	41.2%	43.0%	45.4%	33.3%	23.1%	35.5%	43.1%	27.7%	43.2%	45.3%	40.9%	46.4%	46.3%	48.0%	51.7%	48.2%
% Increase	-17.1%	44.0%	-21.4%	-20.1%	-55.2%	-21.8%	-12.2%	-52.3%	38.1%	118.6%	11.5%	63.8%	198.2%	39.0%	29.9%	61.6%
SG&A	42.5	10.3	11.1	10.3	13.0	44.7	12.4	11.3	10.5	10.5	44.6	10.0	10.0	10.5	10.5	41.0
As % Sales	33.3%	38.4%	41.1%	34.7%	40.2%	38.6%	52.7%	53.1%	33.3%	29.2%	39.8%	27.9%	26.5%	26.6%	25.6%	26.6%
% Increase	13.5%	-2.2%	16.7%	4.2%	3.2%	5.1%	20.0%	1.0%	2.4%	-19.1%	-0.1%	-19.3%	-11.1%	0.0%	0.0%	-8.2%
R&D	3.6	1.5	1.1	1.6	1.6	5.8	2.5	2.0	2.0	1.5	8.0	1.5	1.3	1.1	1.1	5.0
As % Sales	2.8%	5.6%	4.1%	5.3%	5.0%	5.0%	10.6%	9.7%	6.3%	4.2%	7.2%	4.2%	3.4%	2.8%	2.7%	3.3%
% Increase	12.1%	63.4%	68.8%	78.0%	38.9%	60.1%	66.4%	82.6%	28.0%	-6.8%	38.8%	-39.7%	-36.5%	-44.2%	-24.9%	-37.2%
Amortization of intangibles	0.6	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.6
As % Sales	0.5%	0.5%	0.5%	0.4%	0.4%	0.5%	0.6%	0.6%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.3%	0.4%
% Increase	-33.9%	-29.2%	6.8%	-2.3%	-3.4%	-9.1%	-2.2%	-2.8%	-22.5%	-29.1%	-14.1%	5.3%	2.2%	40.0%	40.0%	19.1%
Receivable provision	1.1	0.0	0.0	0.7	1.1	1.8	0.7	0.1	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0
As % Sales	181.4%	1.1%	-5.7%	107.7%	143.1%	278.3%	131.4%	14.0%	0.0%	0.0%	143.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Expense	47.8	12.0	12.4	12.7	15.8	52.8	15.8	13.5	12.6	12.1	54.0	11.6	11.4	11.8	11.8	46.6
As % Sales	37.4%	44.5%	45.6%	42.8%	49.0%	45.6%	67.0%	63.9%	40.0%	33.6%	48.1%	32.5%	30.3%	29.8%	28.7%	30.3%
<b>Operating Profit</b>	<b>4.8</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>(2.8)</b>	<b>(8.4)</b>	<b>(11.7)</b>	<b>(5.6)</b>	<b>(7.7)</b>	<b>1.0</b>	<b>4.2</b>	<b>(8.1)</b>	<b>5.0</b>	<b>6.1</b>	<b>7.1</b>	<b>9.4</b>	<b>27.6</b>
Margin	3.8%	-1.6%	-0.2%	-9.5%	-25.9%	-10.1%	-23.9%	-36.2%	3.2%	11.7%	-7.2%	13.9%	16.0%	18.1%	23.0%	17.9%
Interest Expense	16.8	4.2	4.4	4.3	4.1	17.1	4.5	4.3	4.3	4.3	17.4	4.5	4.5	4.5	4.5	18.0
Other Income	0.0	0.2	0.2	0.2	-0.3	0.3	0.1	0.1	0.3	0.3	0.8	0.3	0.3	0.3	0.3	1.2
<b>Pretax Profit</b>	<b>(11.9)</b>	<b>(4.4)</b>	<b>(4.2)</b>	<b>(7.0)</b>	<b>(12.9)</b>	<b>(28.5)</b>	<b>(10.0)</b>	<b>(11.9)</b>	<b>(3.0)</b>	<b>0.2</b>	<b>(24.7)</b>	<b>0.8</b>	<b>1.9</b>	<b>2.9</b>	<b>5.2</b>	<b>10.8</b>
Margin	-9.3%	-16.5%	-15.5%	-23.5%	-39.8%	-24.6%	-42.5%	-56.4%	-9.5%	0.6%	-22.0%	2.1%	4.9%	7.5%	12.7%	7.0%
Taxes(benefit)	6.2	0.2	0.3	0.4	-0.3	0.5	0.3	0.3	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Rate	-52.2%	-3.8%	-6.2%	-5.5%	2.6%	-1.7%	-2.7%	-2.2%	0.0%	0.0%	-2.1%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net Income--Oper.</b>	<b>(18.1)</b>	<b>(4.6)</b>	<b>(4.5)</b>	<b>(7.3)</b>	<b>(12.5)</b>	<b>(28.9)</b>	<b>(10.3)</b>	<b>(12.2)</b>	<b>(3.0)</b>	<b>0.2</b>	<b>(25.3)</b>	<b>0.8</b>	<b>1.9</b>	<b>2.9</b>	<b>5.2</b>	<b>10.8</b>
Margin	-14.2%	-17.2%	-16.5%	-24.8%	-38.7%	-25.0%	-43.6%	-57.6%	-9.5%	0.6%	-22.5%	2.1%	4.9%	7.5%	12.7%	7.0%
<b>EPS--Operations</b>	<b>(0.45)</b>	<b>(0.11)</b>	<b>(0.11)</b>	<b>(0.18)</b>	<b>(0.31)</b>	<b>(0.72)</b>	<b>(0.25)</b>	<b>(0.29)</b>	<b>(0.07)</b>	<b>0.00</b>	<b>(0.60)</b>	<b>0.02</b>	<b>0.04</b>	<b>0.07</b>	<b>0.12</b>	<b>0.26</b>
Shares Out. Diluted	40.2	40.3	40.3	40.3	40.4	40.3	40.4	42.2	42.2	42.2	41.8	42.2	42.2	42.2	42.2	42.2

Source: Company reports and Morgan Joseph estimates

<b>Joint Venture Cost/Profit Assumptions - Annual</b>	
Attendance	82,100.00
Avg. ticket price	\$9.75
Gross box office (GBO)	\$800,475.00
Return to studio	(\$400,237.50)
Theater fix cost return	(\$100,000.00)
IMAX maintenance cost	(\$40,000.00)
Theater/IMAX GBO	\$260,237.50
Concessions (\$3 per head)	\$246,300.00
Total GBO	\$506,537.50
Theater split (55%)	\$278,595.63
IMAX split (45%)	\$227,941.88
IMAX split per month	\$18,995.16
IMAX film revenue (12.5% GBO)	\$100,059.38
IMAX total return	\$328,001.25
IMAX % GBO	41.0%
GBO month	8,338.28

<b>Annual Cash Flows - JV</b>	
Year 1	(\$500,000.00)
Year 2	\$227,941.88
Year 3	\$227,941.88
Year 4	\$227,941.88
Year 5	\$227,941.88
Year 6	\$227,941.88
Year 7	\$227,941.88
Year 8	\$227,941.88
IRR	42%
Payback/years	2.19
<b>Annual Cash Flows - JV + Film Revenue</b>	
Year 1	(\$500,000.00)
Year 2	\$328,001.25
Year 3	\$328,001.25
Year 4	\$328,001.25
Year 5	\$328,001.25
Year 6	\$328,001.25
Year 7	\$328,001.25
Year 8	\$328,001.25
IRR	63%
Payback/years	1.52

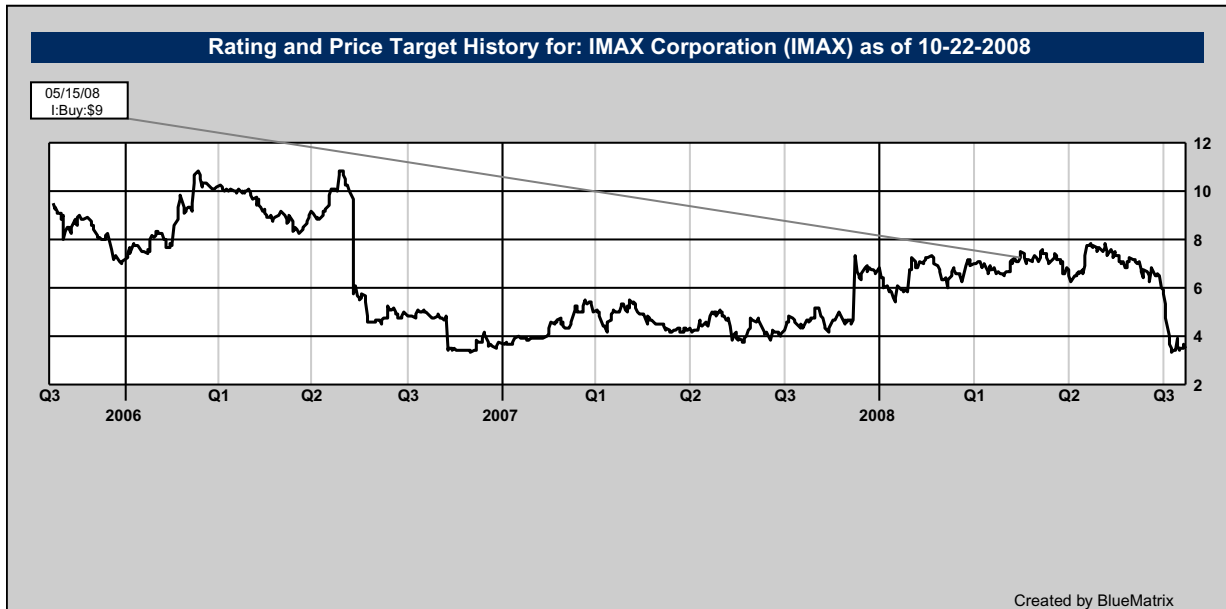
Source: Company data and Morgan Joseph estimates

## Joint Venture Hypothetical Theater roll-out schedule

Month	Theaters		JV Revenue		Film revenue		Maintenance Rev.		Total Revenues		Cap X		Cap X less	Costs (D&A)		EBITDA	Free Cash Flow
	Month	Cumulative	Month	Cumulative	12.5% GBO	Cumulative	Month	Cumulative	Month	Cumulative	Month	Cumulative	total rev.	Month	Cumulative		
July	4	4	\$0.08	\$0.08	\$0.03	\$0.03	\$0.01	\$0.01	\$0.12	\$0.12	(\$2.00)	(\$2.00)	(\$1.88)	(\$0.02)	(\$0.02)		
Aug.	4	8	\$0.15	\$0.23	\$0.07	\$0.10	\$0.03	\$0.04	\$0.25	\$0.37	(\$2.00)	(\$4.00)	(\$3.63)	(\$0.05)	(\$0.07)		
Sept.	6	14	\$0.27	\$0.49	\$0.12	\$0.22	\$0.05	\$0.09	\$0.43	\$0.80	(\$3.00)	(\$7.00)	(\$6.20)	(\$0.08)	(\$0.15)		
Oct.	12	26	\$0.49	\$0.99	\$0.22	\$0.43	\$0.09	\$0.17	\$0.80	\$1.59	(\$6.00)	(\$13.00)	(\$11.41)	(\$0.15)	(\$0.31)		
Nov.	10	36	\$0.68	\$1.67	\$0.30	\$0.73	\$0.12	\$0.29	\$1.10	\$2.70	(\$5.00)	(\$18.00)	(\$15.30)	(\$0.21)	(\$0.52)		
Dec.	14	50	\$0.95	\$2.62	\$0.42	\$1.15	\$0.17	\$0.46	\$1.53	\$4.23	(\$7.00)	(\$25.00)	(\$20.77)	(\$0.30)	(\$0.82)	\$3.86	(\$21.14)
Jan.	5	55	\$1.04	\$3.67	\$0.46	\$1.61	\$0.18	\$0.64	\$1.69	\$5.92	(\$2.50)	(\$27.50)	(\$21.58)	(\$0.33)	(\$1.15)		
Feb.	5	60	\$1.14	\$4.81	\$0.50	\$2.11	\$0.20	\$0.84	\$1.84	\$7.76	(\$2.50)	(\$30.00)	(\$22.24)	(\$0.36)	(\$1.51)		
March	5	65	\$1.23	\$6.04	\$0.54	\$2.65	\$0.22	\$1.06	\$1.99	\$9.75	(\$2.50)	(\$32.50)	(\$22.75)	(\$0.39)	(\$1.89)		
April	5	70	\$1.33	\$7.37	\$0.58	\$3.24	\$0.23	\$1.29	\$2.15	\$11.90	(\$2.50)	(\$35.00)	(\$23.10)	(\$0.42)	(\$2.31)		
May	5	75	\$1.42	\$8.79	\$0.63	\$3.86	\$0.25	\$1.54	\$2.30	\$14.20	(\$2.50)	(\$37.50)	(\$23.30)	(\$0.45)	(\$2.76)		
June	5	80	\$1.52	\$10.31	\$0.67	\$4.53	\$0.27	\$1.81	\$2.45	\$16.65	(\$2.50)	(\$40.00)	(\$23.35)	(\$0.48)	(\$3.23)		
July	5	85	\$1.61	\$11.93	\$0.71	\$5.24	\$0.28	\$2.09	\$2.61	\$19.26	(\$2.50)	(\$42.50)	(\$23.24)	(\$0.51)	(\$3.74)		
Aug.	5	90	\$1.71	\$13.64	\$0.75	\$5.99	\$0.30	\$2.39	\$2.76	\$22.02	(\$2.50)	(\$45.00)	(\$22.98)	(\$0.54)	(\$4.27)		
Sept.	6	96	\$1.82	\$15.46	\$0.80	\$6.79	\$0.32	\$2.71	\$2.94	\$24.96	(\$3.00)	(\$48.00)	(\$23.04)	(\$0.57)	(\$4.85)		
Oct.	5	101	\$1.92	\$17.38	\$0.84	\$7.63	\$0.34	\$3.05	\$3.10	\$28.06	(\$2.50)	(\$50.50)	(\$22.44)	(\$0.60)	(\$5.45)		
Nov.	5	106	\$2.01	\$19.39	\$0.88	\$8.51	\$0.35	\$3.40	\$3.25	\$31.31	(\$2.50)	(\$53.00)	(\$21.69)	(\$0.63)	(\$6.08)		
Dec.	5	111	\$2.11	\$21.50	\$0.93	\$9.44	\$0.37	\$3.77	\$3.40	\$34.71	(\$2.50)	(\$55.50)	(\$20.79)	(\$0.66)	(\$6.74)	\$27.83	(\$2.67)
Jan.	5	116	\$2.20	\$23.71	\$0.97	\$10.41	\$0.39	\$4.16	\$3.56	\$38.27	(\$2.50)	(\$58.00)	(\$19.73)	(\$0.69)	(\$7.43)		
Feb.	5	121	\$2.30	\$26.00	\$1.01	\$11.42	\$0.40	\$4.56	\$3.71	\$41.98	(\$2.50)	(\$60.50)	(\$18.52)	(\$0.72)	(\$8.15)		
March	5	126	\$2.39	\$28.40	\$1.05	\$12.47	\$0.42	\$4.98	\$3.86	\$45.85	(\$2.50)	(\$63.00)	(\$17.15)	(\$0.75)	(\$8.90)		
April	5	131	\$2.49	\$30.89	\$1.09	\$13.56	\$0.44	\$5.42	\$4.02	\$49.86	(\$2.50)	(\$65.50)	(\$15.64)	(\$0.78)	(\$9.68)		
May	0	131	\$2.49	\$33.37	\$1.09	\$14.65	\$0.44	\$5.86	\$4.02	\$53.88	\$0.00	(\$65.50)	(\$11.62)	(\$0.78)	(\$10.46)		
June	0	131	\$2.49	\$35.86	\$1.09	\$15.74	\$0.44	\$6.29	\$4.02	\$57.90	\$0.00	(\$65.50)	(\$7.60)	(\$0.78)	(\$11.24)		
July	0	131	\$2.49	\$38.35	\$1.09	\$16.83	\$0.44	\$6.73	\$4.02	\$61.92	\$0.00	(\$65.50)	(\$3.58)	(\$0.78)	(\$12.02)		
Aug.	0	131	\$2.49	\$40.84	\$1.09	\$17.93	\$0.44	\$7.17	\$4.02	\$65.93	\$0.00	(\$65.50)	\$0.43	(\$0.78)	(\$12.80)		
Sept.	0	131	\$2.49	\$43.33	\$1.09	\$19.02	\$0.44	\$7.60	\$4.02	\$69.95	\$0.00	(\$65.50)	\$4.45	(\$0.78)	(\$13.58)		
Oct.	0	131	\$2.49	\$45.82	\$1.09	\$20.11	\$0.44	\$8.04	\$4.02	\$73.97	\$0.00	(\$65.50)	\$8.47	(\$0.78)	(\$14.36)		
Nov.	0	131	\$2.49	\$48.30	\$1.09	\$21.20	\$0.44	\$8.48	\$4.02	\$77.99	\$0.00	(\$65.50)	\$12.49	(\$0.78)	(\$15.14)		
Dec.	0	131	\$2.49	\$50.79	\$1.09	\$22.30	\$0.44	\$8.91	\$4.02	\$82.00	\$0.00	(\$65.50)	\$16.50	(\$0.78)	(\$15.92)	\$43.18	\$33.18

Source: Company data and Morgan Joseph estimates

**Required Disclosures**



**Price Target**

Our price target is \$9.00.

**Valuation Methodology**

Our \$9.00 price target is based off of a 10x EV/EBITDA multiple on our 2009 EBITDA estimate.

**Risk Factors**

- The company's balance sheet is highly levered.
- IMAX is dependent upon exhibitors and film studios.
- Theater lease/signings trend in line with film success or failure.
- Current and improved technology could pose future competitive threats.

I, Jeffrey Blaeser, the author of this research report, certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers, and no part of my compensation was, is, or will be directly or indirectly tied to the specific recommendations or views contained in this research report.

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Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [B]	57.45	37.04
HOLD [H]	41.49	30.77
SELL [S]	1.06	0.00

Meaning of Ratings

A) Buy means reasonable outperformance relative to the market over 12-18 months.

- B) Hold means market-type risk adjusted performance; potential source of funds.  
C) Sell means expected to underperform the market.

### **Other Disclosures**

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