

November 5, 2008

Key Metrics

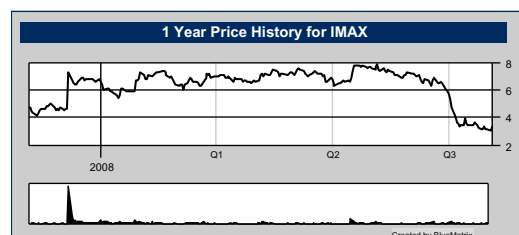
IMAX - NASDAQ	\$3.35
Pricing Date	11/04/2008
Price Target	\$9.00
52-Week Range	\$8.28-\$2.70
Shares Outstanding (mm)	43.5
Market Capitalization (\$mm)	\$145.6
3-Mo Average Daily Volume	184,233
Institutional Ownership	26%
Debt/Total Capital	163.0%
ROE	NM
Book Value/Share	NM
Price/Book	NM
Dividend Yield	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	32.6E	--	41.0E
FY	115.8	112.2E	108.8E	--	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	8.6E	--	17.4E
FY	6.1	13.9E	11.3E	--	53.2E



Company Description: IMAX Corporation (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

3Q EPS Preview: Batman is 3Q Story; Installs Key To Future Growth; Buy

Investment Highlights:

- **IMAX is scheduled to report 3Q08 EPS on Thursday, November 6th, before the market opens.** IMAX is expected to report 3Q08 EPS tomorrow, before the market opens. We are projecting EPS of (\$0.07), versus the Street consensus of (\$0.11), with sales projected to expand 6.5% to \$31.5mm. A conference call is scheduled for 8:30AM EST. Our \$7.7mm EBITDA estimate assumes \$1mm in operating profit and \$6.7mm in depreciation and amortization (D&A was \$6.5mm LY).
- **The Dark Knight, aka Batman, expected to sequentially improve results.** Still in the early phases of the digital roll out, results generated from *The Dark Knight* should provide the majority of the expected sequential improvement in sales and EPS. With an estimated \$60mm plus generated at IMAX theaters, revenues from studios could expand sequentially by as much as \$6mm. Additionally, we are modeling four installs, versus two in 2Q08, which could add roughly \$3mm sequentially to top-line results.
- **Gross margins should also benefit from The Dark Knight release.** *The Dark Knight* should also materially improve sequential gross margins as the higher expected film sales base, versus a relatively fixed film conversion cost, should expand gross margins to approximately 43% from 33% LY.
- **Reducing 4Q EPS estimate due to delayed release of Harry Potter.** While the delayed release of *Harry Potter and The Half Blood Prince* from 4Q08 to 2009 could prove beneficial to IMAX longer-term, given more digital theaters should be active for the film's release, it could have a negative impact, versus our previous estimates, on 4Q08 results. On the plus side, the film's shift to 2009 appears to set up an attractive line up for 2009 with *Monsters and Aliens*, *Knight at the Museum 2*, *Harry Potter*, *Transformers 2*, and possibly a re-release of *The Dark Knight*, already scheduled for 2009 release in IMAX. We are reducing our 4Q08 sales estimate to \$32.6mm and EPS estimate to (\$0.08) from \$0.00.
- **Installs appear roughly on-track; Maintain Buy rating.** IMAX recently announced that 35 new digital theaters are expected to be up and running in time for the upcoming *Madagascar: Escape 2 Africa* release on November 7th. While slightly below initial targets, the company appears on track to install approximately 50 of the 200 plus theater backlog currently signed. We maintain our Buy rating on the shares.

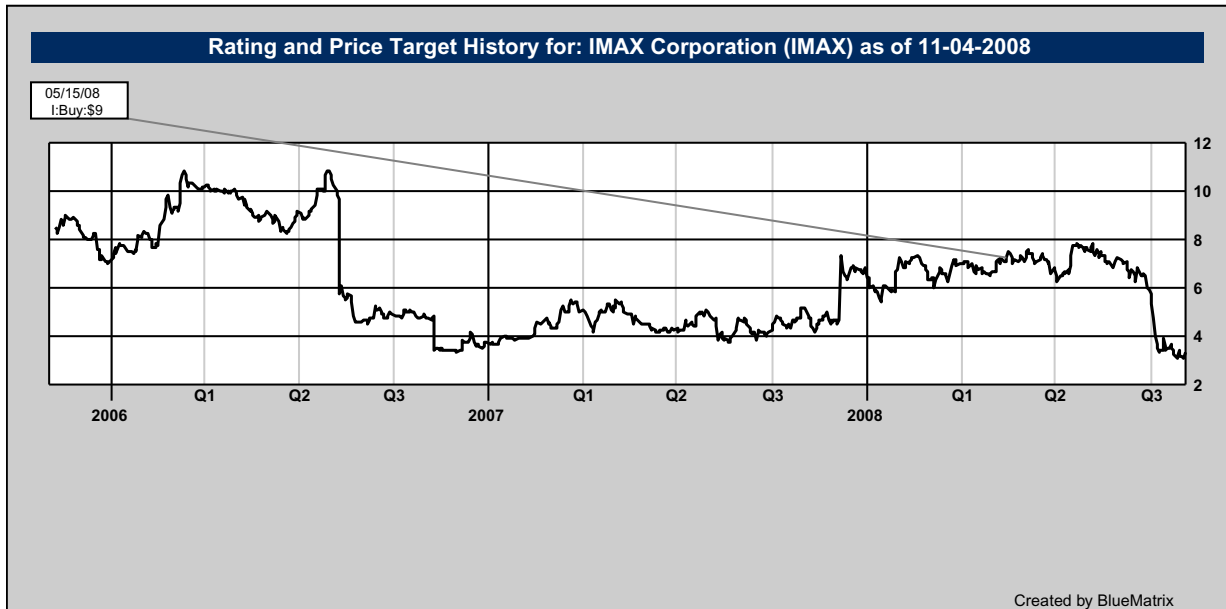
IMAX (IMAX)

(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
Sales	127.7	26.8	27.1	29.6	32.3	115.8	23.5	21.2	31.5	32.6	108.8	35.8	37.8	39.4	41.0	154.0
<i>% Increase</i>	-4.3%	17.2%	-28.1%	-3.4%	-11.4%	-9.3%	-12.4%	-21.9%	6.5%	0.9%	-6.1%	52.2%	78.5%	25.1%	25.7%	41.5%
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
<i>As % Sales</i>	58.8%	57.0%	54.6%	66.7%	76.9%	64.5%	56.9%	72.3%	56.8%	60.4%	60.9%	53.6%	53.7%	52.0%	48.3%	51.8%
<i>% Increase</i>	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%
Gross Profit	52.7	11.5	12.3	9.9	7.5	41.2	10.1	5.9	13.6	12.9	42.5	16.6	17.5	18.9	21.2	74.2
<i>Margin</i>	41.2%	43.0%	45.4%	33.3%	23.1%	35.5%	43.1%	27.7%	43.2%	39.6%	39.1%	46.4%	46.3%	48.0%	51.7%	48.2%
<i>% Increase</i>	-17.1%	44.0%	-21.4%	-20.1%	-55.2%	-21.8%	-12.2%	-52.3%	38.1%	73.0%	3.3%	63.8%	198.2%	39.0%	64.1%	74.5%
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
<i>As % Sales</i>	33.3%	38.4%	41.1%	34.7%	40.2%	38.6%	52.7%	53.1%	33.3%	32.2%	41.0%	27.9%	26.5%	26.6%	25.6%	26.6%
<i>% Increase</i>	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
<i>As % Sales</i>	2.8%	5.6%	4.1%	5.3%	5.0%	5.0%	10.6%	9.7%	6.3%	4.6%	7.4%	4.2%	3.4%	2.8%	2.7%	3.3%
<i>% Increase</i>	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
<i>As % Sales</i>	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%
<i>% Increase</i>	-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
<i>As % Sales</i>	181.4%	1.1%	-5.7%	107.7%	143.1%	278.3%	131.4%	14.0%	0.0%	0.0%	139.3%	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
<i>As % Sales</i>	37.4%	44.5%	45.6%	42.8%	49.0%	45.6%	67.0%	63.9%	40.0%	37.1%	49.6%	32.5%	30.3%	29.8%	28.7%	30.3%
Operating Profit	4.8	-0.4	-0.1	-2.8	-8.4	-11.7	-5.6	-7.7	1.0	0.8	-11.5	5.0	6.1	7.1	9.4	27.6
<i>Margin</i>	3.8%	-1.6%	-0.2%	-9.5%	-25.9%	-10.1%	-23.9%	-36.2%	3.2%	2.5%	-10.6%	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
Pretax Profit	-11.9	-4.4	-4.2	-7.0	-12.9	-28.5	-10.0	-11.9	-3.0	-3.2	-28.1	0.8	1.9	2.9	5.2	10.8
<i>Margin</i>	-9.3%	-16.5%	-15.5%	-23.5%	-39.8%	-24.6%	-42.5%	-56.4%	-9.5%	-9.8%	-25.9%	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
<i>Rate</i>	-52.2%	-3.8%	-6.2%	-5.5%	2.6%	-1.7%	-2.7%	-2.2%	0.0%	0.0%	-1.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income--Oper.	-18.1	-4.6	-4.5	-7.3	-12.5	-28.9	-10.3	-12.2	-3.0	-3.2	-28.7	0.8	1.9	2.9	5.2	10.8
<i>Margin</i>	-14.2%	-17.2%	-16.5%	-24.8%	-38.7%	-25.0%	-43.6%	-57.6%	-9.5%	-9.8%	-26.3%	2.1%	4.9%	7.5%	12.7%	7.0%
EPS--Operations	-0.45	-0.11	-0.11	-0.18	-0.31	-0.72	-0.25	-0.29	-0.07	-0.08	-0.69	0.02	0.04	0.07	0.12	0.26
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

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.

Research analyst compensation is dependent, in part, upon investment banking revenues received by Morgan Joseph & Co. Inc.

Morgan Joseph & Co. Inc. intends to seek or expects to receive compensation for investment banking services from the subject company within the next three months.

Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [B]	56.38	37.74
HOLD [H]	42.55	30.00
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 over 12-18 months.

Other Disclosures

The information contained herein is based upon sources believed to be reliable but is not guaranteed by us and is not considered to be all inclusive. It is not to be construed as an offer or the solicitation of an offer to sell or buy the securities mentioned herein. Morgan Joseph & Co. Inc., its affiliates, shareholders, officers, staff, and/or members of their families, may have a position in the securities mentioned herein, and, before or after your receipt of this report, may make or recommend purchases and/or sales for their own accounts or for the accounts of other customers of the Firm from time to time in the open market or otherwise. Opinions expressed are our present opinions only and are subject to change without notice. Morgan Joseph & Co. Inc. is under no obligation to provide updates to the opinions or information provided herein. Additional information is available upon request.

© Copyright 2008 by Morgan Joseph & Co. Inc.

Morgan Joseph & Co. Inc.

600 Fifth Avenue, 19th Fl

New York, NY 10020

Tel. 212.218.3700

Fax. 212.218.3789

Sales and Trading

New York

Tel. 212.218.3767

Fax. 212.218.3705

Pittsford

Tel. 877.237.6542

Fax. 585.899.6029