

November 7, 2008

Key Metrics

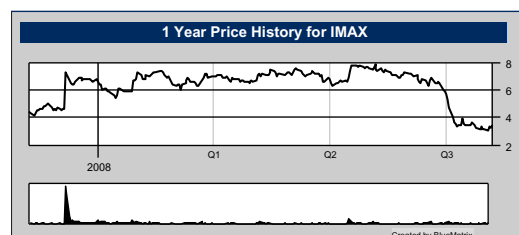
IMAX - NASDAQ	\$3.44
Pricing Date	11/06/2008
Price Target	\$9.00
52-Week Range	\$8.28-\$2.70
Shares Outstanding (mm)	43.5
Market Capitalization (\$mm)	\$149.5
3-Mo Average Daily Volume	182,591
Institutional Ownership	26%
Debt/Total Capital	166.1%
ROE	NM
Book Value/Share	NM
Price/Book	NM
Dividend Yield	NM
LTM EBITDA Margin	(0.13%)

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	33.5A	--	39.4E
4Q-Dec	32.3	--	32.6E	--	41.0E
FY	115.8	108.8E	110.8E	--	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	7.0A	14.1E	13.1E
4Q-Dec	(3.4)	8.6E	6.5E	17.4E	16.5E
FY	6.1	11.3E	8.5E	53.2E	51.3E



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

Batman Delivers in 3Q; Installs Remain On Track; Buy

Investment Highlights:

- **IMAX reported 3Q08 EPS of (\$0.05) vs. (\$0.18) LY: Exceeds Street consensus of (0.11).** IMAX reported EPS of (\$0.05), \$0.02 and \$0.06 better than our/Street consensus estimates, respectively. The EPS upside, versus our estimate, came from higher revenues and gross margins.
- **Backlog remains robust: 115 to 125 JV installs targeted by 2009 year end.** 3Q theater installation backlog consisted of 238 theater systems (132 joint venture agreements). Expectations are for between 115 to 125 joint-venture theaters installed, in total, by 2009 year end. If we include the 12.5% in revenues generated from studios with the estimated 40%, after fixed costs, to come from joint ventures, IMAX could garnish roughly 40% of the total gross box office earned at IMAX theaters.
- **Batman delivers: Film/theater revenues up 32% Y/Y and 97% sequentially.** Batman did not disappoint with over \$60mm generated at IMAX theaters. Combined with *Kung Fu Panda*, film/theater revenues nearly doubled sequentially. Granted, a film such as *The Dark Knight* does not come around too often; however, with expected 2009 blockbuster releases such as *Monsters vs. Aliens*, *Transformers 2*, *Harry Potter and the Half Blood Prince* and, recently announced, *Avatar*, to name a few, coupled with a rapidly expanding theater base, we believe strong Y/Y film revenue growth should materialize in 2009.
- **Strong film base could also limit exposure to weaker titles.** While there will always be underperforming releases, IMAX's apparently increasing exposure is delivering more high-profile titles and limiting its exposure to underperforming releases. Whereas *Speed Racer* and *Shine A Light* may have cost IMAX money in 2008 (factoring in the roughly \$1mm cost to convert a film to IMAX), we currently see few weak links in the 2009 schedule. Longer term, should IMAX release 10 to 12 films per year, exposure to such releases should be limited.
- **Financing appears in place for JV roll-out.** IMAX currently has \$37.7mm in cash and roughly \$10mm available under two recently amended credit facilities. We believe this to be sufficient to support the company's growth plans.
- **Big Picture Clearing Up: Maintain Buy rating.** While orders continue to come in (agreements for 11 IMAX theater systems signed in 3Q08) and ample room for growth, ex signed contracts, remains (potential worldwide theater installs of roughly 1,000), we continue to believe the contracts are in place for EBITDA to approach \$90mm in 3 to 4 years. We maintain our Buy rating on the shares.

EQUITY RESEARCH

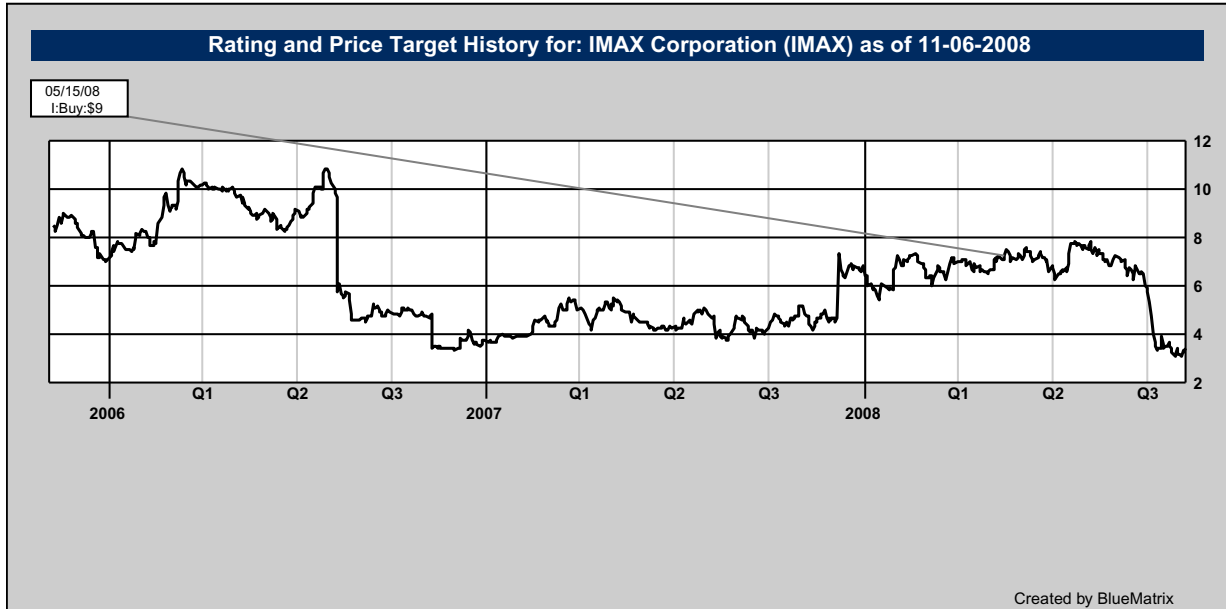
IMAX (IMAX)

(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	Q3 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	33.5	32.6	110.8	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%	13.2%	0.9%	-4.4%	52.2%	78.5%	17.7%	25.8%	39.0%
Cost of Goods/Services	75.1	15.3	14.8	19.7	24.8	74.7	13.4	15.3	18.4	19.7	66.8	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%	55.1%	60.4%	60.3%	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%	-6.5%	-20.7%	-10.5%	43.5%	32.6%	11.2%	0.5%	19.4%
Gross Profit	52.7	11.5	12.3	9.9	7.5	41.2	10.1	5.9	15.0	12.9	43.9	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%	44.9%	39.6%	39.7%	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%	52.5%	73.0%	6.7%	63.8%	198.2%	25.8%	64.3%	68.9%
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%	31.4%	32.2%	40.3%	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%	2.5%	-19.1%	-0.1%	-19.3%	-11.1%	-0.1%	0.0%	-8.2%
R&D	3.6	1.5	1.1	1.6	1.6	5.8	2.5	2.0	1.6	1.5	7.7	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%	4.8%	4.6%	6.9%	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%	3.6%	-6.8%	32.2%	-39.7%	-36.5%	-31.0%	-24.9%	-34.1%
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%	0.4%	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%	-7.8%	-29.1%	-10.6%	5.3%	2.2%	17.6%	40.0%	14.5%
Receivable provision	1.1	0.0	0.0	0.7	1.1	1.8	0.7	0.1	0.3	0.0	1.1	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%	48.1%	0.0%	184.6%	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	12.5	12.1	53.9	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%	37.4%	37.1%	48.7%	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)	2.5	0.8	(10.0)	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%	7.5%	2.5%	-9.0%	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	4.5	4.3	17.6	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	0.1	0.3	0.6	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)	(1.9)	(3.2)	(27.0)	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%	-5.6%	-9.8%	-24.4%	2.1%	4.9%	7.5%	12.8%	7.0%
Taxes(benefit)	6.2	0.2	0.3	0.4	-0.3	0.5	0.3	0.3	0.2	0.0	0.8	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%	-12.2%	0.0%	-2.8%	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)	(2.1)	(3.2)	(27.8)	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%	-6.3%	-9.8%	-25.1%	2.1%	4.9%	7.5%	12.8%	7.0%
EPS--Operations	(0.45)	(0.11)	(0.11)	(0.18)	(0.31)	(0.72)	(0.25)	(0.29)	(0.05)	(0.08)	(0.66)	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	43.4	42.2	42.1	42.2	42.2	42.2	42.2	42.2
Dep. & Amort.	16.9	3.0	3.2	6.5	4.9	17.7	4.2	4.1	4.5	5.7	18.5	5.0	5.6	6.0	7.1	23.7
EBITDA	22.7	2.6	3.2	3.7	(3.4)	6.1	(1.4)	(3.6)	7.0	6.5	8.5	10.0	11.7	13.1	16.5	51.3
<i>Margin</i>	17.8%	9.7%	11.7%	12.6%	-10.6%	5.2%	-6.0%	-17.0%	21.0%	19.8%	7.7%	27.8%	30.8%	33.4%	40.3%	33.3%

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.

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Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [B]	55.32	36.54
HOLD [H]	43.62	31.71
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.

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