

December 16, 2008

Key Metrics

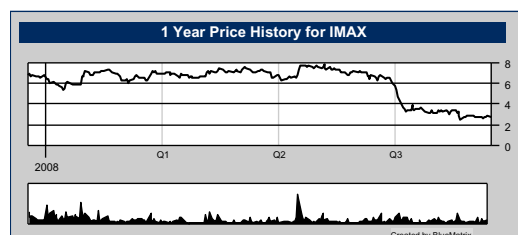
IMAX - NASDAQ	\$2.70
Pricing Date	12/15/2008
Price Target	\$9.00
52-Week Range	\$8.28-\$2.41
Shares Outstanding (mm)	43.5
Market Capitalization (\$mm)	\$117.5
3-Mo Average Daily Volume	182,118
Institutional Ownership	26%
Debt/Total Capital	166.1%
ROE	NM
Book Value/Share	NM
Price/Book	NM
Dividend Yield	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	--	33.5A	--	39.4E
4Q-Dec	32.3	--	32.6E	--	41.0E
FY	115.8	--	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	--	7.0A	--	13.1E
4Q-Dec	(3.4)	--	6.5E	--	16.5E
FY	6.1	--	8.5E	--	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

The Power of IMAX: 19 of Top 20 Screens Shown in IMAX; Buy

Investment Highlights:

- **Consumers appear to be supporting the IMAX experience with their dollars: IMAX average per screen sales 3.5x national average.** *The Day The Earth Stood Still* (TDTESS) generated an estimated \$31mm in opening weekend domestic gross box office (BGO) receipts. IMAX theaters accounted for approximately \$3.8mm, or 12%, of total GBO. Average revenue per theater at IMAX was roughly \$30,800 versus the national average of roughly \$8,700. Nineteen of the top twenty gross theaters were IMAX theaters, with ticket prices apparently running 25% to 40% higher than the average.
- **What a difference a year makes - potential dud turns positive for IMAX.** On the surface, \$31mm in opening weekend GBO is not particularly stellar. By comparison, *I Am Legend* (IAL), which opened 12/14/07, generated comparable GBO of \$77mm. Despite that wide variance, TDTESS generated, versus IAL, roughly \$600,000 more revenues at IMAX theaters with a much stronger percent of GBO (estimated 12% versus 4% for IAL). IMAX's expanded theater base and apparently growing consumer appeal has the company on track to earn higher film revenues despite a 50% plus decline in comparable GBO. As more IMAX theaters are opened, film returns per GBO could continue to grow.
- **International base up roughly 20 theaters Y/Y, could add to comparable profits.** IAL generated roughly \$200,000 on 6 international screens during its opening weekend. TDTESS is expected to open in 26 IMAX theaters during the days or weeks following the domestic launch, which could further improve comparable profits. International results for TDTESS were not released; however, foreign GBO was estimated at \$39mm versus \$31mm domestically.
- **Star Trek added to the 2009 IMAX roster: IMAX appeal growing.** IMAX recently announced that *Star Trek* will be shown at IMAX theaters worldwide beginning May 8, 2009. In addition to adding another potential blockbuster release to its roster, we believe this signing further demonstrates IMAX's growing appeal to studios. With *Night At The Museum II* already scheduled for a May 22, 2009, release, Paramount Pictures appears willing to forego a traditionally longer release date for the opportunity to show its film on IMAX. Prior to IMAX's digital release, this signing may not have occurred as studio print costs, which have declined from roughly \$20k to \$40K per film to virtually nothing today, could have been too prohibitive for such a potentially short release schedule.
- **We maintain our Buy rating and \$9PT on IMAX shares.**

EQUITY RESEARCH

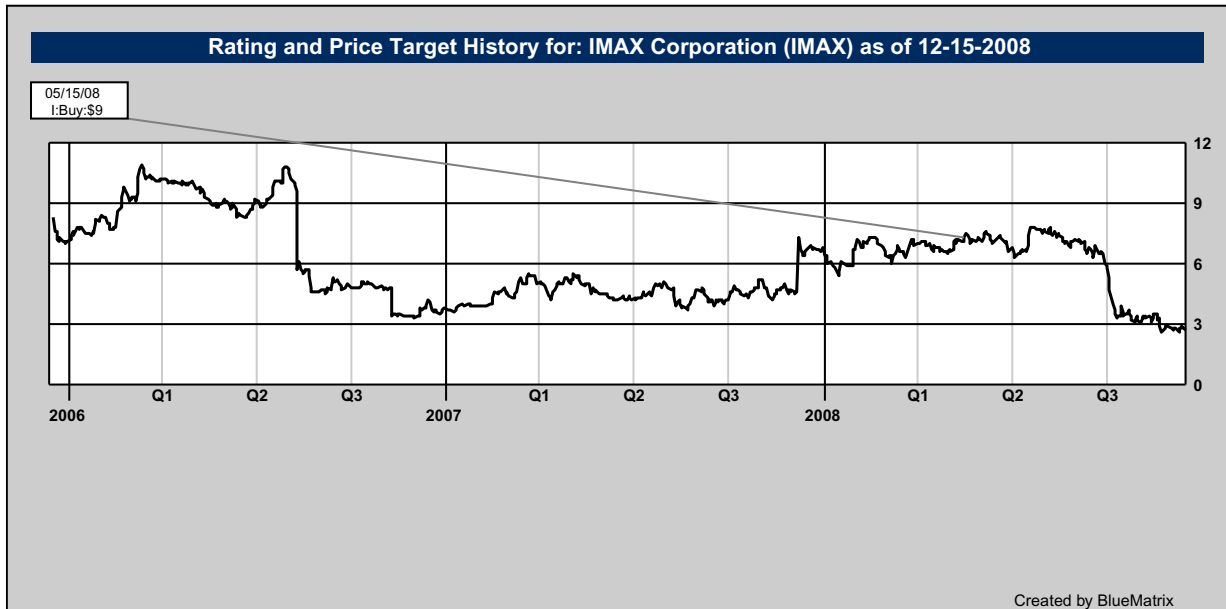
IMAX (IMAX)

(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]	54.65	36.17
HOLD [H]	43.02	29.73
SELL [S]	2.33	0.00

Meaning of Ratings

A) Buy means reasonable outperformance relative to the market (Russell 2000) over 12-18 months.

- B) Hold means market-type (Russell 2000) risk adjusted performance; potential source of funds.
C) Sell means expected to underperform the market (Russell 2000) over 12-18 months.

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