

**IMAX**

# IMAX China (1970 HK) Investor Presentation

August 2021



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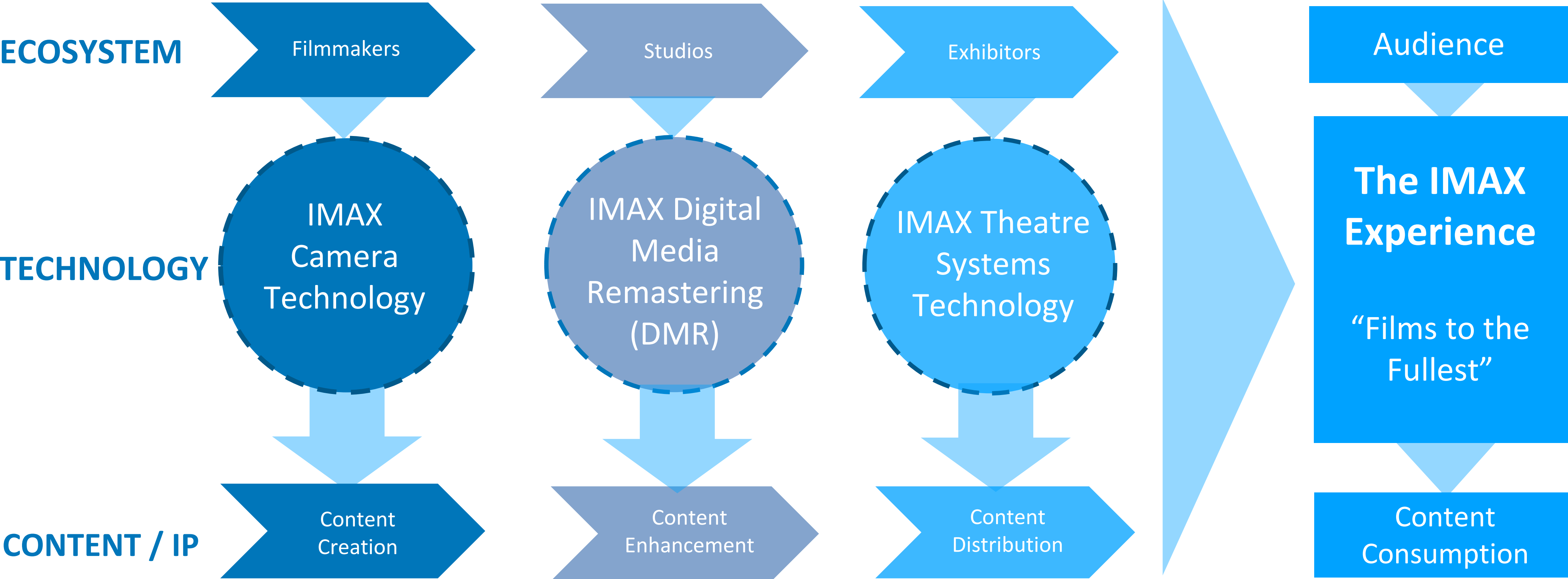
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- **Ecosystem**
- **Business Model**
- **Investment Thesis**
- **Financials**

# Unique Position in the Greater China Entertainment Ecosystem

Upstream Downstream

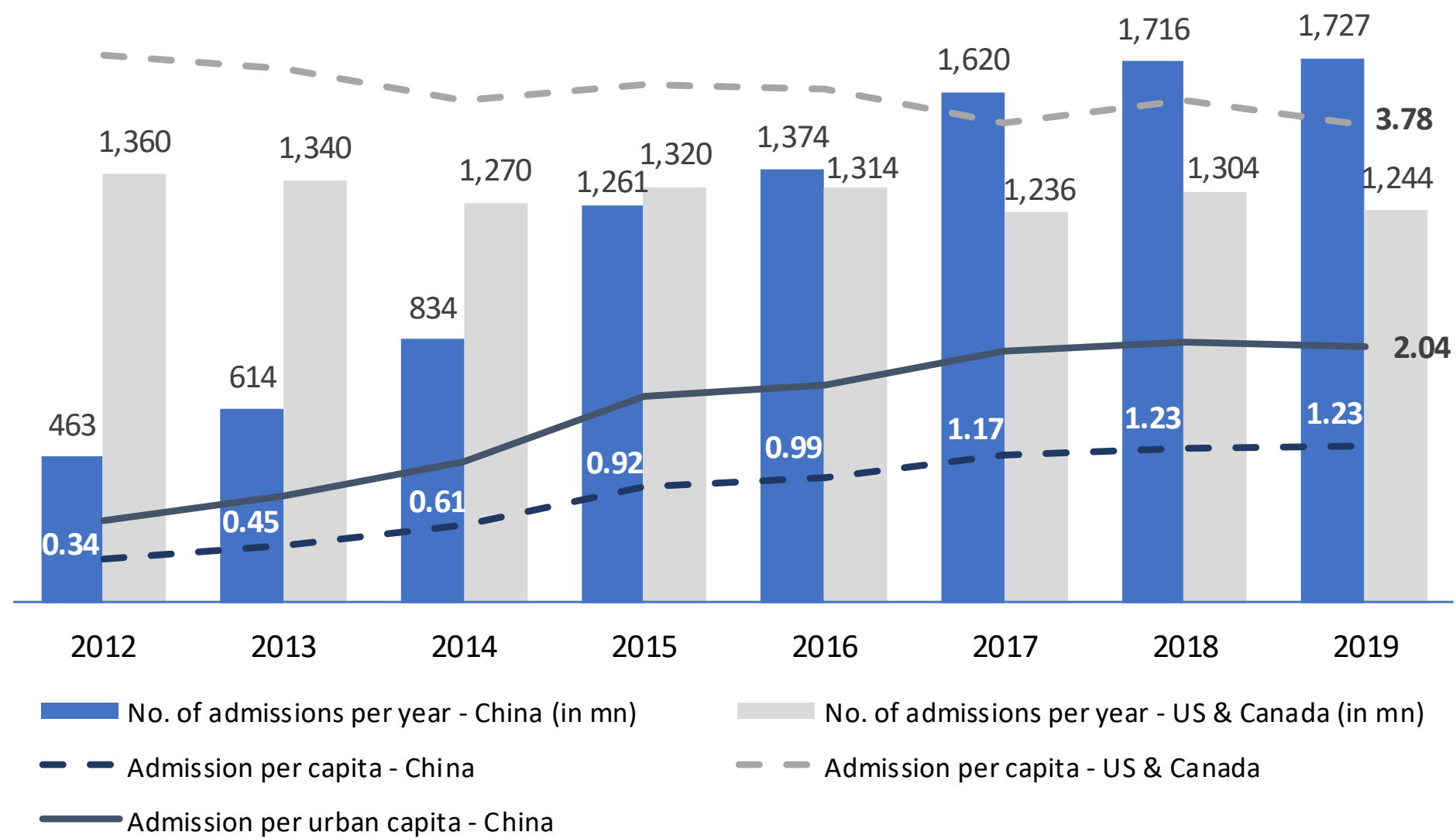


## OUR PARTNERS

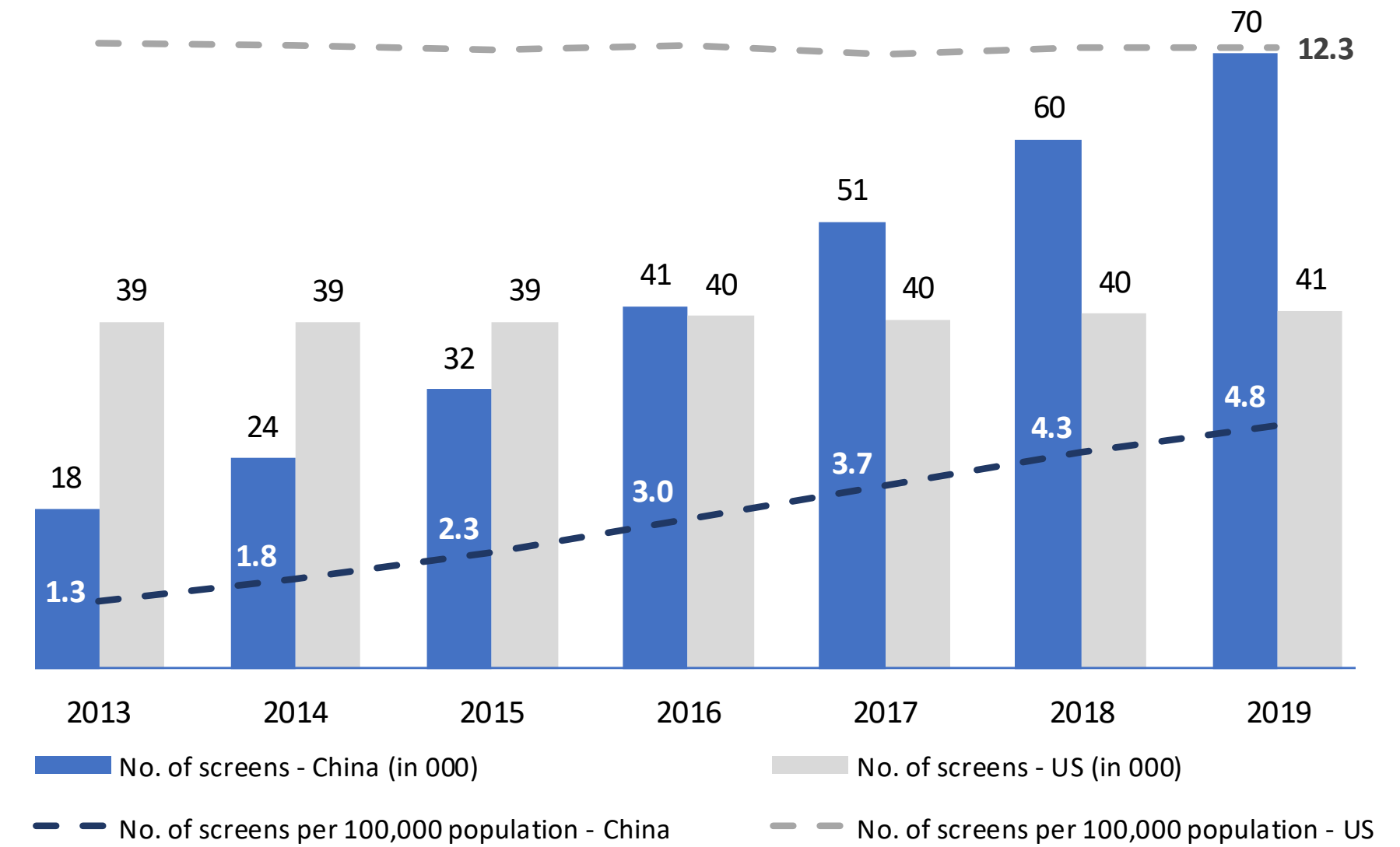


# Chinese Film Market Sees Room for Growth From Both Demand and Supply Perspective

## Movie admission per capita



## No. of cinema screen per 100,000 population

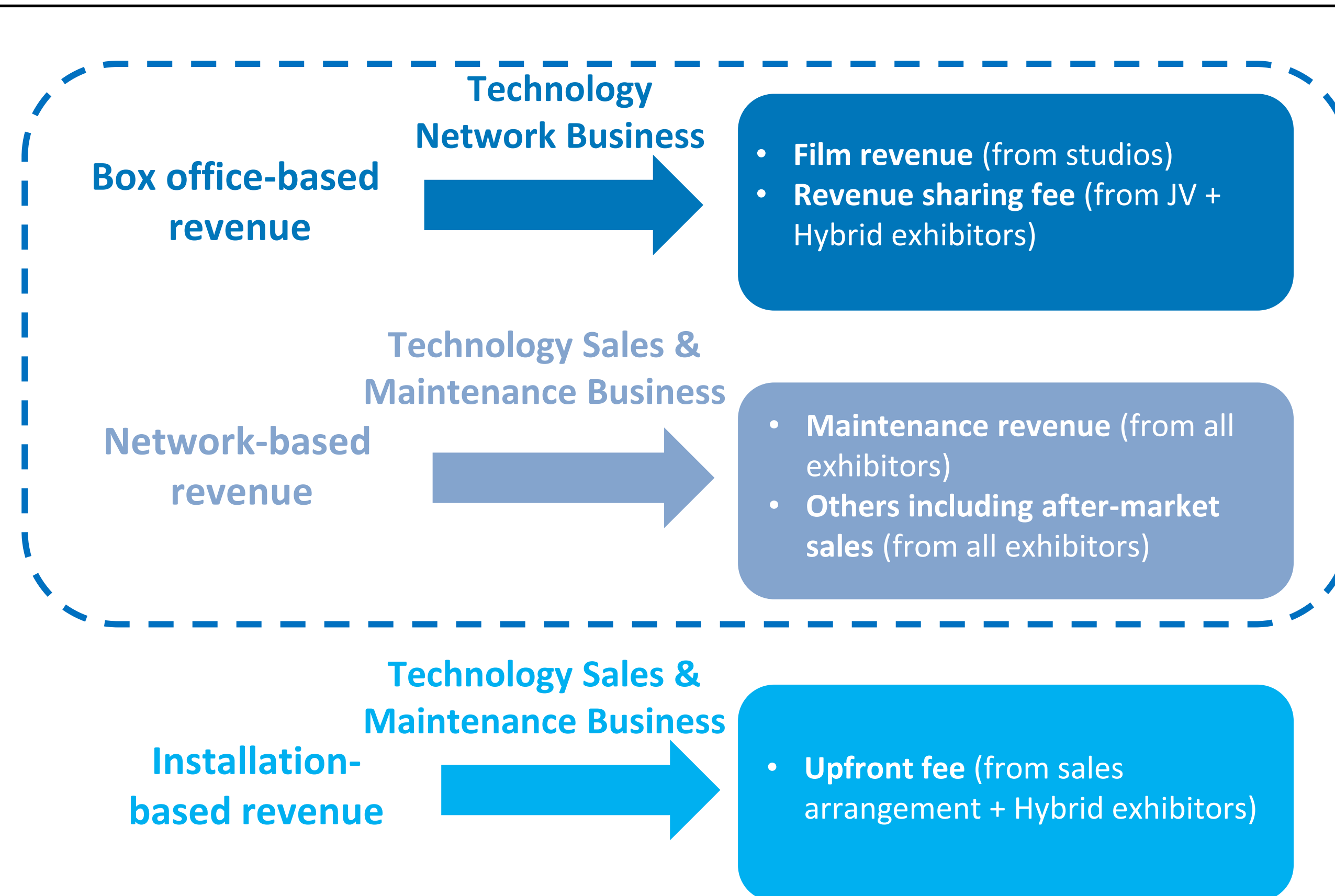


Source: National Bureau of Statistics, China Film Administration, US Census National Association of Theatre Owners

- Ecosystem
- **Business Model**
- Investment Thesis
- Financials

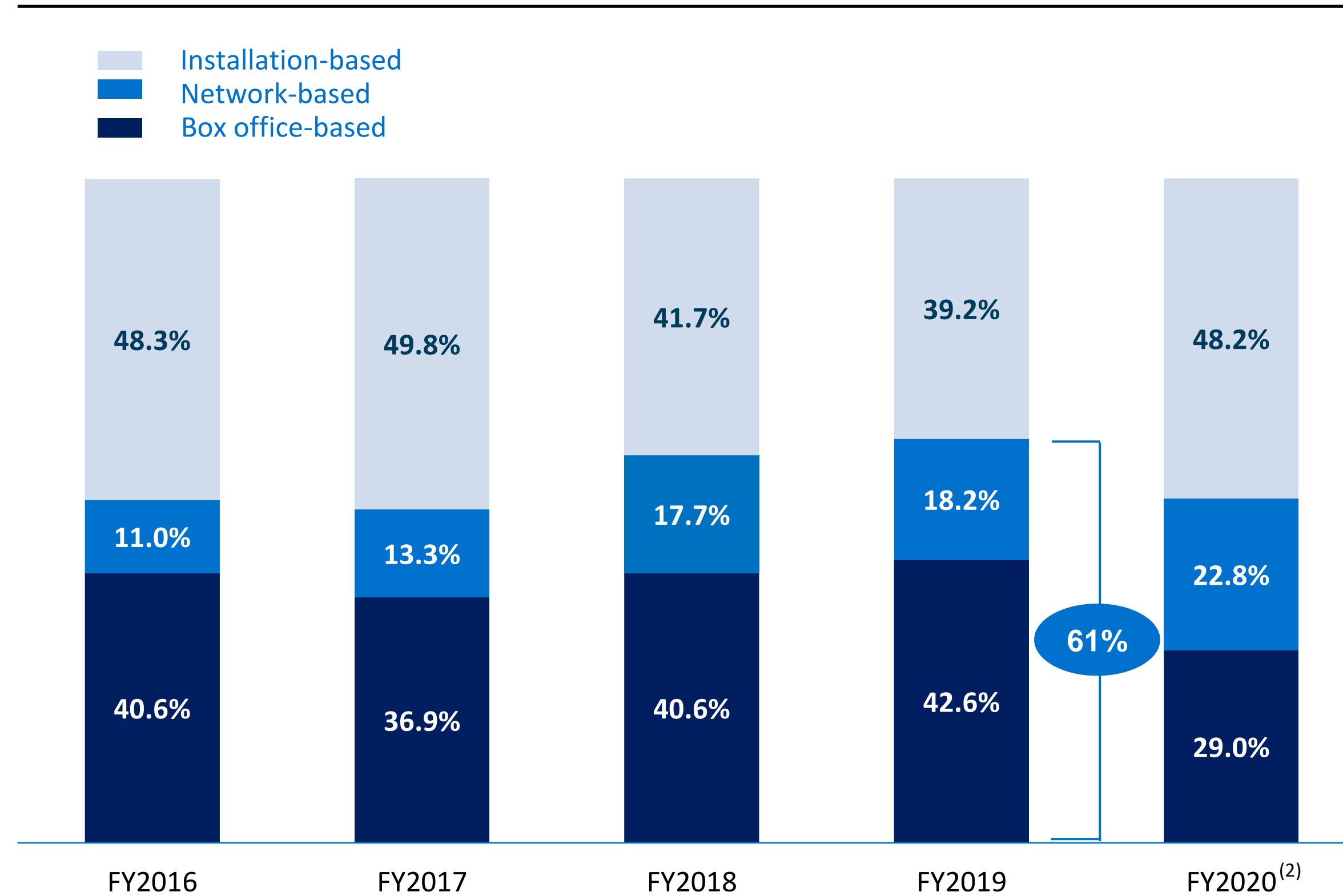
# Our Business Model - Diversifying Monetization

## IMAX China business models



# Our Network Effect Drives Higher Recurring Revenue Mix

Increasing mix of recurring revenue <sup>(1)</sup>



Note (1): Recurring revenue refers to box office and network-based revenue

Note (2): Box office-related revenue impacted by 6-month theater closure due to COVID-19

Source: Company data



- Ecosystem
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# Why IMAX China is Well-Positioned in a Post-Pandemic Theatrical Industry

## Demonstrated Demand Upon Reopening

- ❑ Strong revenue rebound to US\$53.4 million in first-half 2021, up from US\$6.7mn in first-half 2020
- ❑ Profitability turnaround to US\$21.3 million adjusted earnings, vs. net loss of US\$15.5 million in first-half 2020
- ❑ Record local language box office of US\$68 million for the six-month period
- ❑ Growing Hollywood indexing to c.13% and local language indexing to c.5% <sup>(1)</sup>
- ❑ Record-breaking New Year's Day and Chinese New Year opening weekend
- ❑ Expanding footprint to 759 theaters in Greater China; 237 systems in the backlog <sup>(2)</sup>

## IMAX Beyond COVID

### Accelerating Structural Tailwinds

- ❑ “Blockbusterization” effect in content consumption, creation and exhibition
  - Increasing consolidation towards top-grossing movies and top-performing theatres
- ❑ Local content gravitating towards IMAX genres with increasing production value

### Differentiated positioning

- ❑ China's largest premium entertainment network
- ❑ Leading brand and technology to both consumers and exhibitors
- ❑ Concentrated footprint in top-performing theatre complexes
- ❑ Strong content pipeline empowered by IMAX DNA
- ❑ Asset-light business model with strong operating leverage and solid balance sheet

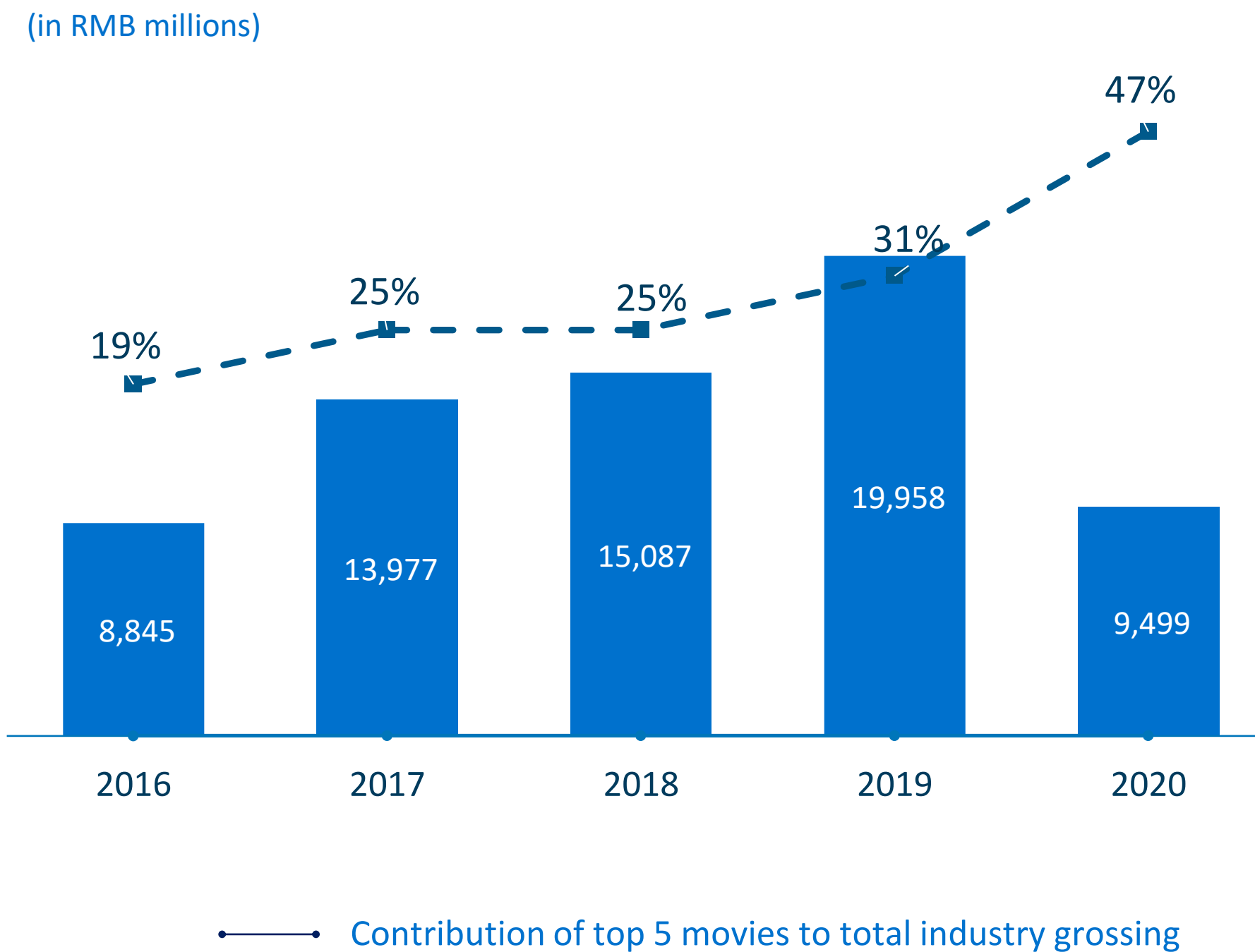
(1): Based on average opening weekend indexing on all Hollywood and local language titles available in IMAX format

(2): As of June 30, 2021

IMAX China is strategically positioned as post-pandemic theatrical experience calls upon differentiated offering in both content and exhibition

# Theatrical Business Increasingly Centered Around Blockbusters

Total box office of top five grossing movies



Source: TOP Consulting

IMAX titles that surpassed a RMB1 billion box office milestone since theatre reopening



**Detective Chinatown 3**  
(Feb 2021)  
Cumulative GBO RMB4.5 billion  
5<sup>th</sup> highest-grossing title in China film history



**The Eight Hundred**  
(Aug 2020)  
Cumulative GBO RMB3.1 billion  
11<sup>th</sup> highest-grossing title in China film history



**My People My Homeland**  
(Oct 2020)  
Cumulative GBO RMB2.8 billion  
14<sup>th</sup> highest-grossing title in China film history



**Legend of Deification**  
(Oct 2020)  
Cumulative GBO RMB1.6 billion



**Chinese Doctors**  
(July 2021)  
Cumulative GBO RMB1.3 billion



**Shockwave 2**  
(Dec 2020)  
Cumulative GBO RMB1.3 billion



**The Sacrifice**  
(Oct 2020)  
Cumulative GBO RMB1.1 billion

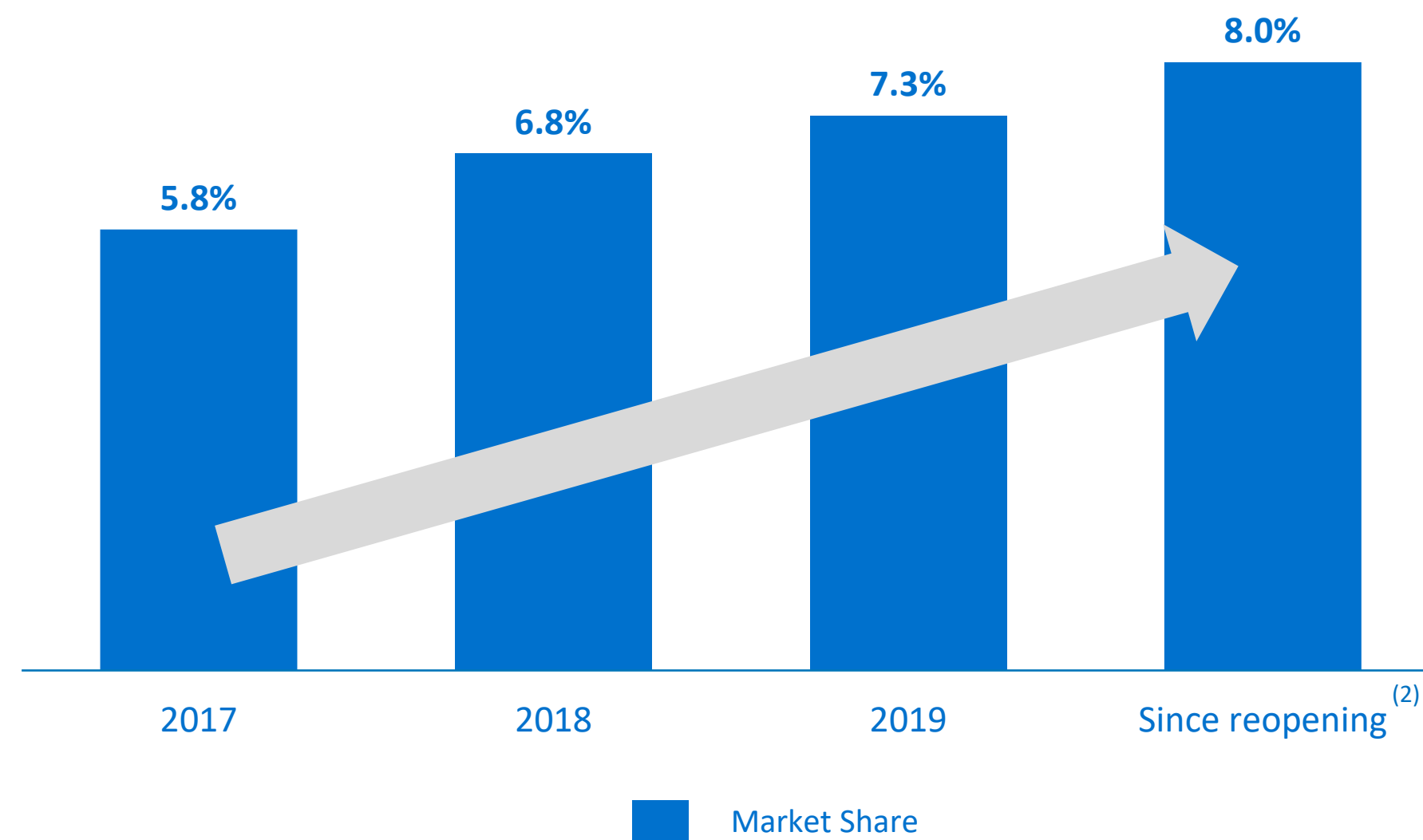


**A Writer's Odyssey**  
(Feb 2021)  
Cumulative GBO RMB1.0 billion

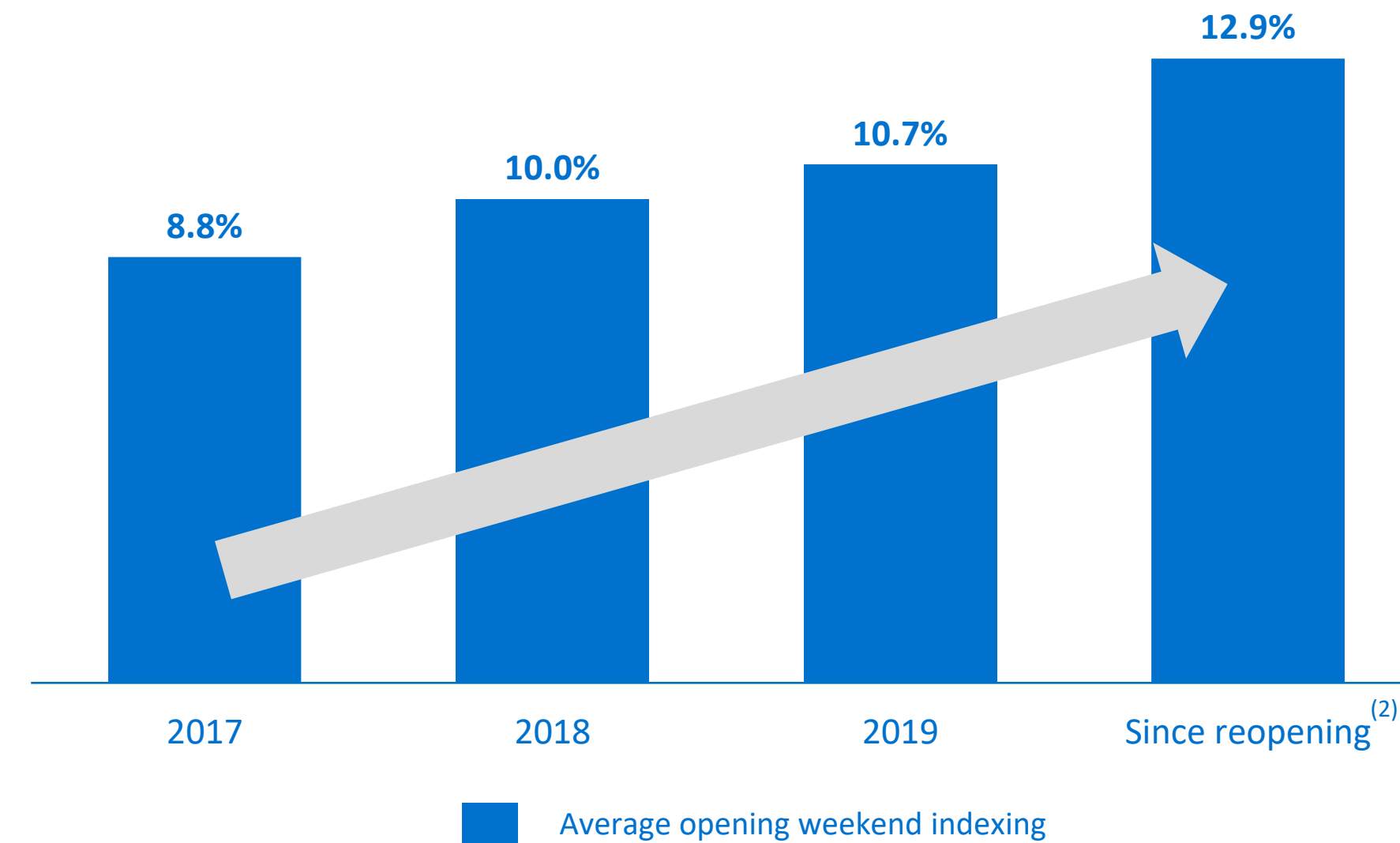
Top five grossing titles account for 47% of China's box office in 2020 – all of which are available in IMAX

# 'Blockbusterization' in Content Consumption Drives Higher Indexing and Market Share for IMAX China

IMAX China Box Office Market Share in Hollywood Titles



IMAX China Indexing<sup>(1)</sup> on Hollywood Titles



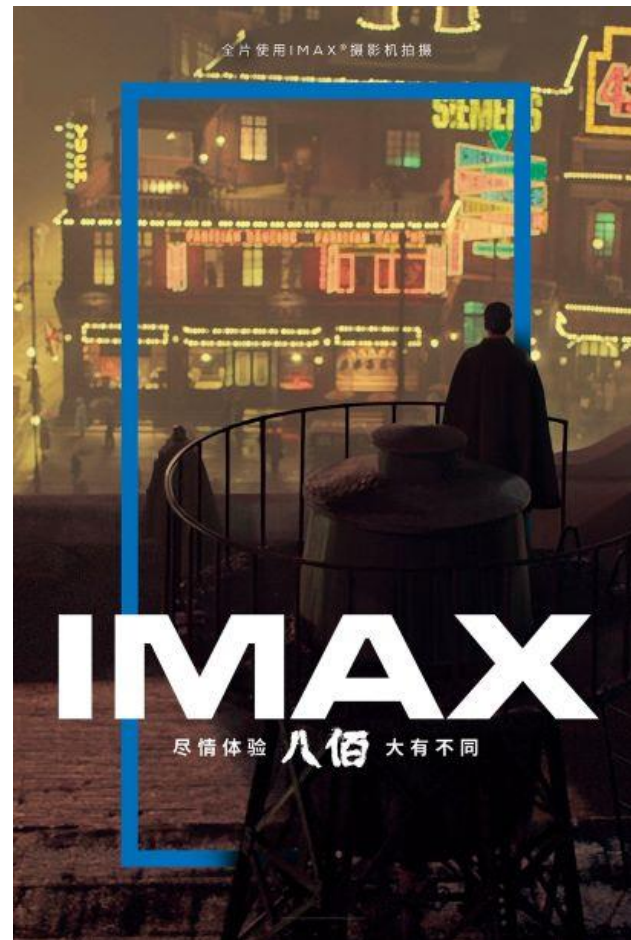
(1): Indexing = IMAX China's box office of a single title/ total box office of a single title

(2): From July 20, 2020 to July 20, 2021

Source: Company data

IMAX China's average indexing and market share in Hollywood titles accelerated to 13% and 8% respectively since reopening

# Growing IMAX Indexing Across Both Hollywood and Local Language Blockbusters



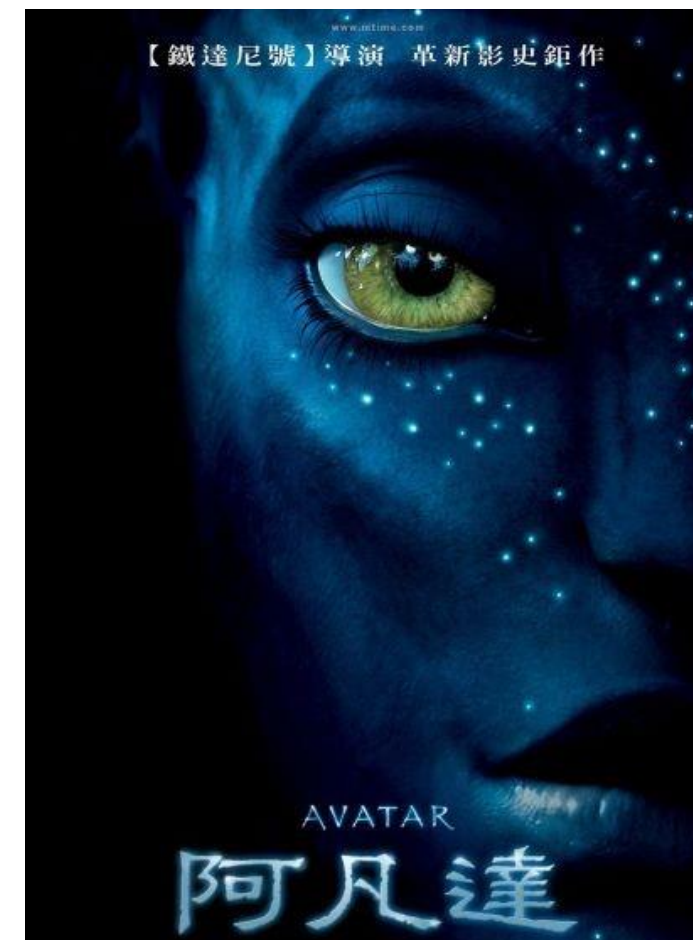
## The Eight Hundred (Aug 2020)

- First local-language title shot entirely with IMAX Cameras
- 11<sup>th</sup> highest-grossing movie in China film history
- Highest-grossing film globally in the year 2020
- **6% IMAX indexing** in opening weekend



## Detective Chinatown 3 (Feb 2021)

- Filmed with IMAX cameras
- 5<sup>th</sup> highest-grossing title in China film history
- Best 3-day opening weekend of all time
- Best IMAX opening weekend for a local title
- 3<sup>rd</sup> highest-grossing local language film for IMAX China
- Opening day of Chinese New Year recorded over 1 million single-day IMAX admissions – first time ever in any global market
- **5%+ IMAX indexing**



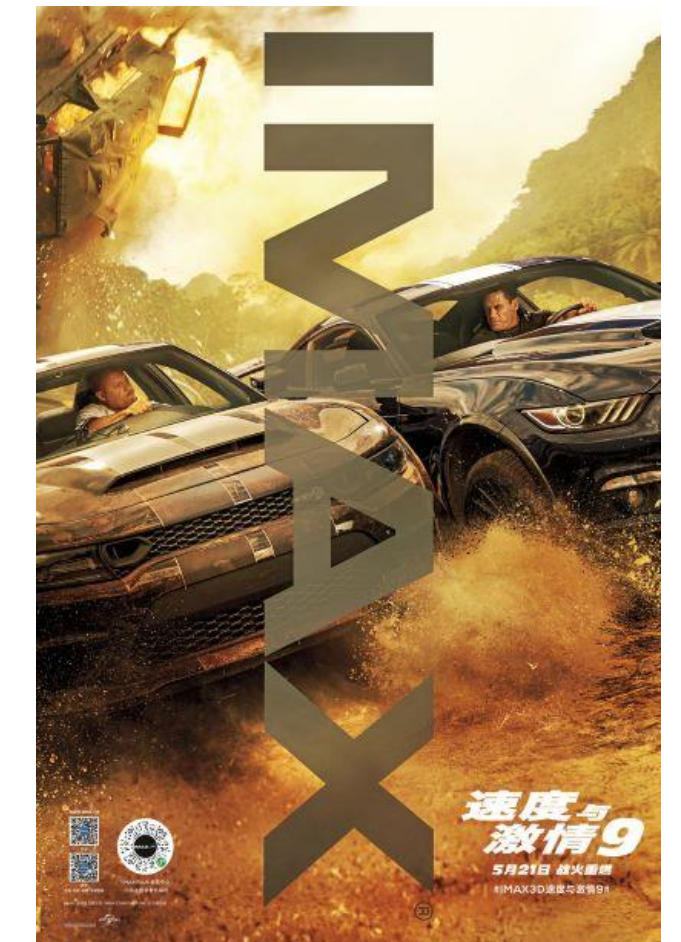
## Avatar re-release (March 2021)

- More than RMB300mn box office from re-release on its 11<sup>th</sup> anniversary
- **30% IMAX indexing**



## Godzilla vs. Kong (March 2021)

- Highest-grossing IMAX title of the MonsterVerse franchise
- **14% IMAX indexing** in opening weekend



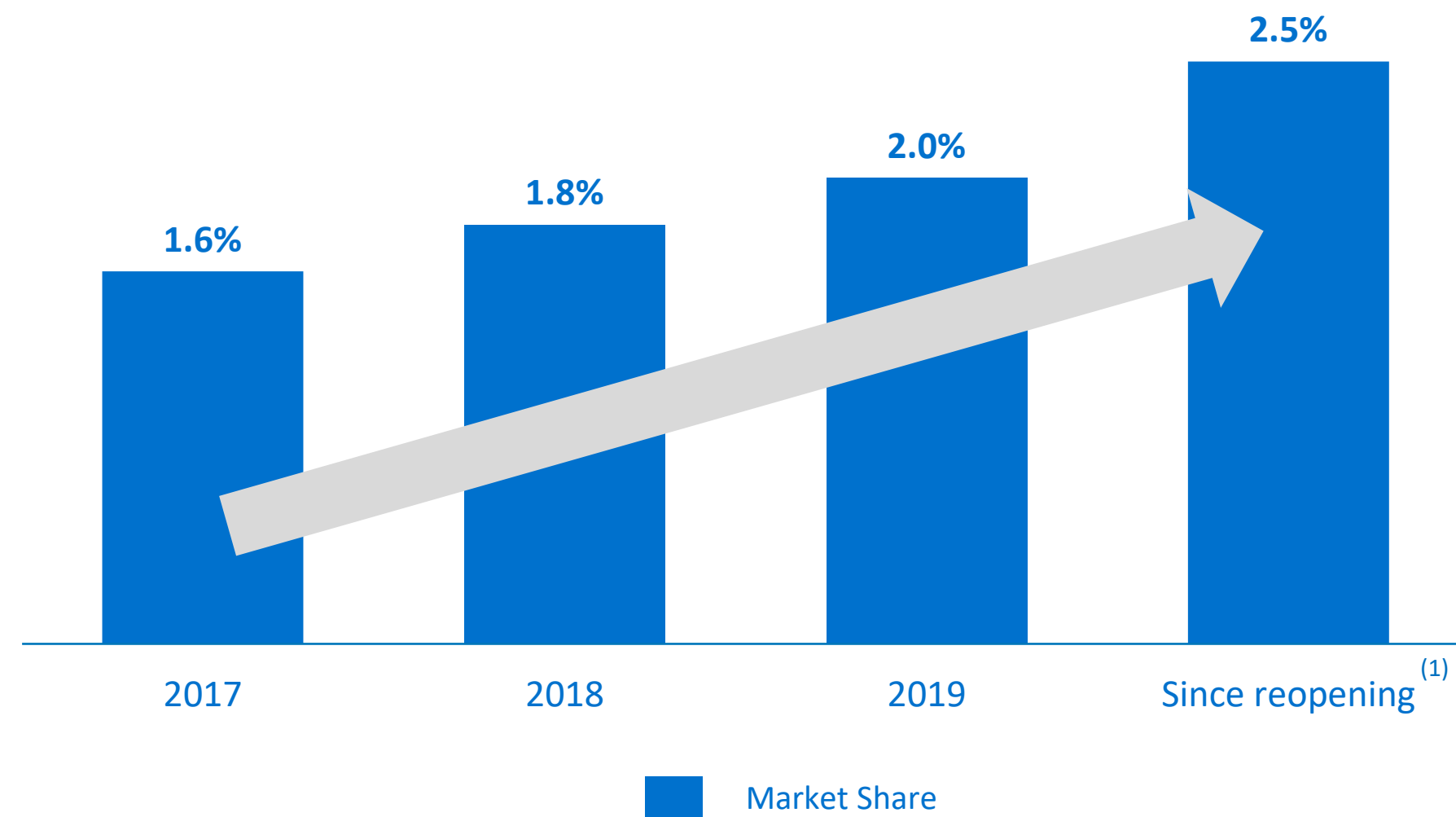
## Fast & Furious 9 (May 2021)

- Biggest Hollywood opening since 'Avengers: Endgame'
- **9% IMAX indexing – best within the franchise**

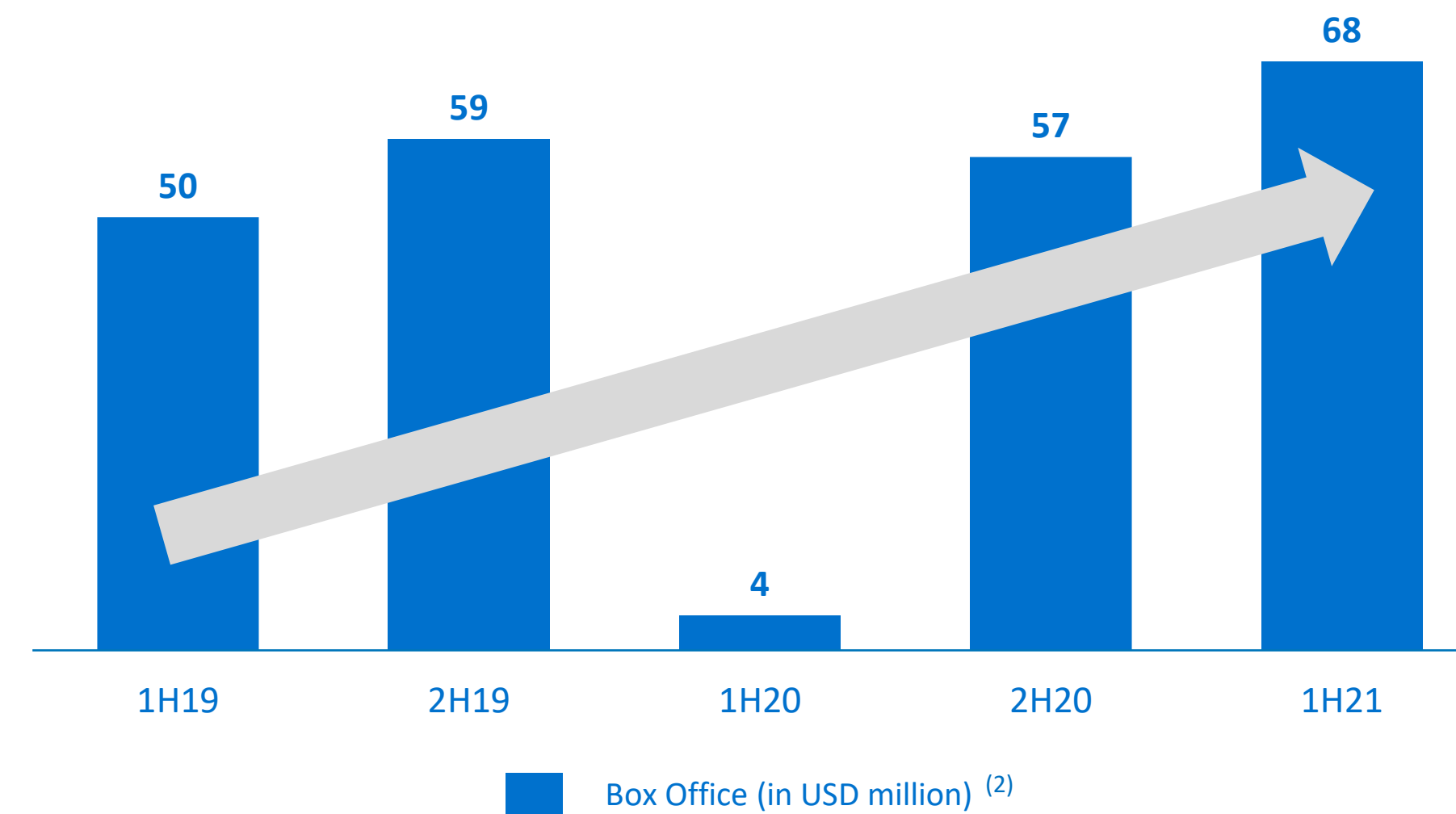
Source: Company data

# Early Success in Local Language Programming Drives Market Share Gain...

### IMAX China Box Office Market Share in Local Language Titles



### IMAX China Local Language Box Office



(1): From July 20, 2020 to July 20, 2021

(2): Excludes service fee

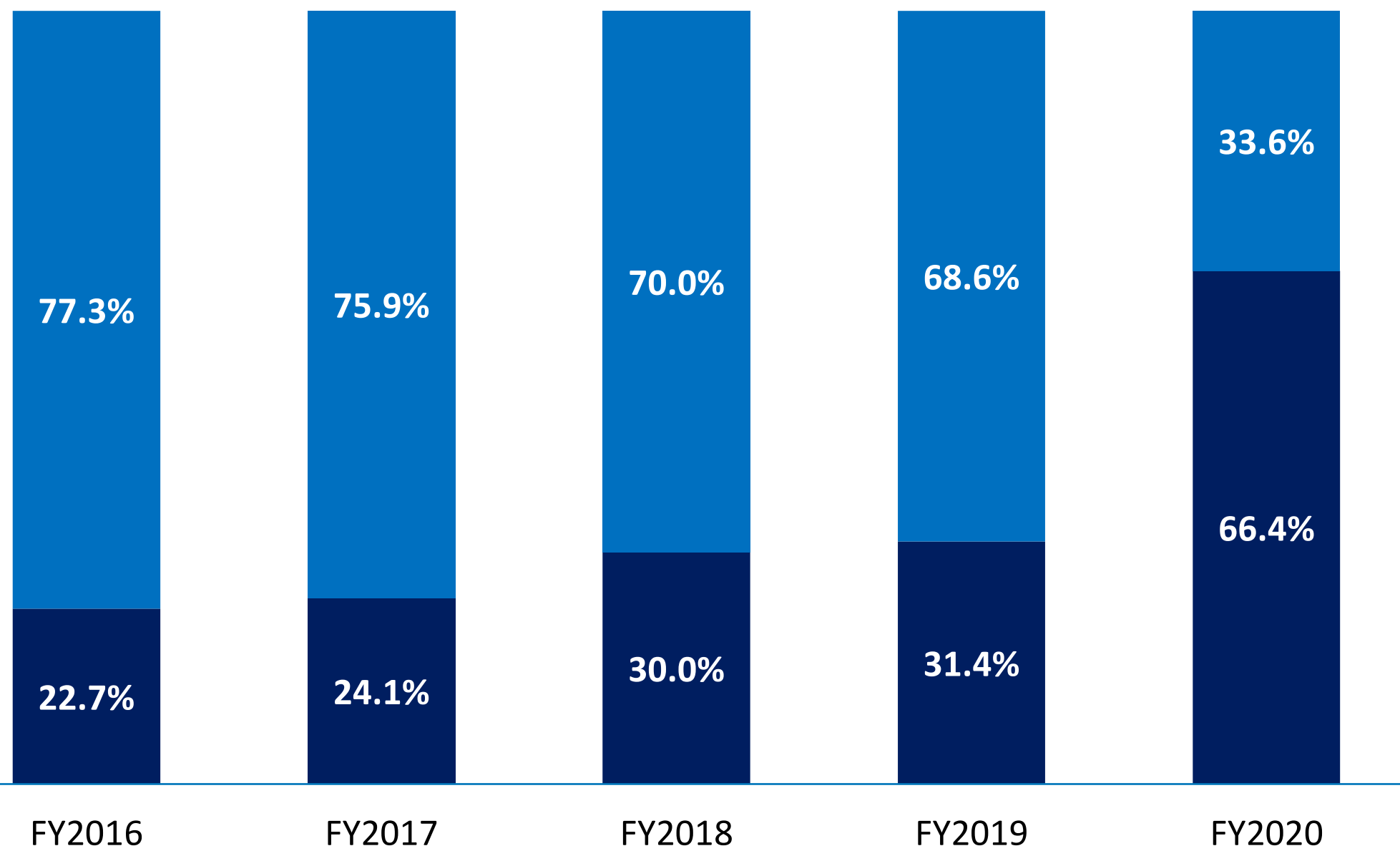
Source: Company data

IMAX China achieved record local language box office of US\$68 million in first-half 2021 on growing market share

# ...And Rising Box Office Contribution From Local Language Titles

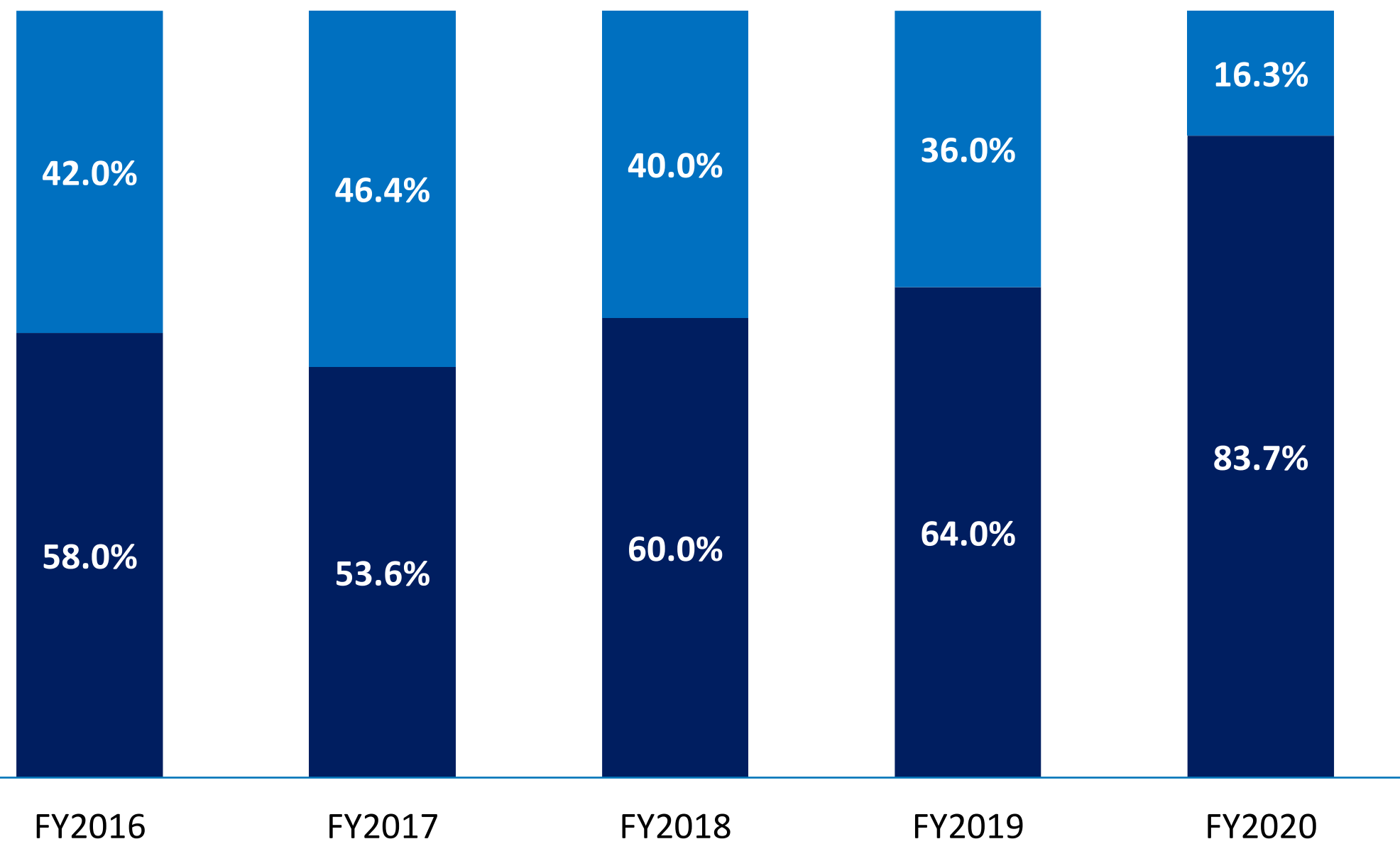
IMAX China box office distribution (Hollywood vs. Local)

■ Hollywood box office  
■ Local language box office



China box office distribution (Hollywood vs. Local)

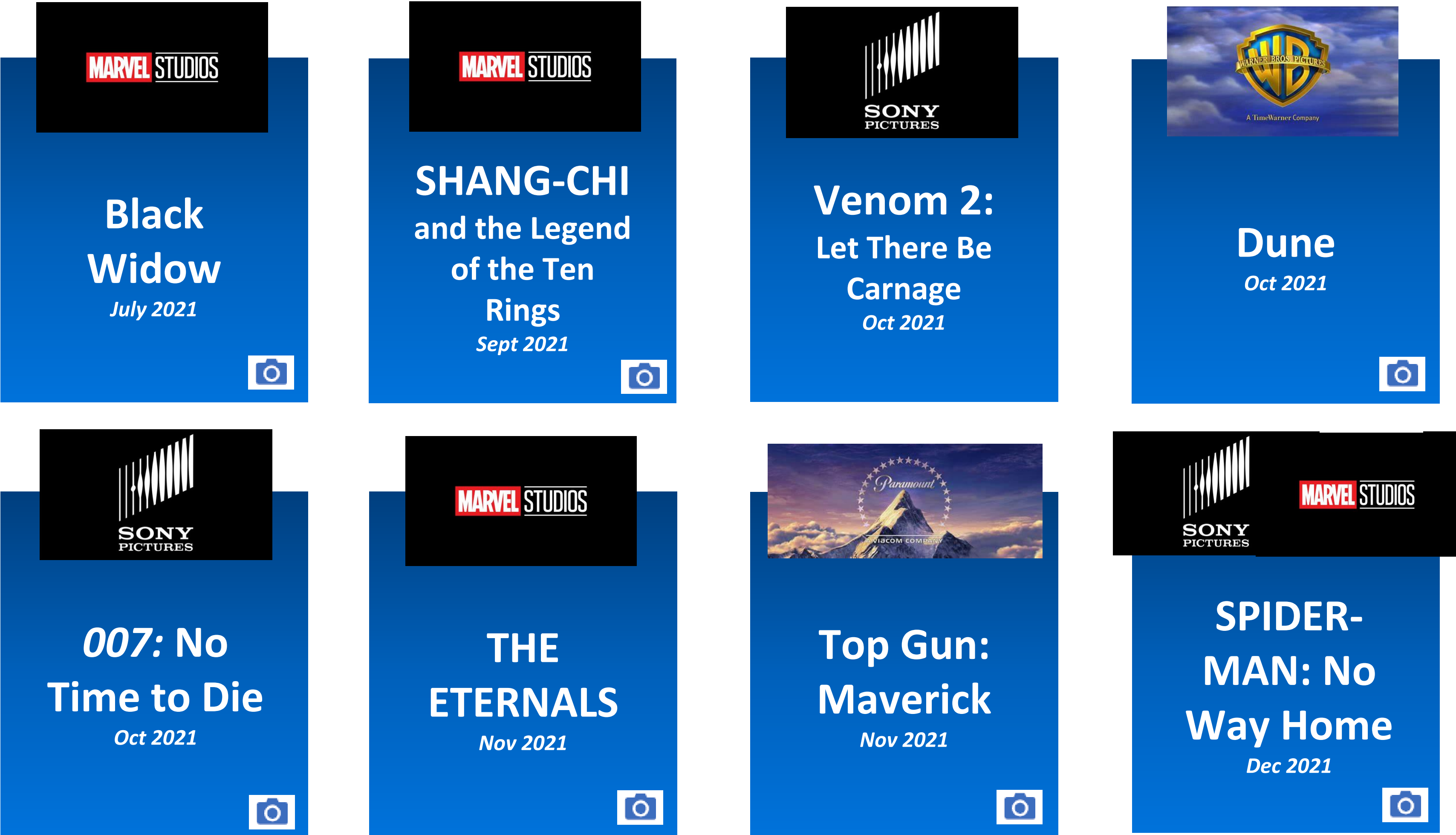
■ Hollywood box office  
■ Local language box office



Source: Company data, China Film Administration

Growing contribution from local language titles bodes well for higher blended take-rate

# Strong Pipeline of Tentpole Releases (2H21)

















Heavy involvement of IMAX DNA bodes well for greater box office share

Note: Titles have been confirmed to be released in North America but such release schedule might be postponed due to the coronavirus pandemic. Release schedule in China to be determined.

= indicates IMAX DNA with expanded aspect ratio or filmed with IMAX certified cameras



# Strong Pipeline of Tentpole Releases (2022)

 <b>Doctor Strange In The Multiverse of Madness</b> <i>March 2022</i> 	 <b>The Batman</b> <i>March 2022</i>	 <b>Thor: Love and Thunder</b> <i>May 2022</i> 	 <b>Mission Impossible 7</b> <i>May 2022</i> 
 <b>Jurassic World 3: Dominion</b> <i>June 2022</i>	 <b>Black Panther 2: Wakanda Forever</b> <i>July 2022</i> 	 <b>Captain Marvel 2: The Marvels</b> <i>Nov 2022</i> 	 <b>Avatar 2</b> <i>Dec 2022</i> 

Heavy involvement of IMAX DNA bodes well for greater box office share

Note: Titles have been confirmed to be released in North America but such release schedule might be postponed due to the coronavirus pandemic. Release schedule in China to be determined.

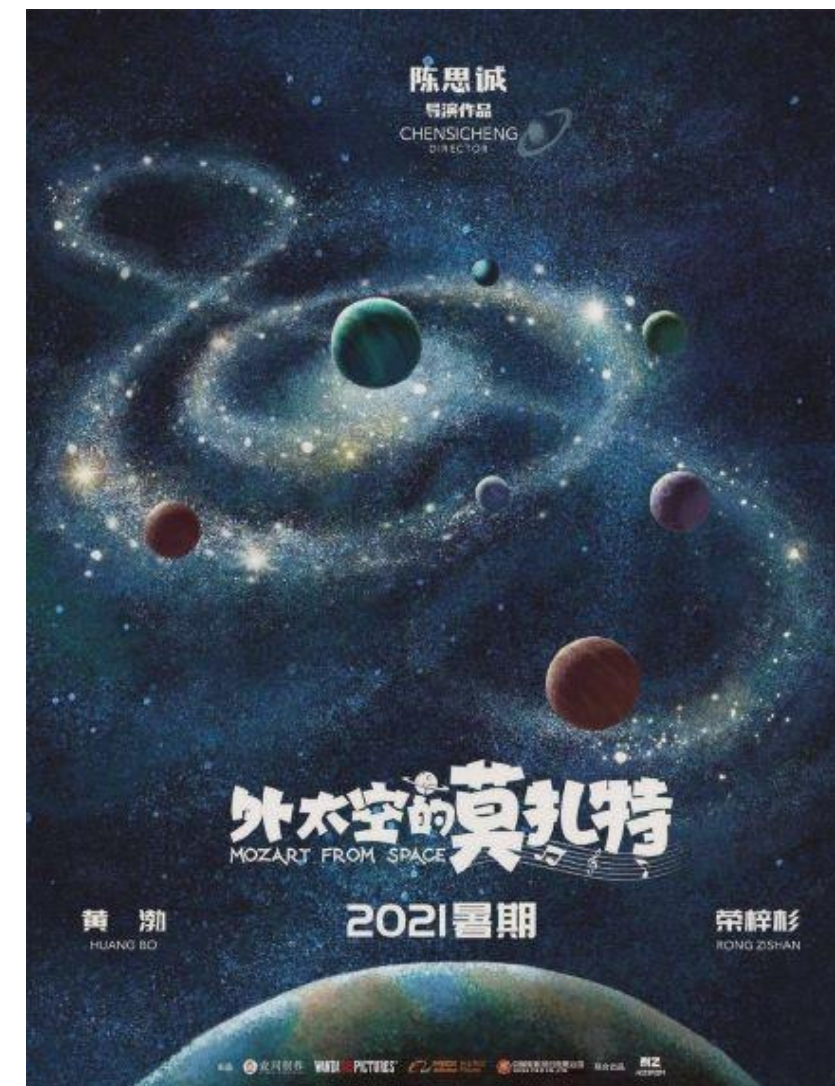
 = indicates IMAX DNA with expanded aspect ratio or filmed with IMAX certified cameras

# Promising Pipeline of Potential Local Language Titles

## The Battle at Lake Changjin



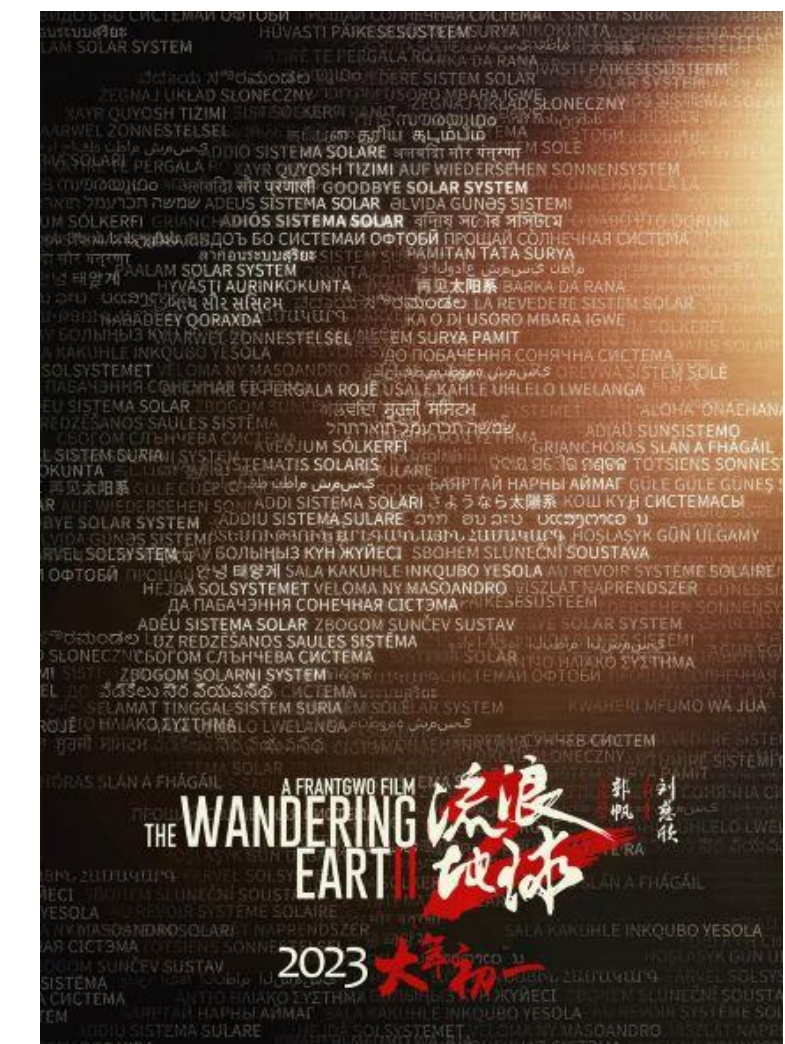
## Mozart From Space (1)



## Creation of the Gods I (2)



## Wandering Earth 2



(1): Filmed in IMAX

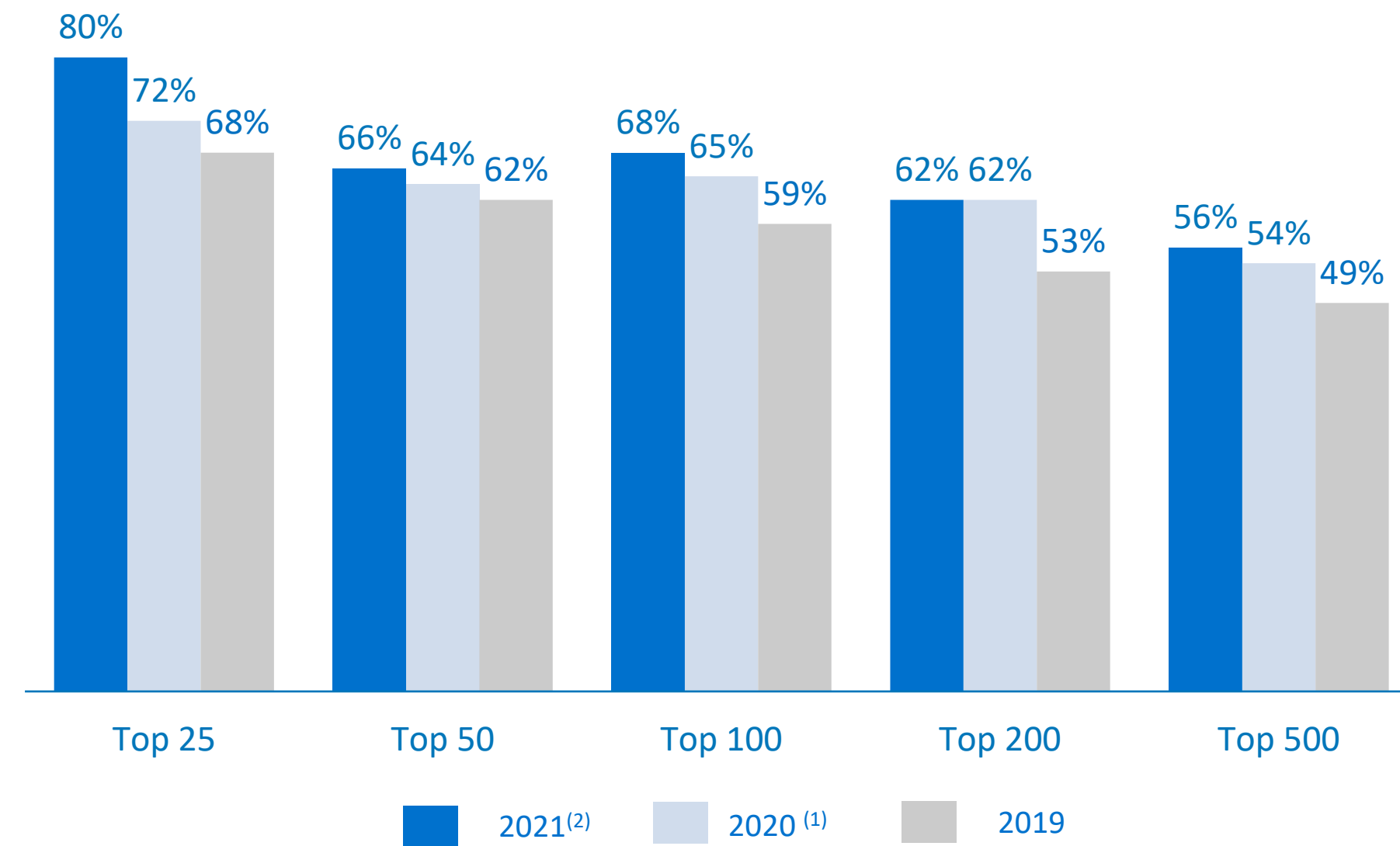
(2): First installment of Fengshen Trilogy

Note: Release schedule of the abovementioned titles in China to be determined.

Multiple blockbuster caliber potential local language titles

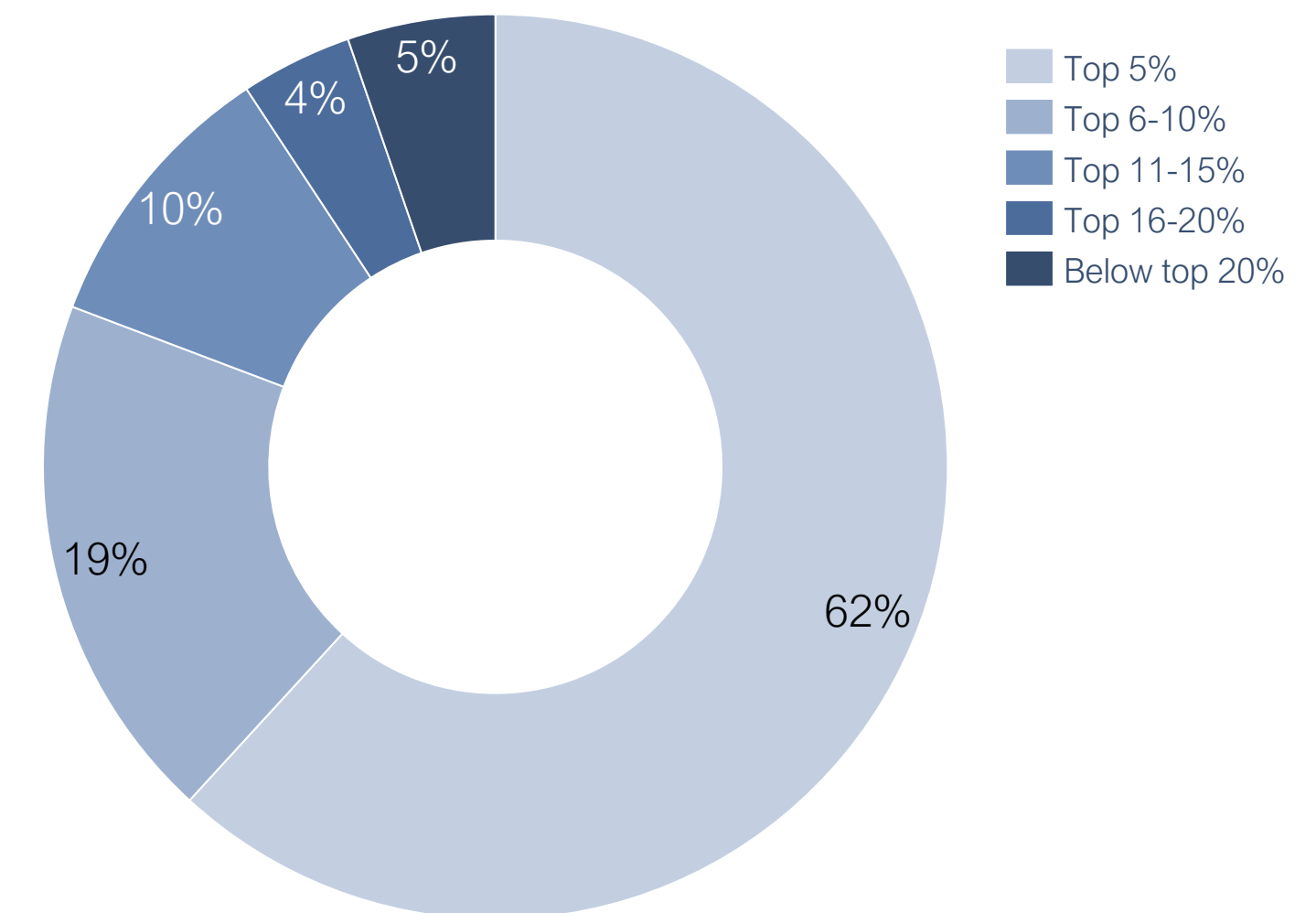
# Industry Consolidation an Opportunity, Not a Risk

## IMAX China Theater Penetration in Top 500 Complexes



Source: TOP Consulting  
 (1): from July 20, 2020 – Dec 31, 2020  
 (2): as of June 30, 2021

## IMAX China 1H21 GBO by Multiplex Cohort

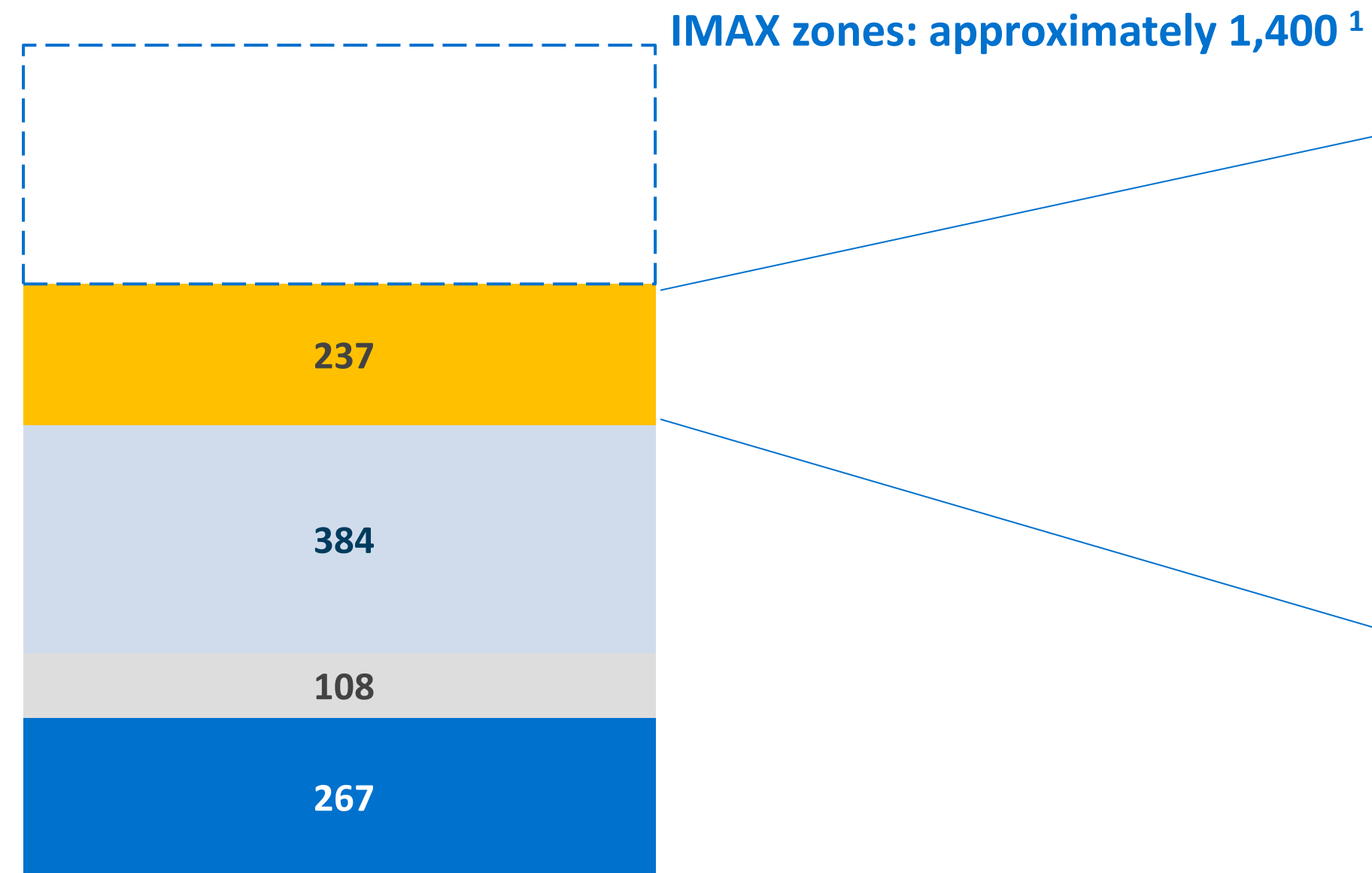


95% of IMAX China box office was generated from top 20% multiplexes

# Expanding Network Footprint

## IMAX Greater China Theater Footprint

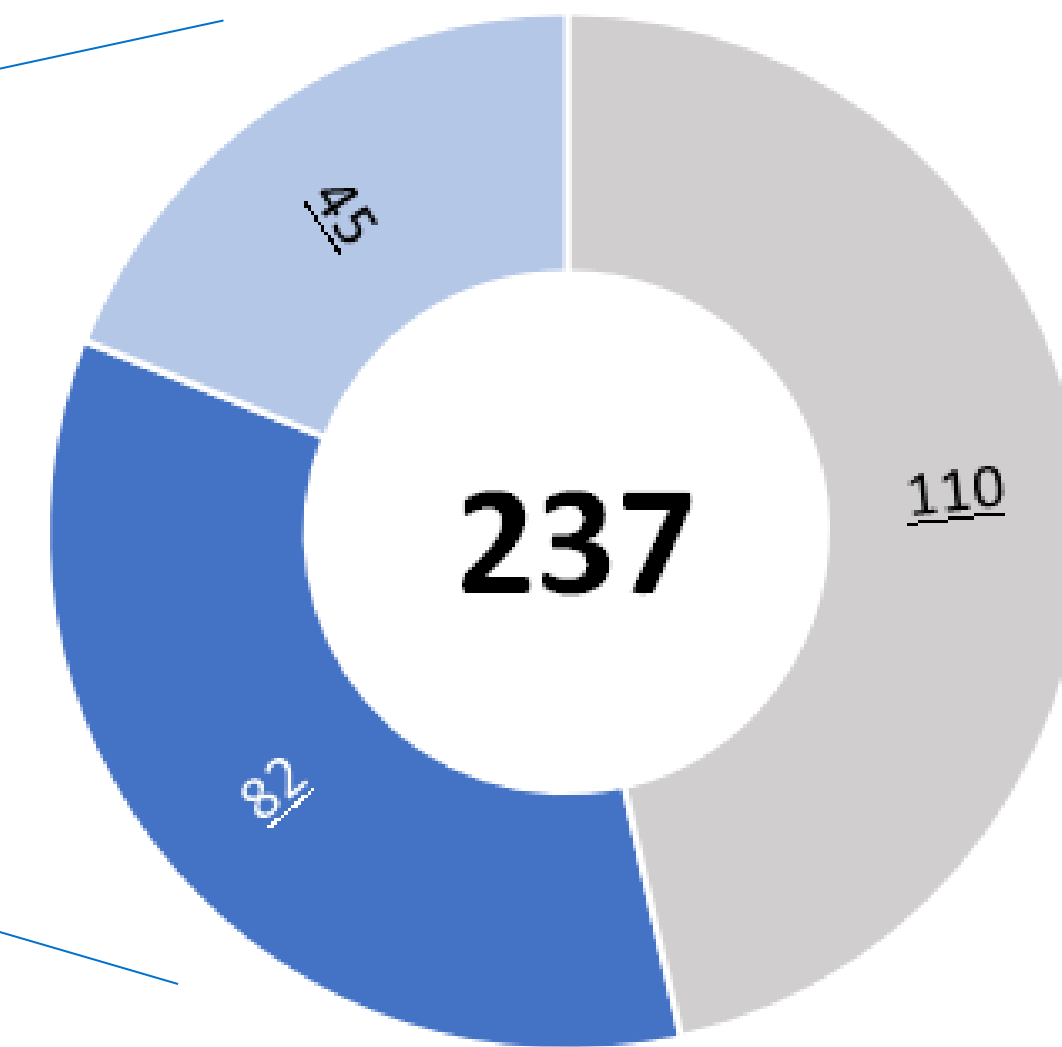
- Backlog
- Full revenue sharing
- Hybrid revenue sharing
- Sales arrangement



As of Jun 30, 2021

Note 1: As of June 30, 2021  
Source: Company Data

## Greater China Backlog Mix<sup>2</sup>



- Sales arrangement
- Hybrid revenue sharing
- Full revenue sharing

Note 2: As of June 30, 2021  
Source: Company Data

Including backlog, total number of contracted IMAX theatres in Greater China reached approximately 1,000

- **Ecosystem**
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# Strong Financial Position and Unique Business Model Drives Quick Profitability Turnaround

## Strong fundamentals

- ❑ Asset-light business model provides financial flexibility
- ❑ Strong balance sheet with US\$115 million in cash as of June 30, 2021, up from US\$88.5 million in YE21
- ❑ No exposure to fixed rental commitment or content production cost
- ❑ Less capex-driven growth on rising scalability



## Increase shareholder value

- ❑ Strong recovery in box office upon theatre reopening drove quick profitability turnaround to 1H21 adjusted net profit<sup>(1)</sup> of US\$21.3 million (vs. net loss of US\$15.5 million in 1H20); and total revenue of US\$53.4 million (vs. US\$6.7 million in 1H20)
- ❑ Technology sales and maintenance revenue of US\$31.7 million, up from US\$5.4 million in 1H20, and 25% higher than that of 1H19
- ❑ Generated US\$13.3 million in free cash flow in 1H21
- ❑ Increased dividend payment to US\$9.7 million on growing earnings and higher payout ratio of 50% starting 2021 onwards, up from 33% in 2017-2019

Strong capital position and free cash flow generating ability contributes to financial resilience and quick profitability turnaround

Note 1: Adjusted net profit excludes share-based compensation

# Key Highlights (1H21 vs. 1H20)

Key Financial Highlights (in USD 000, unless otherwise stated)	1H2021	1H2020
Greater China Box Office <sup>1</sup>	132,828	7,393
Theatre Network (in unit)	759	714
Total Revenue	53,431	6,662
- Technology Network Business	21,703	1,120
Take-rate <sup>2</sup>	16.3%	15.1%
- Technology Sales & Maintenance Business	31,686	5,409
Gross Profit	33,123	(4,042)
Adjusted EBITDA	33,797	(13,424)
Adjusted Net Profit	21,312	(15,512)

Note 1: Box office excludes booking fee

Note 2: Take-rate defined as network business revenue divided by IMAX China box office

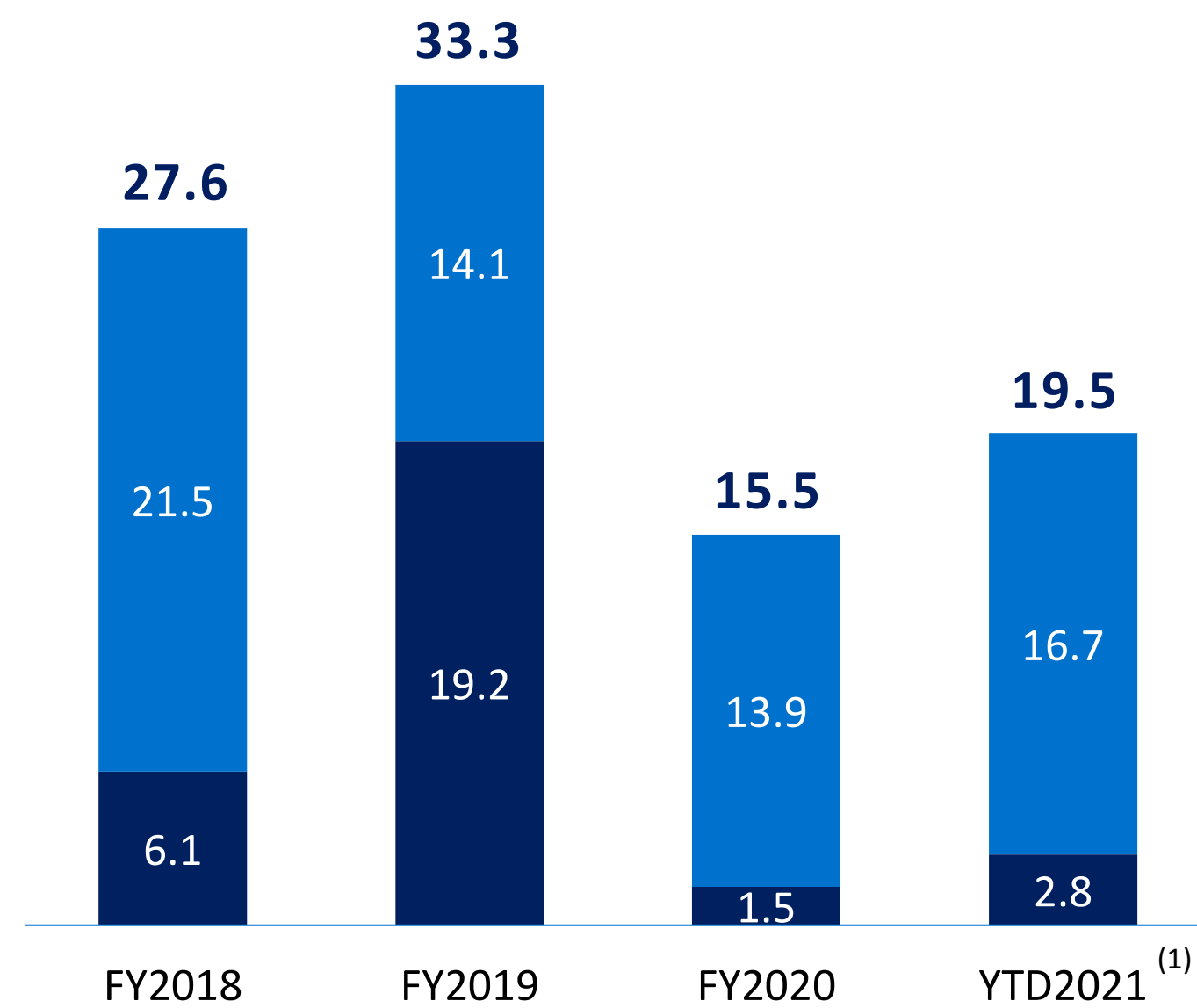
Source: Company data

Pent-up demand for moviegoing and record performance of local language titles drove quick profitability turnaround a year into reopening.

# Long-term Shareholder Value Creation

## Capital returned to shareholders

(in USD mn)



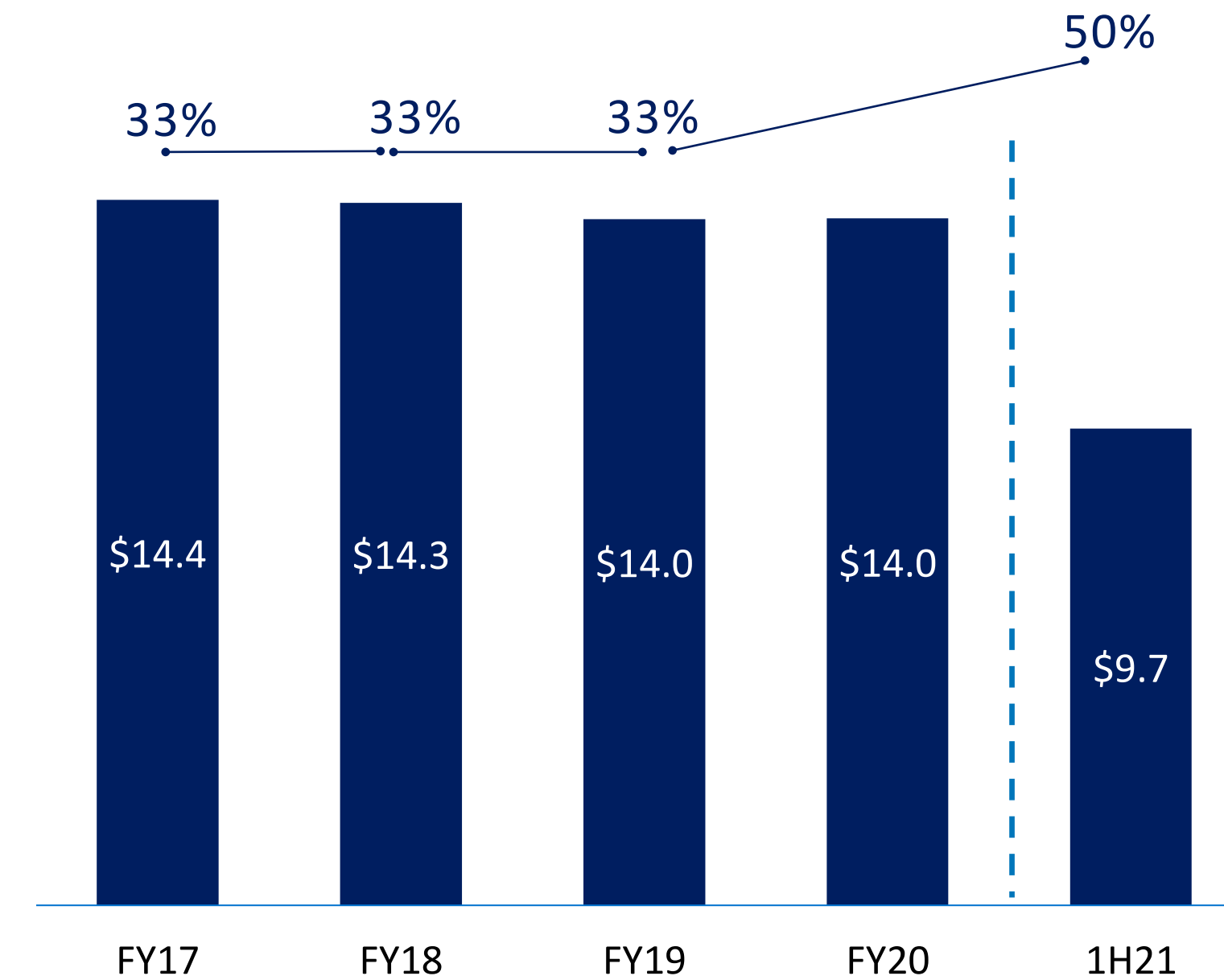
- Adjusted earnings payout ratio(%)
- Dividends paid (as reflected on cash flow statement)
- Share buyback

Source: Company data

Note (1): As of Aug 24, 2021

## Dividend trend

(in USD mn)



- Dividend earnings payout %
- Dividend amount declared

We have returned a total of more than \$90mn capital to shareholders since 2017



