

**IMAX**

# IMAX China (1970 HK) Investor Presentation

Nov 2020





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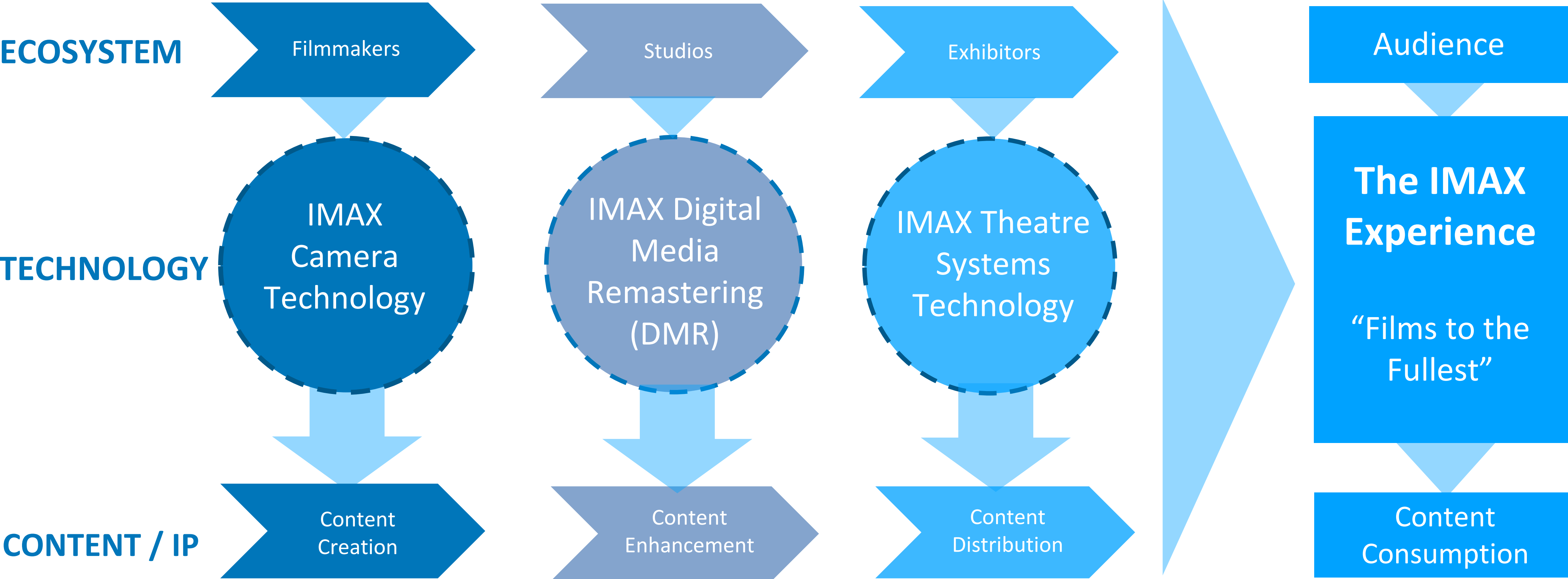


- **Ecosystem**
- **Business Model**
- **Investment Thesis**
- **Financials**



# Unique Position in the Greater China Entertainment Ecosystem

Upstream Downstream

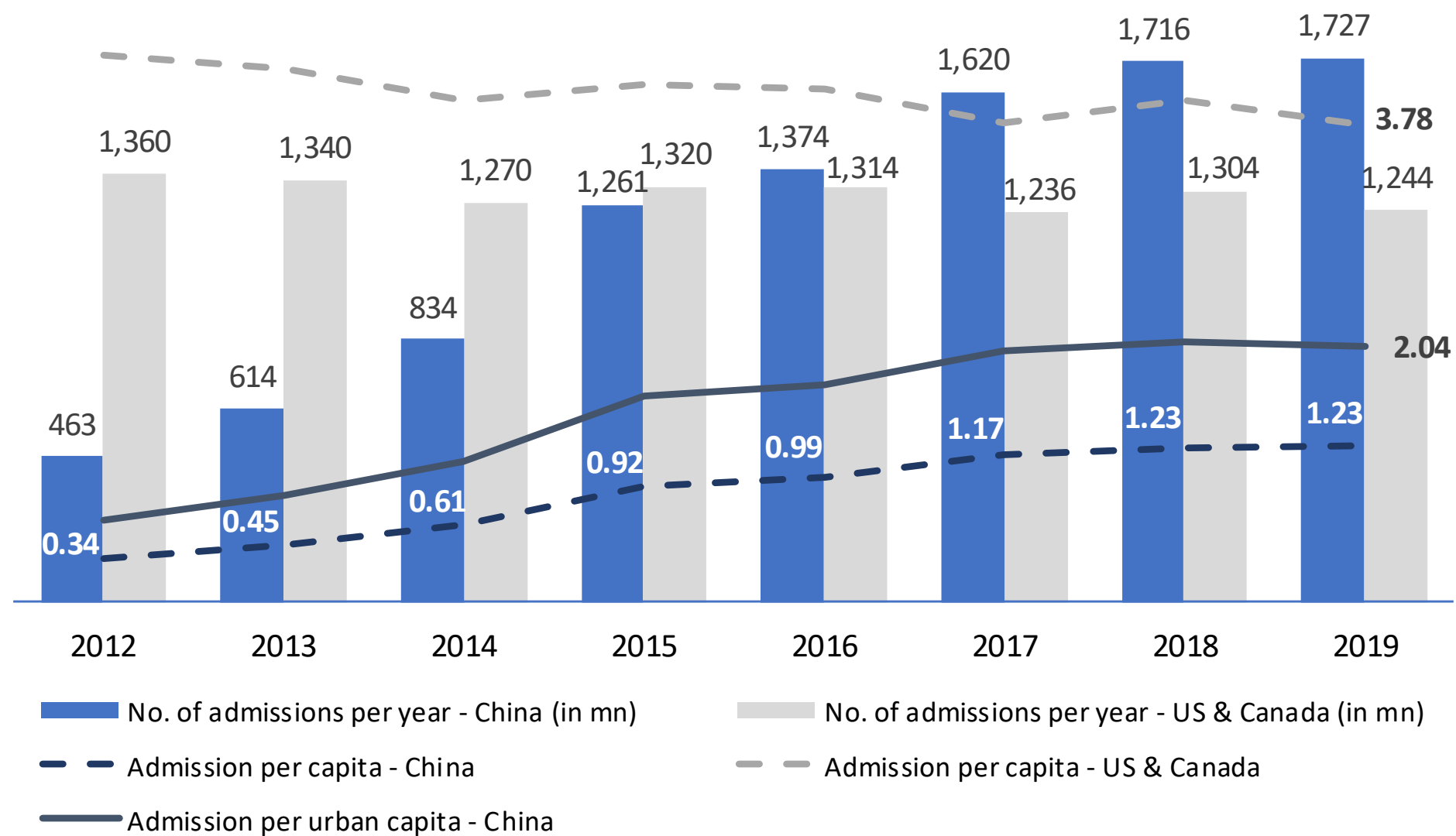


OUR PARTNERS

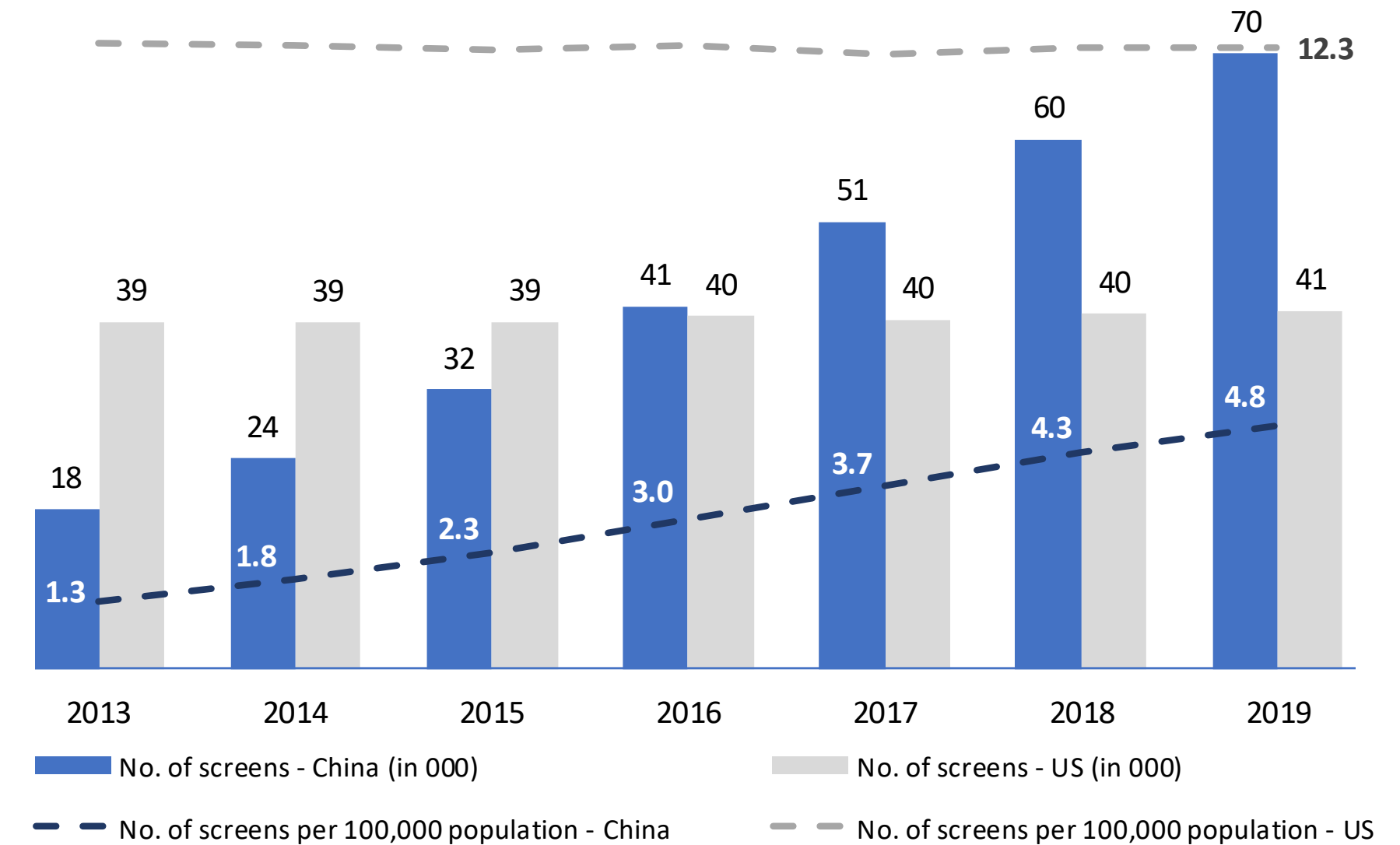


# Chinese Film Market Sees Room for Growth From Both Demand and Supply Perspective

## Movie admission per capita



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



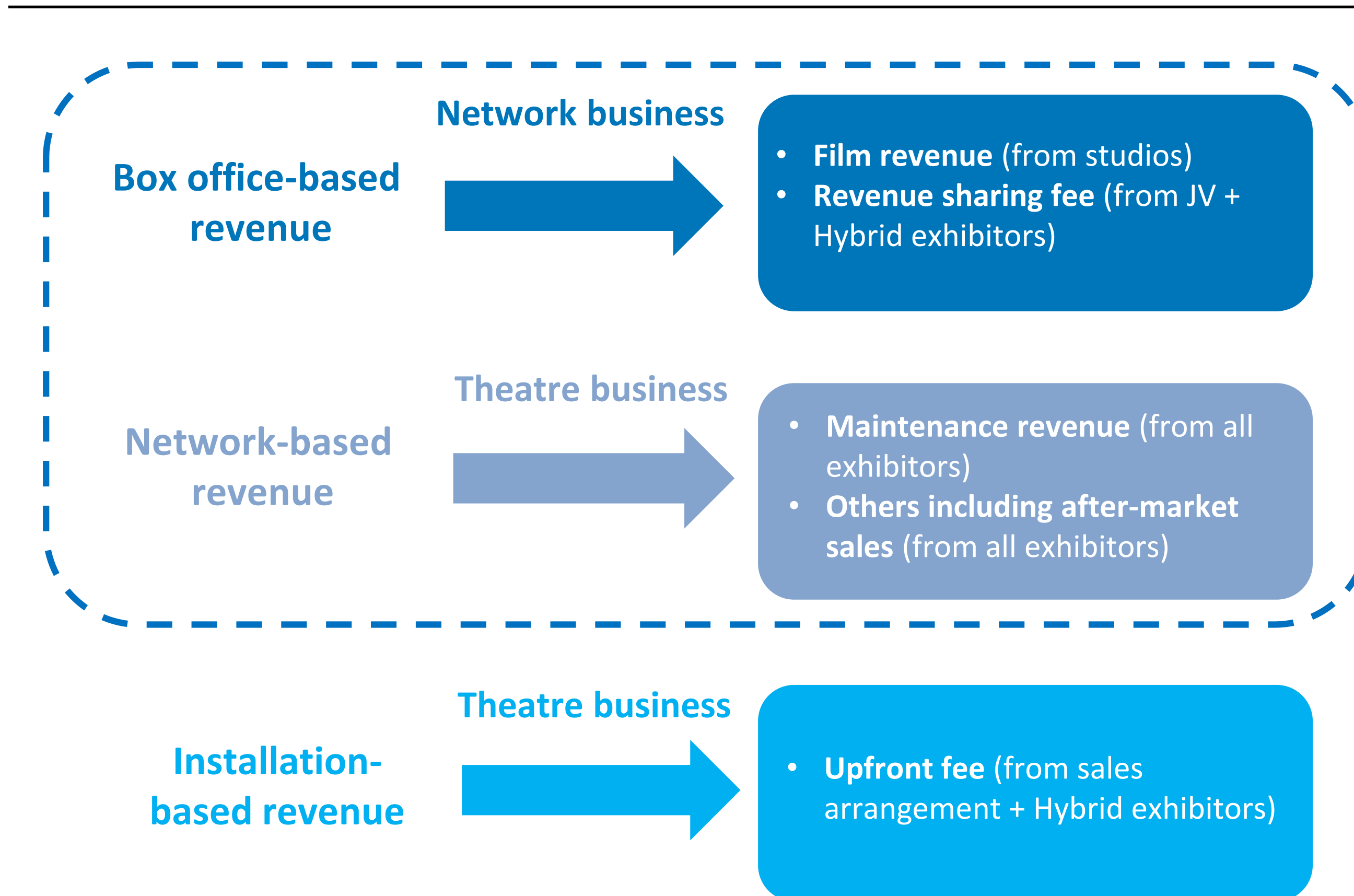
Source: National Bureau of Statistics, China Film Administration, US Census National Association of Theatre Owners



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

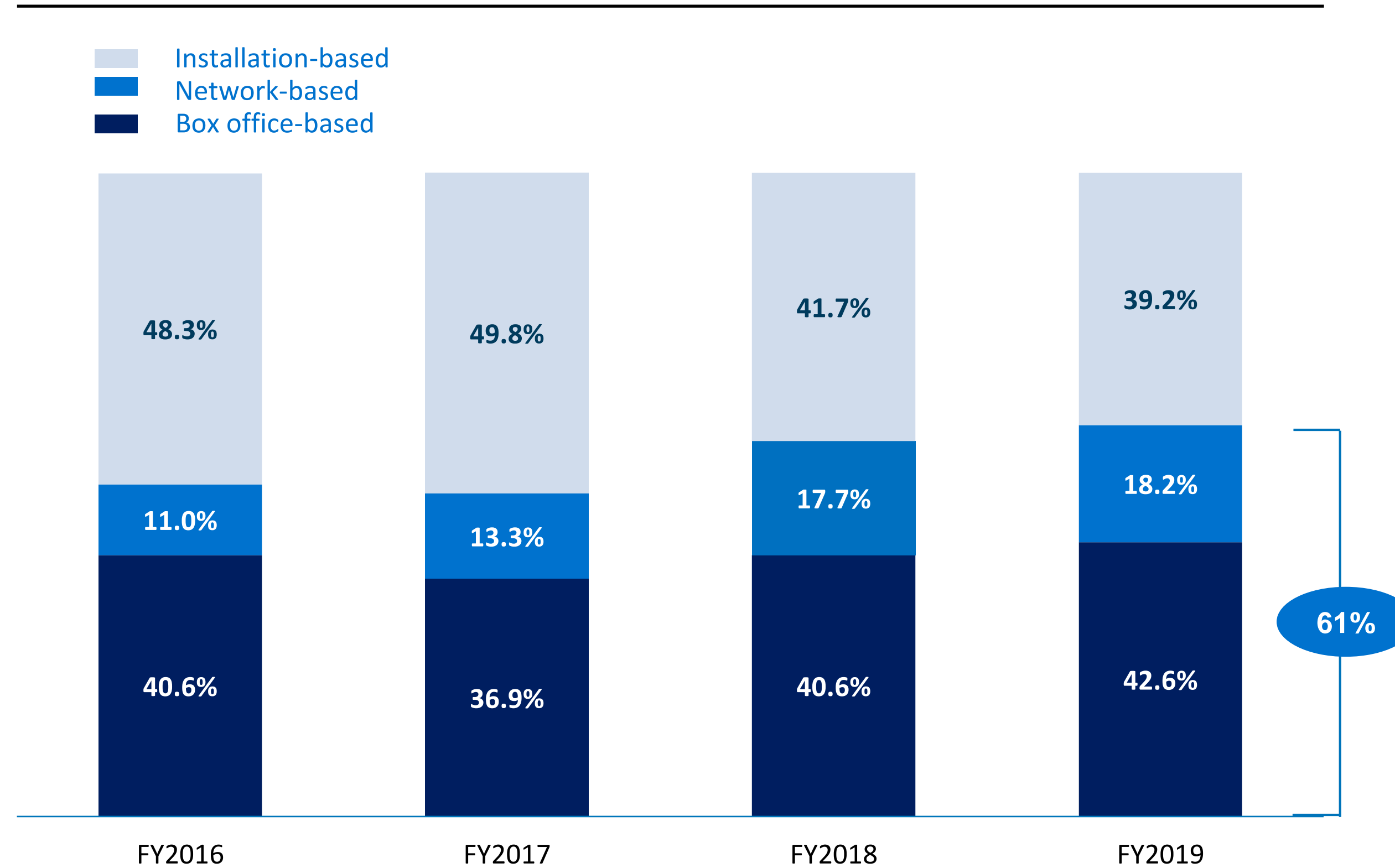
# Our Business Model - Diversifying Monetization

## IMAX China business models



# Our Network Effect Drives Higher Recurring Revenue Mix

Increasing mix of recurring revenue



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

Source: Company data



- Ecosystem
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- Financials



# Why IMAX China is Well-Positioned as Theatres Reopen?

## Poised for recovery

- ❑ Trusted brand to both audience and exhibitors
- ❑ Located in top-performing theatre complexes
- ❑ Pent-up demand for domestic, out-of-home entertainment
- ❑ Strong content pipeline through 2021 with IMAX DNA
- ❑ Continue to build new partnerships and expand existing ones
- ❑ Robust backlog, majority of which does not require capital commitment

## Benefit from Structural Tailwinds

- ❑ “Blockbusterization” effect
- ❑ Local content gravitating towards IMAX genres
  - Drives continued box office market share gain
- ❑ Low disruption risks from direct-to-streaming due to unique positioning

## Financial Strength

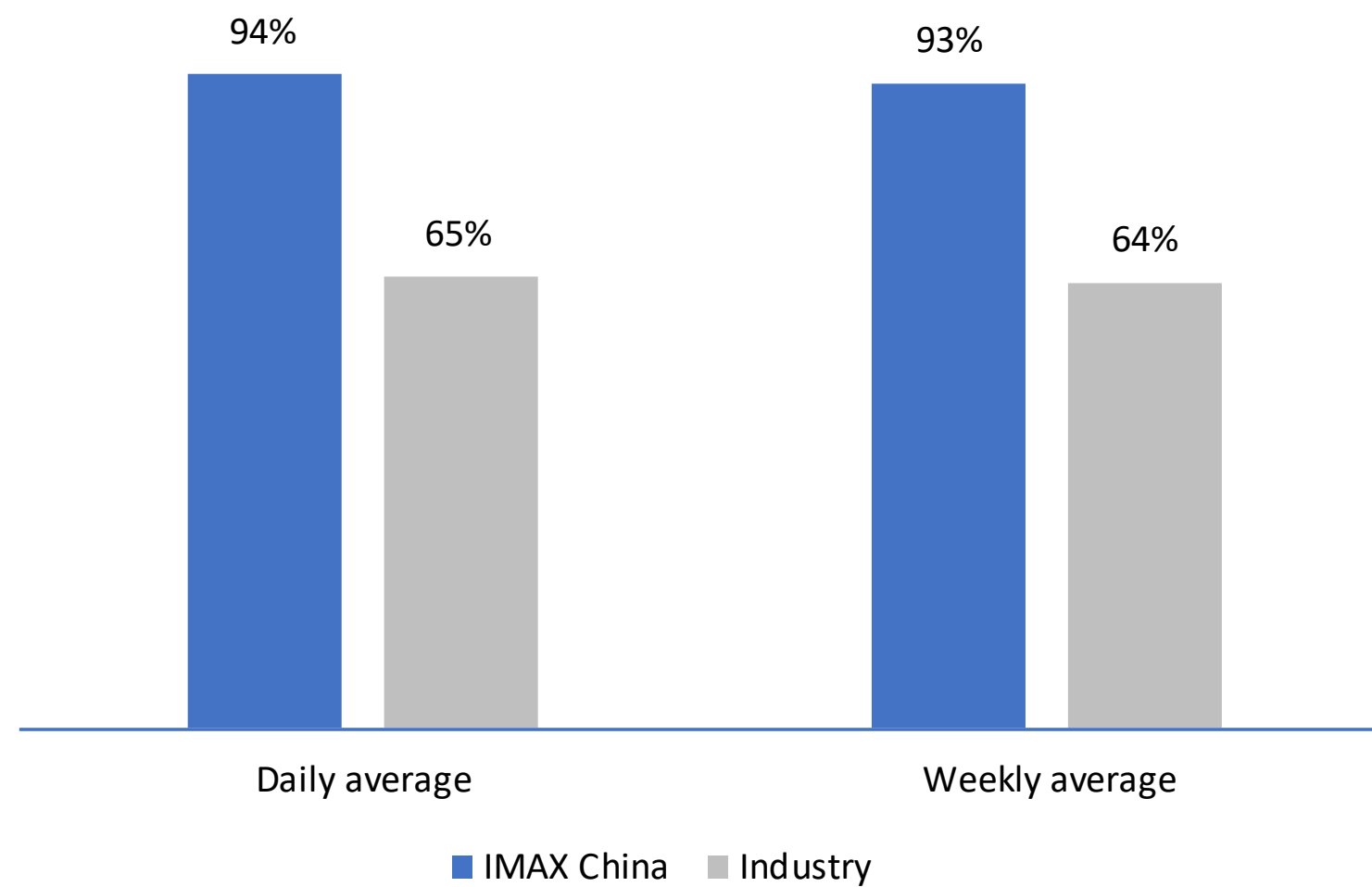
- ❑ Strong, debt-free balance sheet with net cash balance of US\$75mn as of Sept 30, 2020
- ❑ Asset-light business model with limited reopening costs
- ❑ No exposure to fixed theatre rental commitment or content production cost
- ❑ Consistently return capital to shareholders

Unique premium positioning, strength of our brand, technology and balance sheet gives IMAX China a firm footing

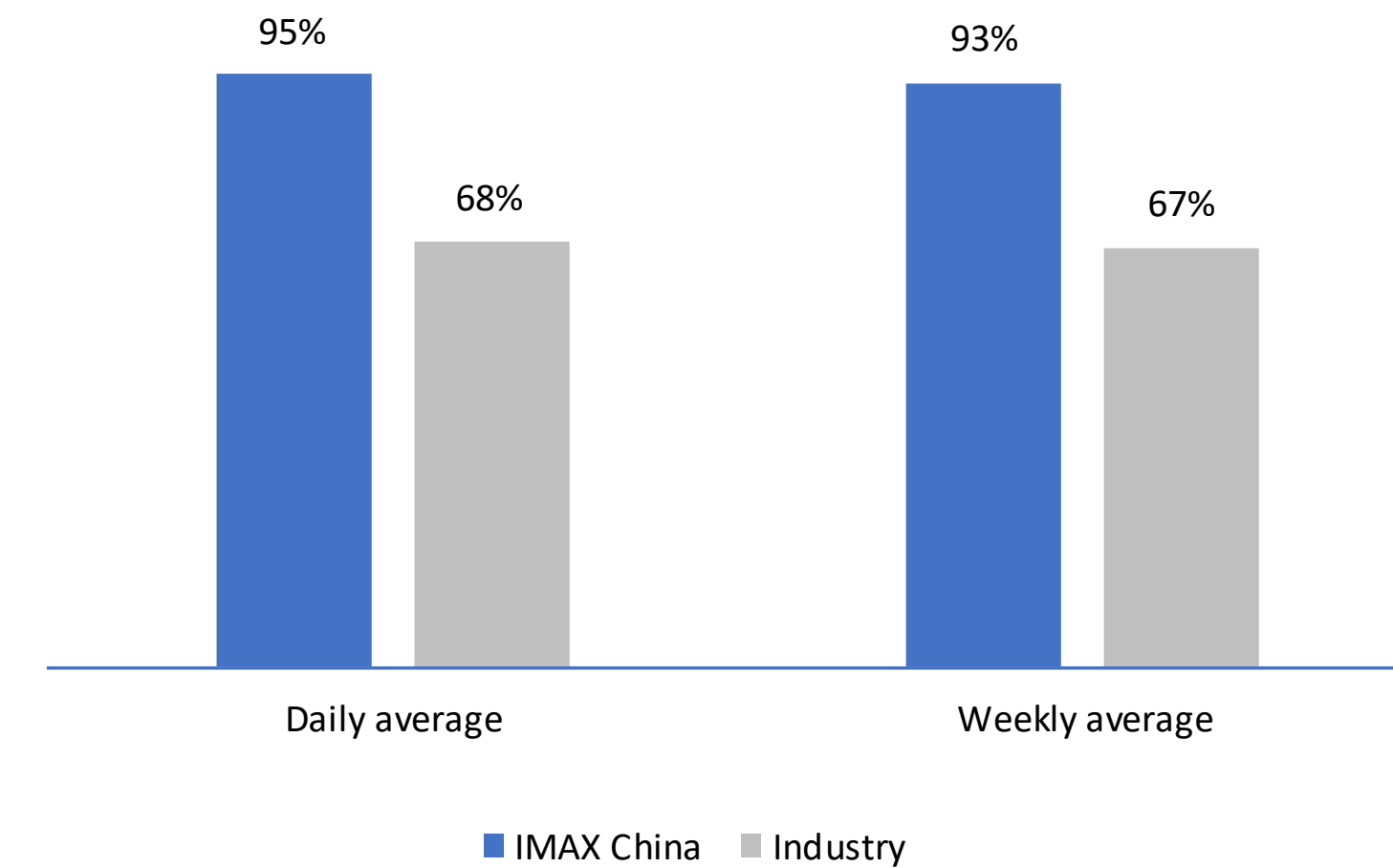


# China's Movie Industry, Particularly IMAX China Network, is Returning to Normalcy Despite Capacity Constraints <sup>(1)</sup>

Attendance as % of normalized 2H 2019 level



Gross box office as % of normalized 2H 2019 level



Note (1): Capacity constraint of 30% upon initial reopening on July 20, 2020; 50% effective Aug 14, 2020; and 75% effective Sept 25, 2020

Note (2): Data from July 20, 2020 to Oct 25, 2020

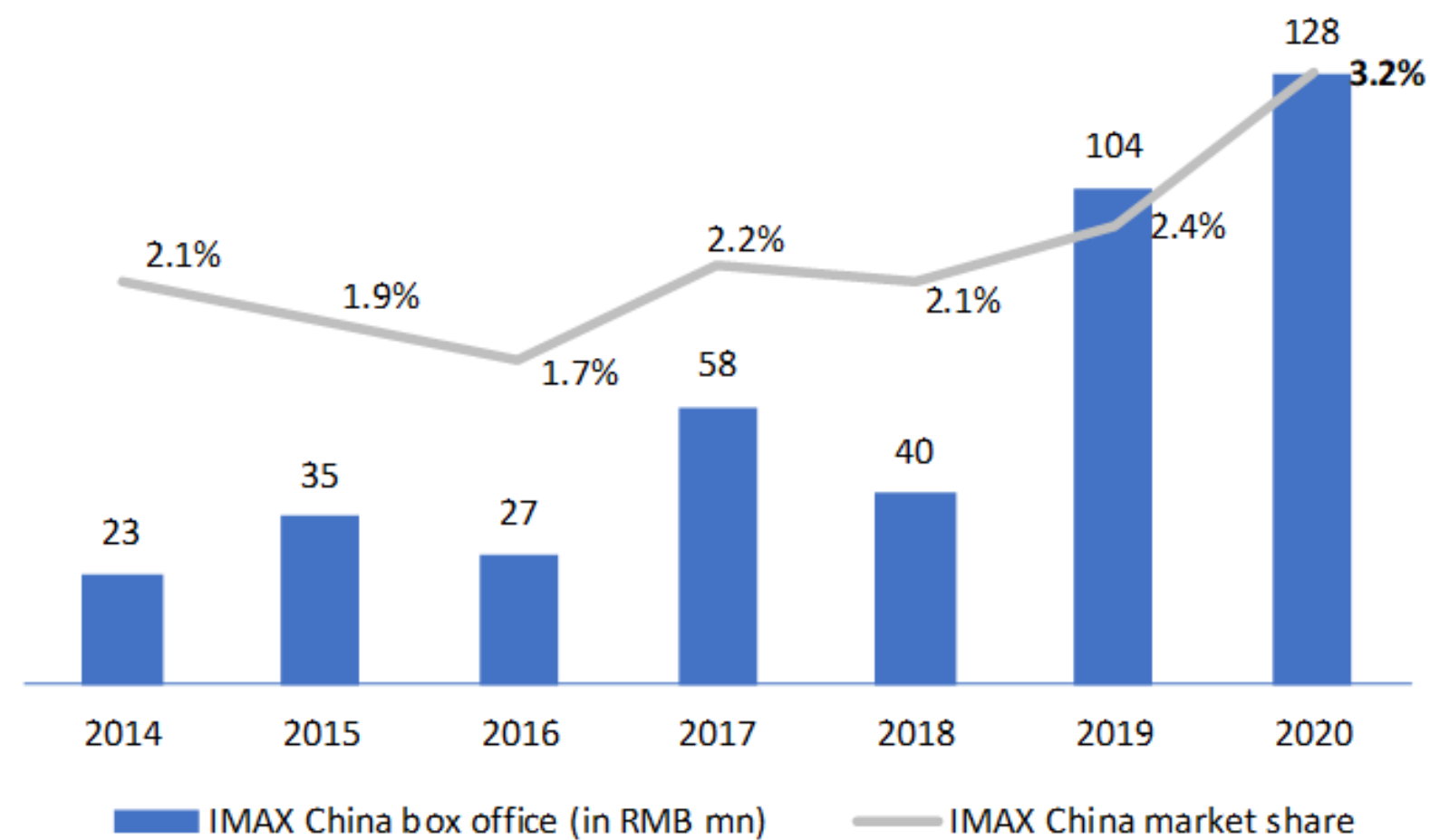
Source: Top Consulting, including service fee

IMAX China's average attendance and box office since reopening has recovered to second-half 2019 level



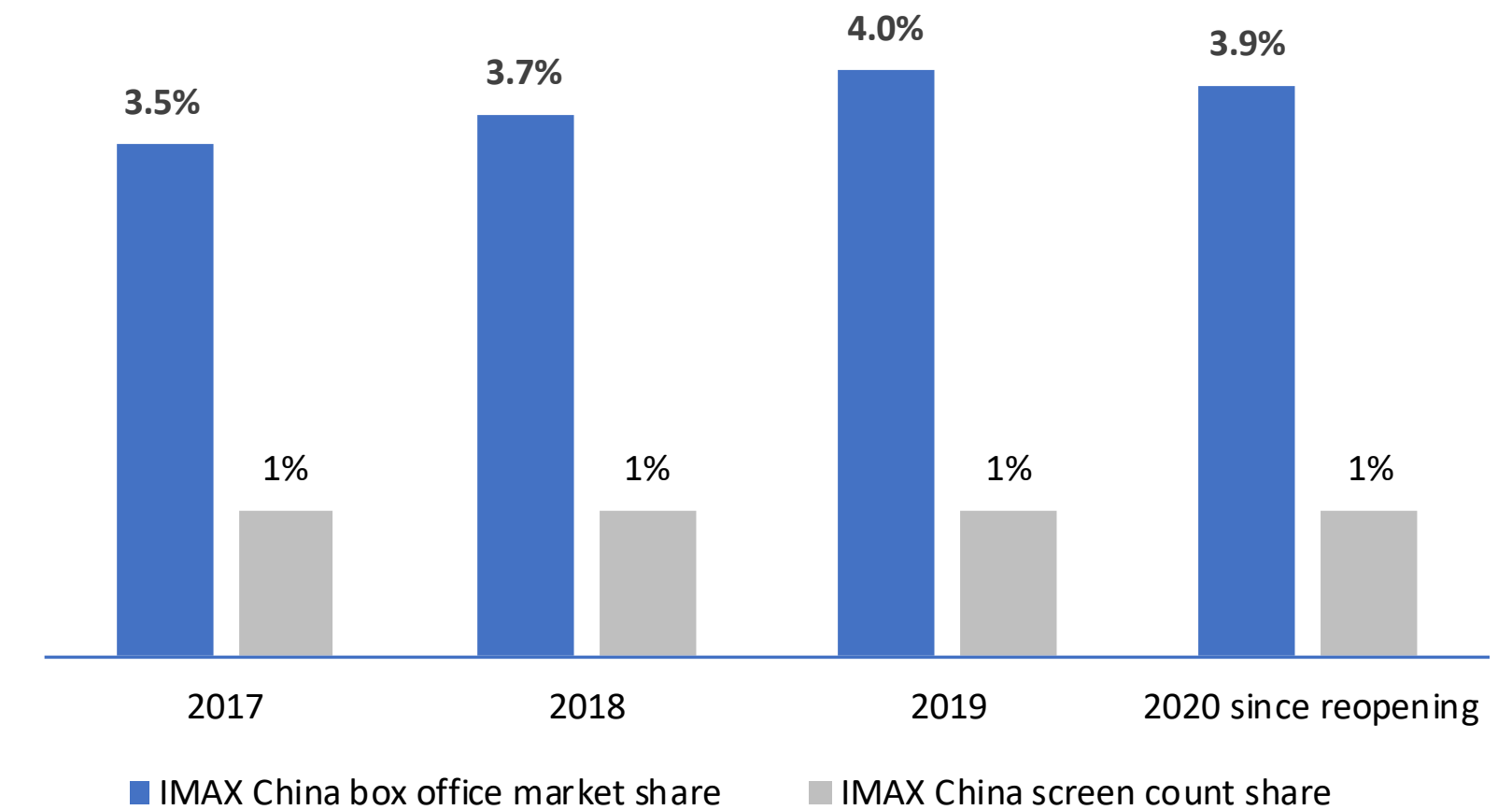
# IMAX China Sets Another National Holiday Record as Blockbusterization Continues to Play Out

2014-2020 IMAX China National Day Holiday Box Office & Market Share



Note: 2020 is an 8-day holiday vs. 7-day in previous years  
 Source: Top Consulting, incl. service fee (2017-2020)

IMAX China box office market share



Note (1): Data from July 20, 2020 to Oct 25, 2020  
 Source: Top Consulting, including service fee

IMAX China National Holiday Box Office Grew 23% YoY to RMB128mn, marking its largest market share gain in recent years



# Strong Film Slate and Promising Pipeline of Potential Local Language Titles

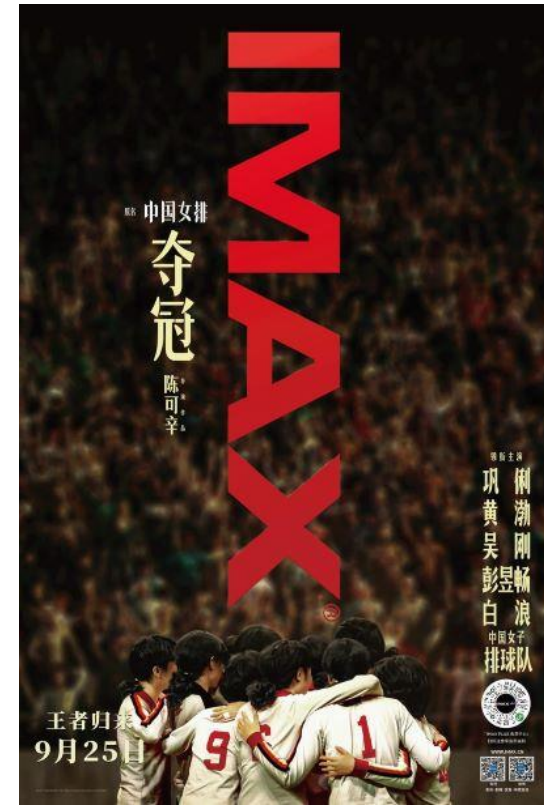
## 'The Eight Hundred' (Aug 2020)

- First local title filmed with IMAX Cameras
- Highest-grossing film globally in 2020
- 10<sup>th</sup> highest-grossing title in China film history
- IMAX China box office<sup>1</sup>: RMB123mn
- IMAX opening weekend indexing: 6.5%



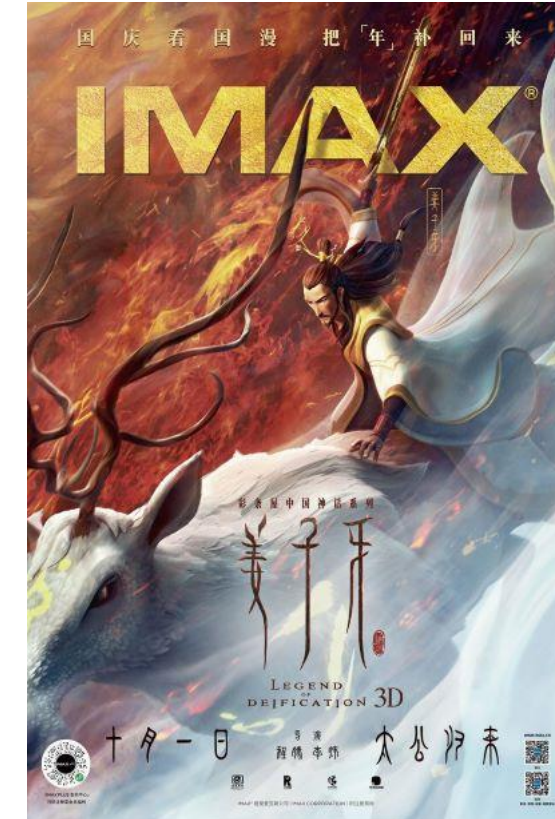
## 'The Leap' (Sept 2020)

- Industry box office<sup>1</sup>: RMB803mn



## 'Legend of Deification' (Oct 2020)

- Best opening weekend for animated film in IMAX China
- Second best opening weekend for local language film in IMAX China
- IMAX China box office<sup>1</sup>: RMB89mn
- IMAX opening weekend indexing: 7.5%



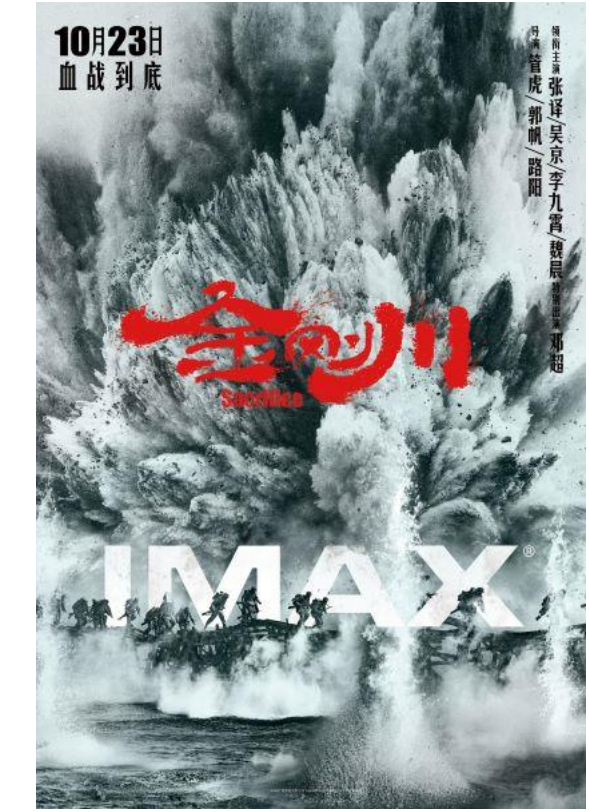
## 'My People My Homeland' (Oct 2020)

- IMAX China box office<sup>1</sup>: RMB69mn
- IMAX indexing: 2.5%



## 'The Sacrifice' (Oct 2020)

- IMAX China box office<sup>1</sup>: RMB21mn
- IMAX indexing: 6.0%



## 'Detective Chinatown 3' (Feb 2021)

- Filmed with IMAX Cameras
- Presents up to 26% more pictures



## 'The Rescue' (Feb 2021)

- Exhibited in IMAX expanded aspect ratio



## 'Creation of the Gods' (TBD)



## 'New Gods: Nezha Reborn' (Feb 2021)



## 'Assassin in Red' (Feb 2021)



Note 1: As of Oct 25, 2020

 = Indicates IMAX DNA



# Blockbuster 2021 Around the Corner



**Bond: No  
Time to Die**

**MARVEL STUDIOS**

**BLACK  
WIDOW**

**UNIVERSAL**

**FAST &  
FURIOUS 9**

**LEGENDARY  
PICTURES**

**GODZILLA  
VS. KONG**

**SONY  
PICTURES**

**VENOM  
Let There Be  
Carnage**



**Top Gun:  
Maverick**

**MARVEL STUDIOS**

**SHANG-CHI  
and the  
Legend of  
the Ten  
Rings**



**DUNE**

**MARVEL STUDIOS**

**THE  
ETERNALS**



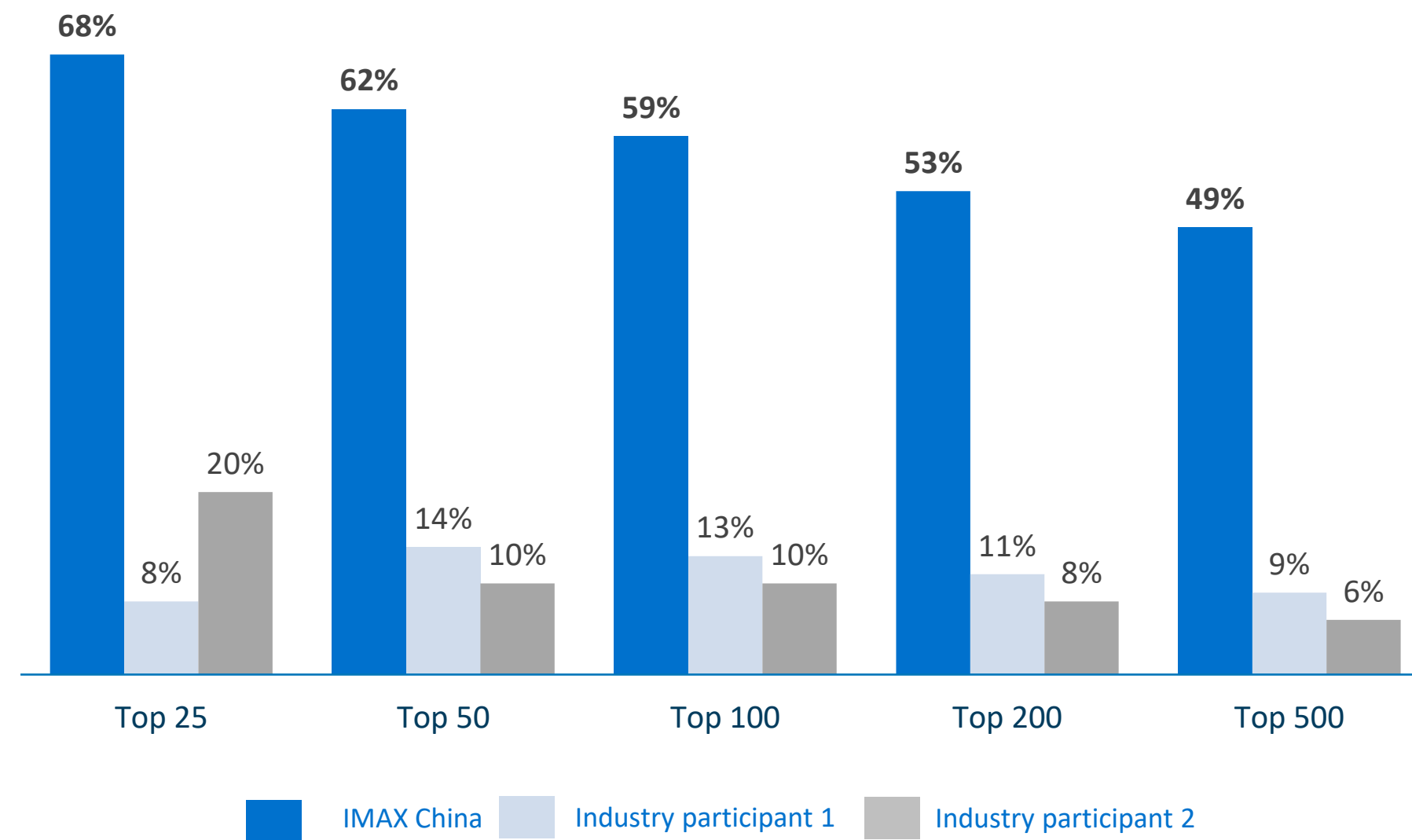
**MISSION  
IMPOSSIBLE:  
7**

Blockbuster slate extends through 2021

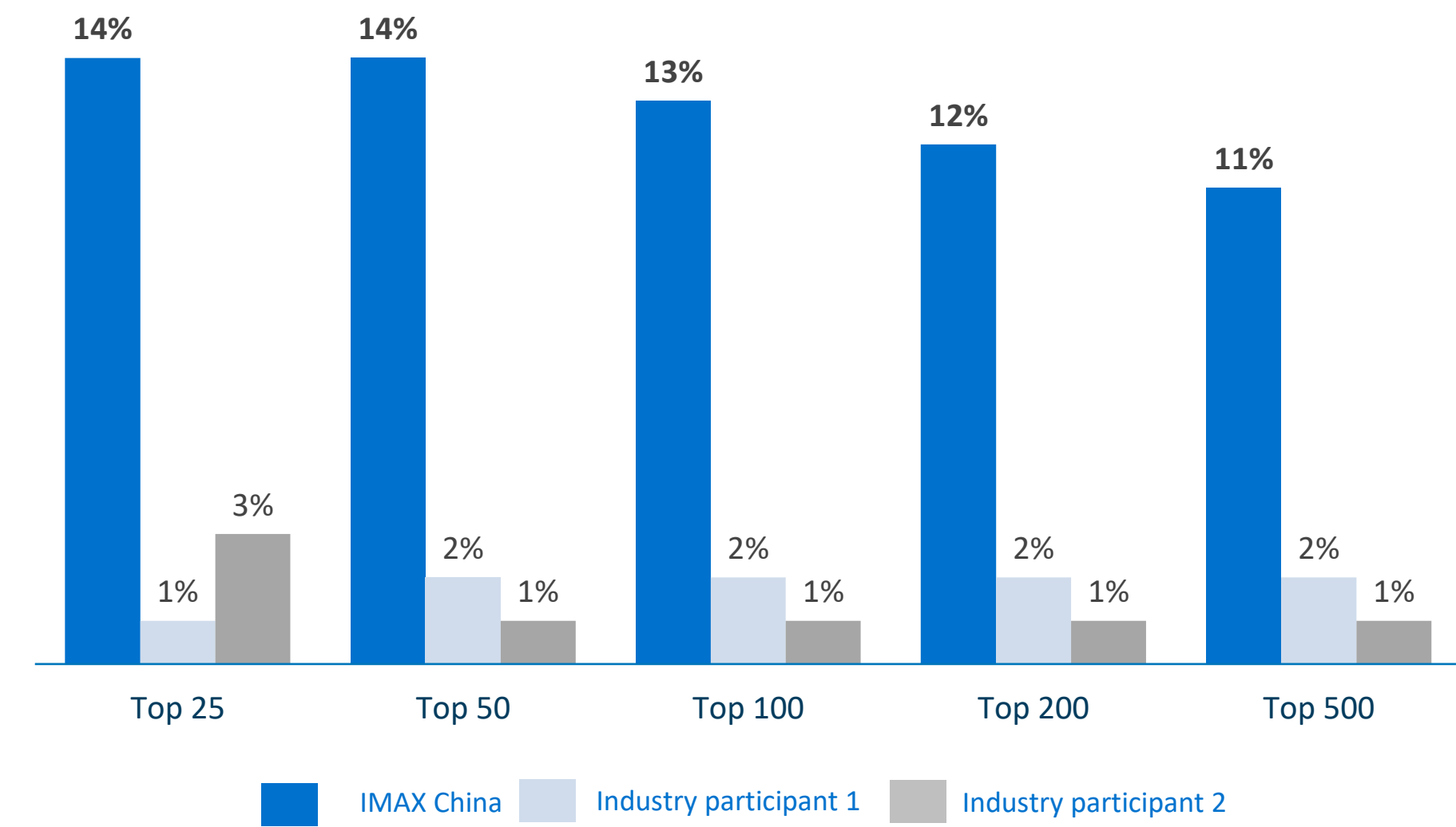
Note: Titles have been confirmed to be released in North America but such release schedule might be postponed due to the COVID-19 pandemic. Release schedule in China to be determined.

# Industry Consolidation an Opportunity, Not a Risk

Theatre penetration in top 500 complexes in China



Gross box office share in top 500 complexes in China



Source: TOP Consulting  
Note: As of 2019

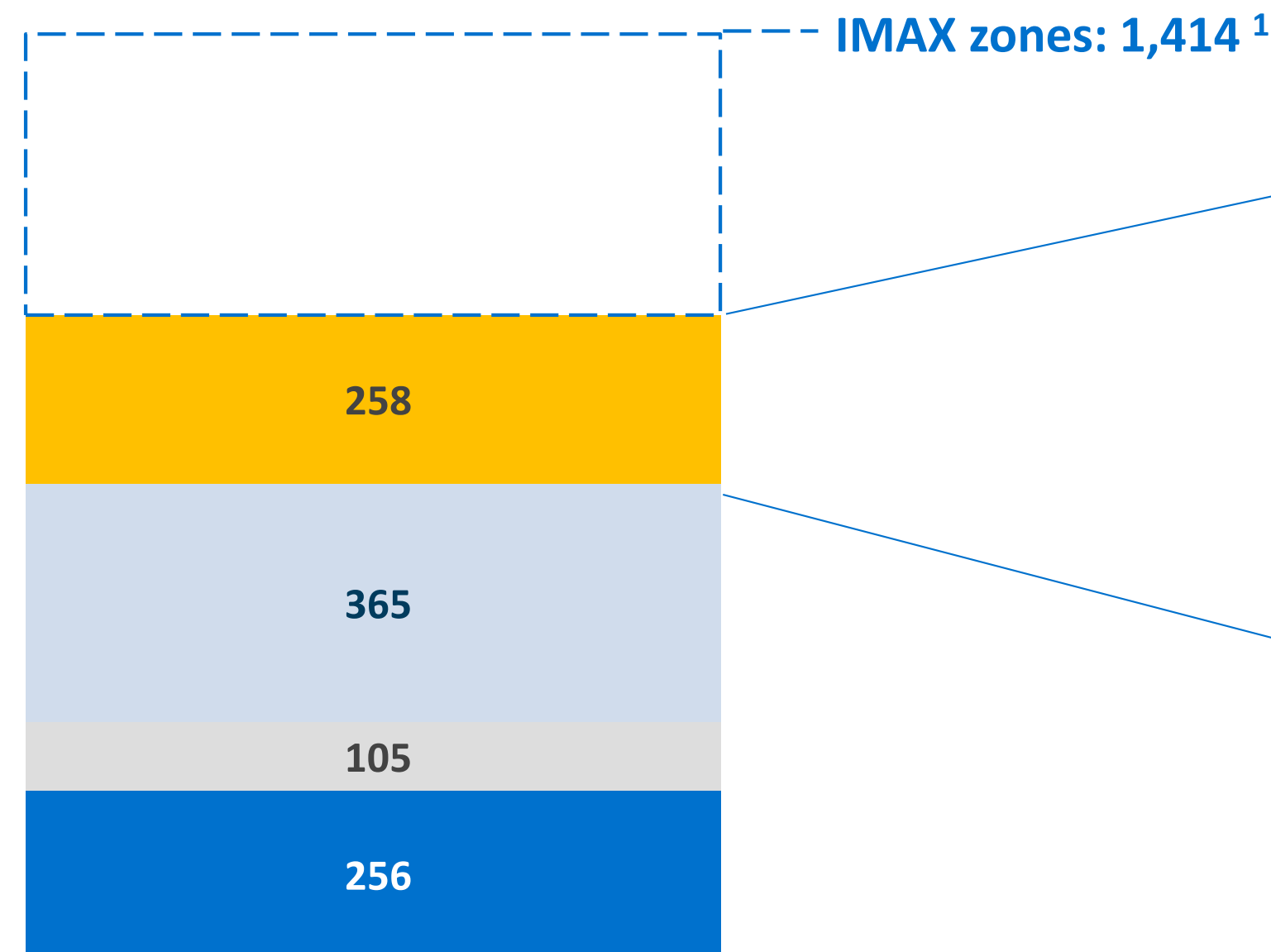
IMAX China is present in 17 out of top 25 highest-grossing complexes



# Continued Network and Partnership Expansion

## IMAX theatre footprint

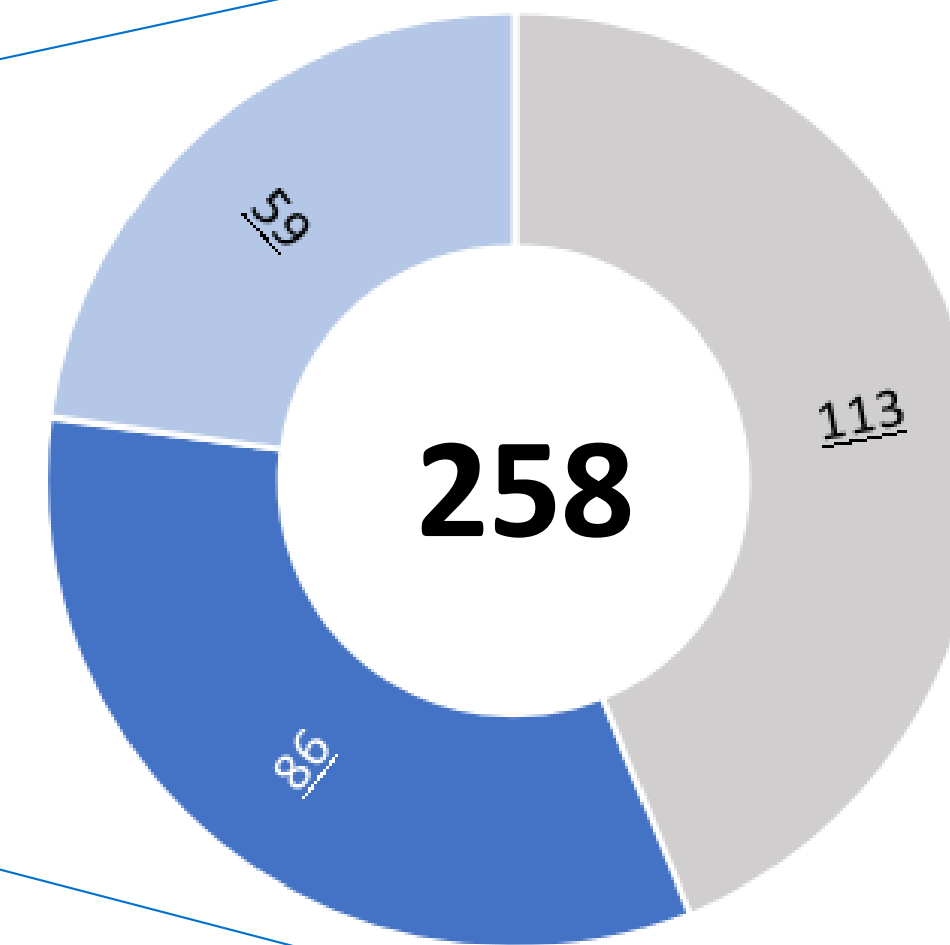
- Backlog
- Full revenue sharing
- Hybrid revenue sharing
- Sales arrangement



As of Sept 30, 2020

Note 1: As of Dec 31, 2019  
Source: Company Data

## Greater China backlog mix<sup>2</sup>



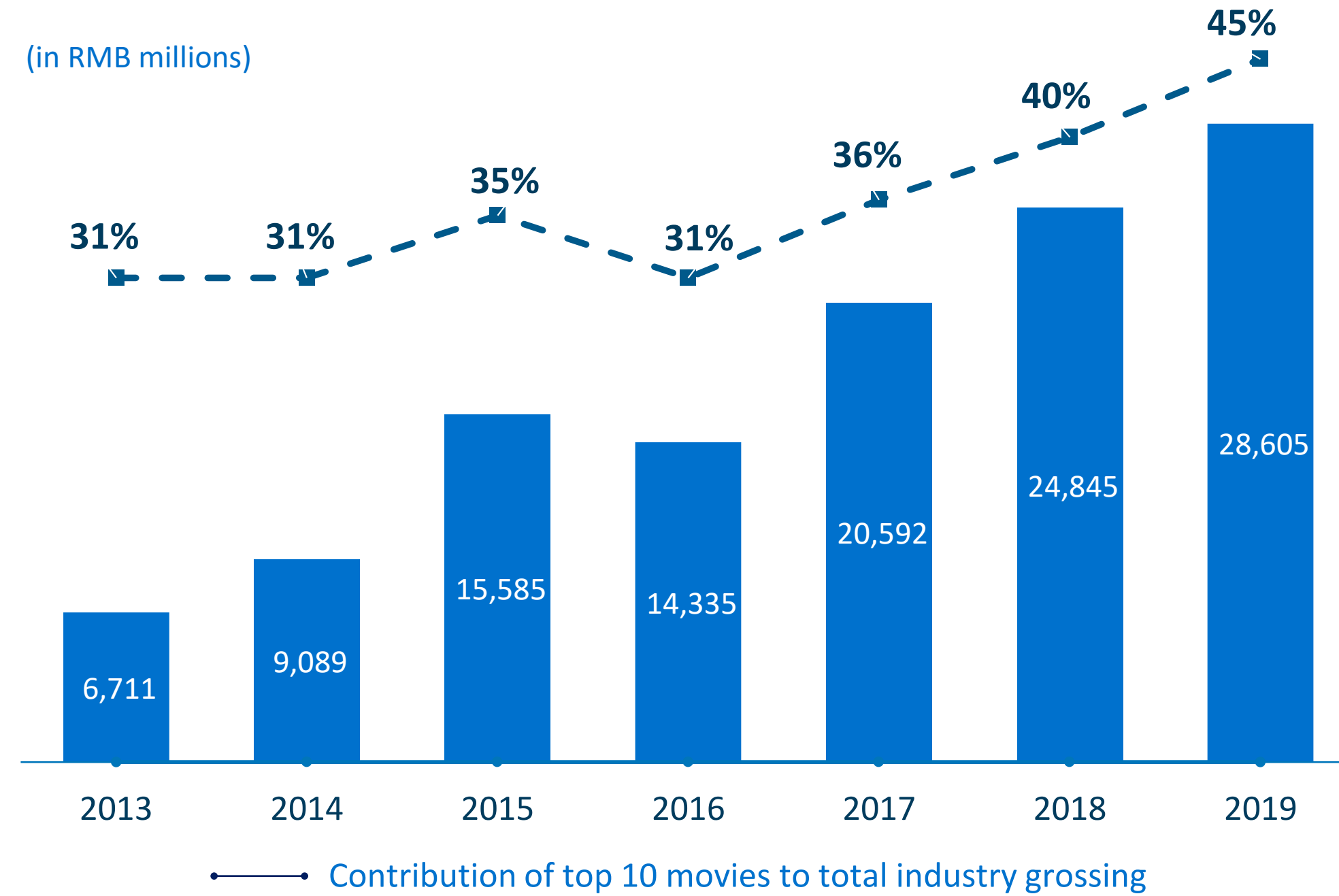
■ Sales arrangement ■ Hybrid revenue sharing ■ Full revenue sharing

Note 2: As of Sept 30, 2020  
Source: Company Data

Continued signings and robust backlog provides good visibility to future installations

# Favorable Structural Tailwind...

## Total box office of top-10 grossing movies



Source: TOP Consulting

Top 50 movies generated on average RMB1bn box office in 2019

## Local content gravitating towards IMAX genres



**The Wandering Earth (Feb 2019)**  
 Highest-grossing local title in IMAX history  
 Third highest-grossing title in China's film history



**Ne Zha (July 2019)**  
 Second highest-grossing local title in IMAX history  
 Second highest-grossing title in China's film history



**The Rescue (CNY 2021)**  
 Exhibited in IMAX special aspect ratio



**The Eight Hundred (Aug 2020)**  
 Filmed with IMAX Cameras  
 Presents up to 26% more pictures



**Detective Chinatown 3 (CNY 2021)**  
 Filmed with IMAX Cameras  
 Presents up to 26% more pictures

Industry tailwind of “Blockbusterization” and “IMAX-able” genres plays into our favor



# ...and Our Refined Programming Strategy



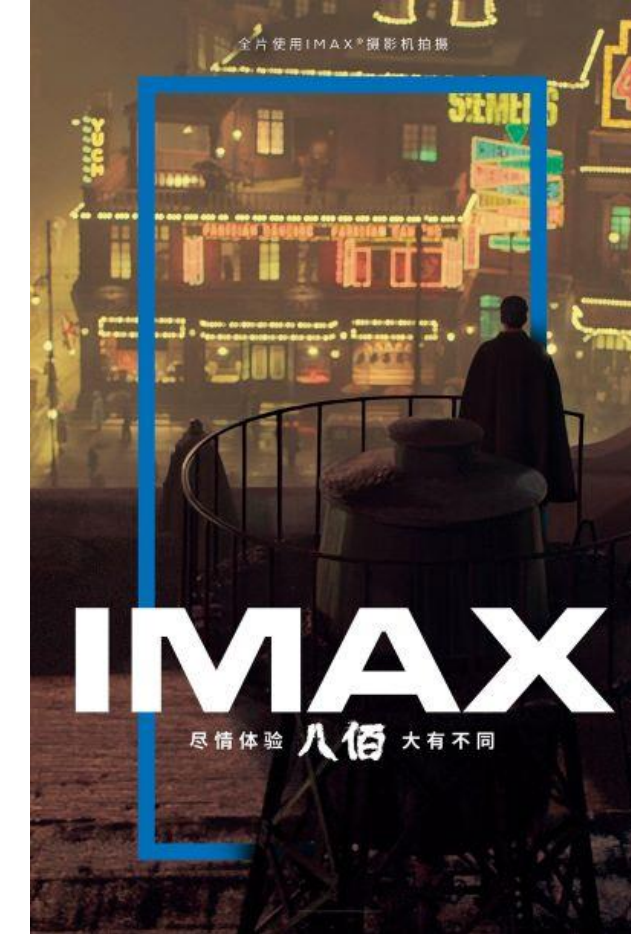
## “The Wandering Earth” – Feb 2019

- Milestone Chinese sci-fi movie with RMB4.66 billion GBO
- First local title to break RMB300 million IMAX GBO in China – third highest-grossing movie in IMAX China history
- Close to 10% IMAX indexing during Chinese New Year



## “Ne Zha” – July 2019

- First local animated film released in IMAX theatre
- Second highest-grossing movie in China film history and fourth highest in IMAX China history
- Highest-grossing animation at all times in China
- 8% IMAX indexing in opening weekend



## “The Eight Hundred” – Aug 2020

- First local-language title shot entirely with IMAX Cameras
- Tenth highest-grossing movie in China film history
- Highest-grossing film globally in the year 2020
- 6.5% IMAX indexing in opening weekend



## “Legend of Deification” – Oct 2020

- Best opening weekend for animated film in IMAX China
- Second best opening weekend for local language film in IMAX China
- 7.5% IMAX indexing in opening weekend

Source: Company data



# Drives a consistently High Hit-Rate...

Top 10 films, 2019  
IMAX = 9 out of 10



Top 10 films, 2018  
IMAX = 9 out of 10



Top 10 films, 2017  
IMAX = 8 out of 10

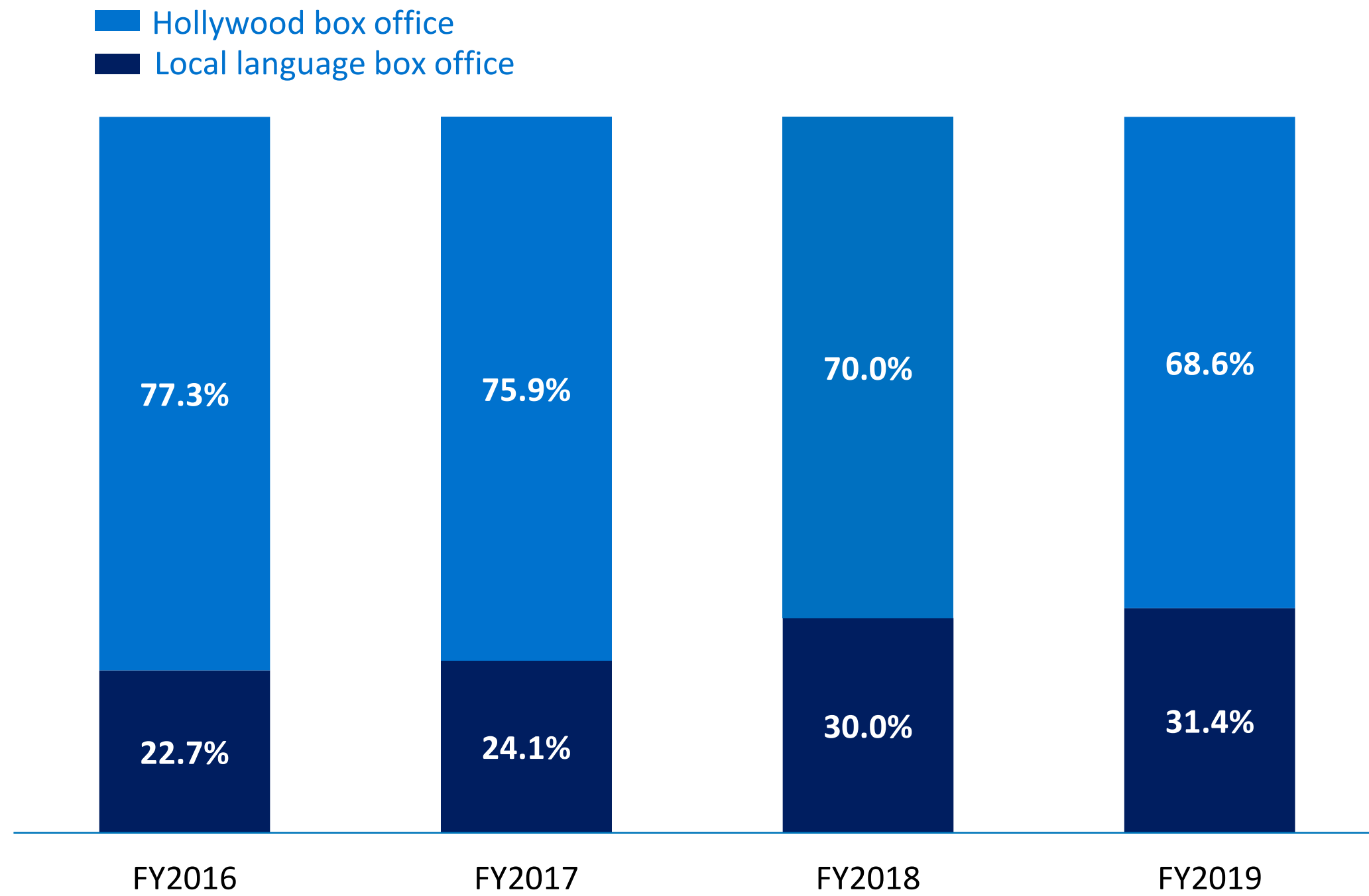


Source: Company data

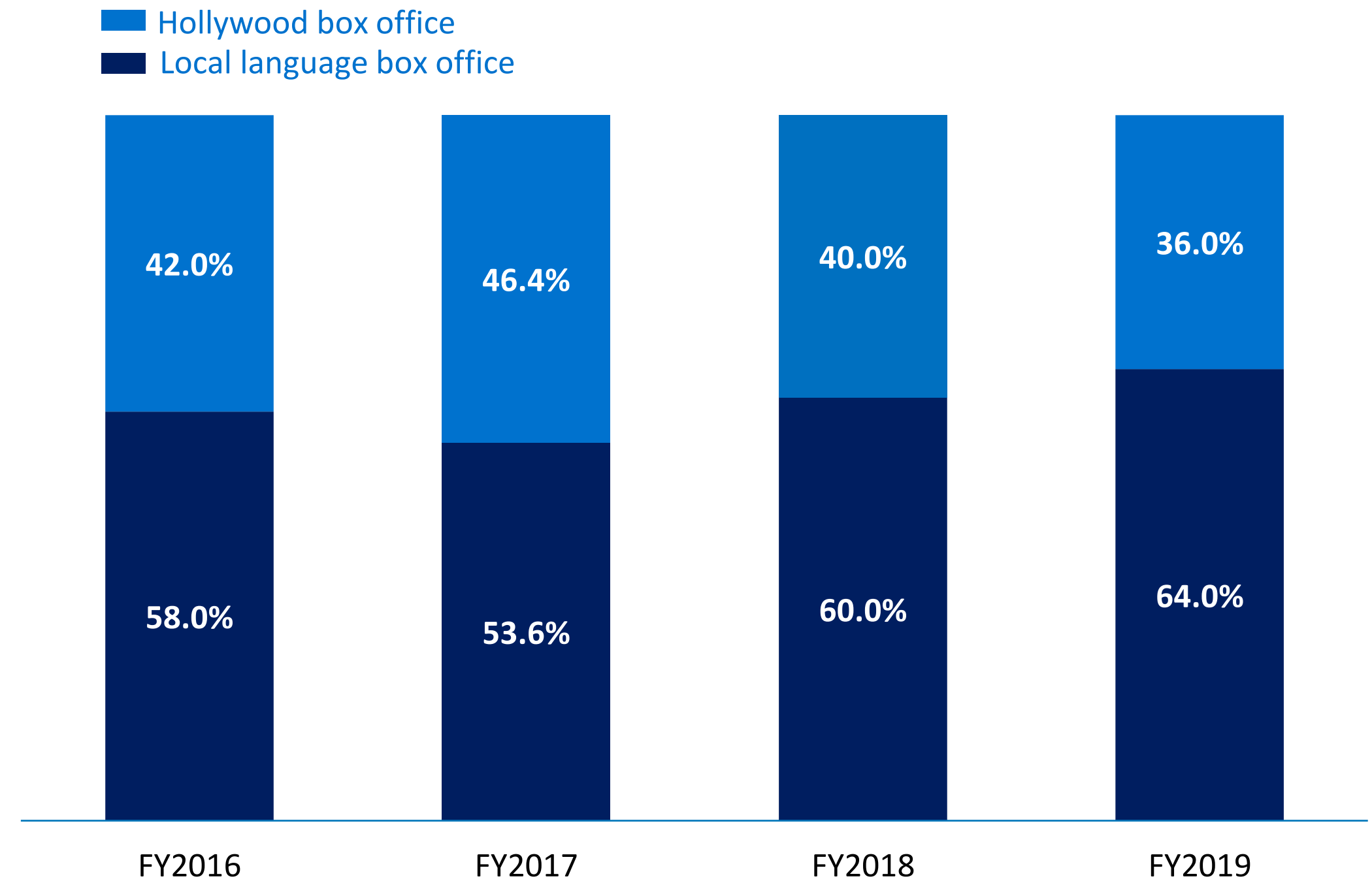


# Rising Box Office Contribution From Local Language Titles

IMAX China box office distribution (Hollywood vs. Local)



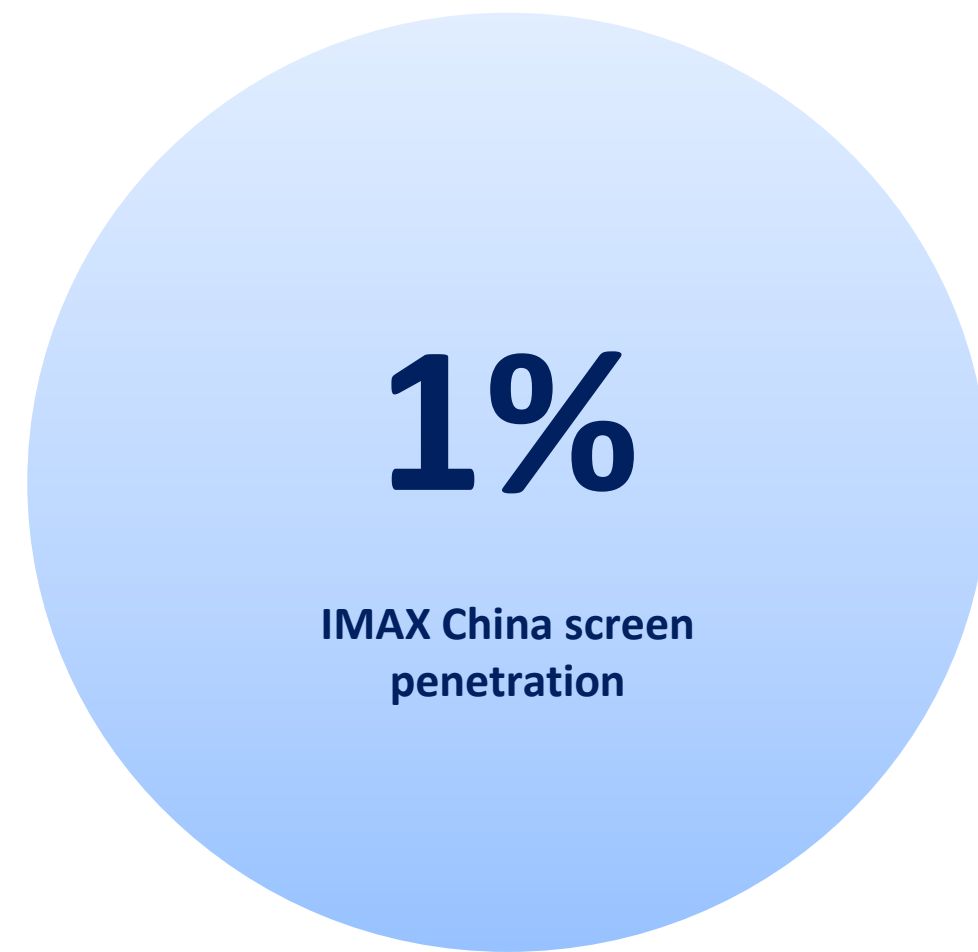
China box office distribution (Hollywood vs. Local)



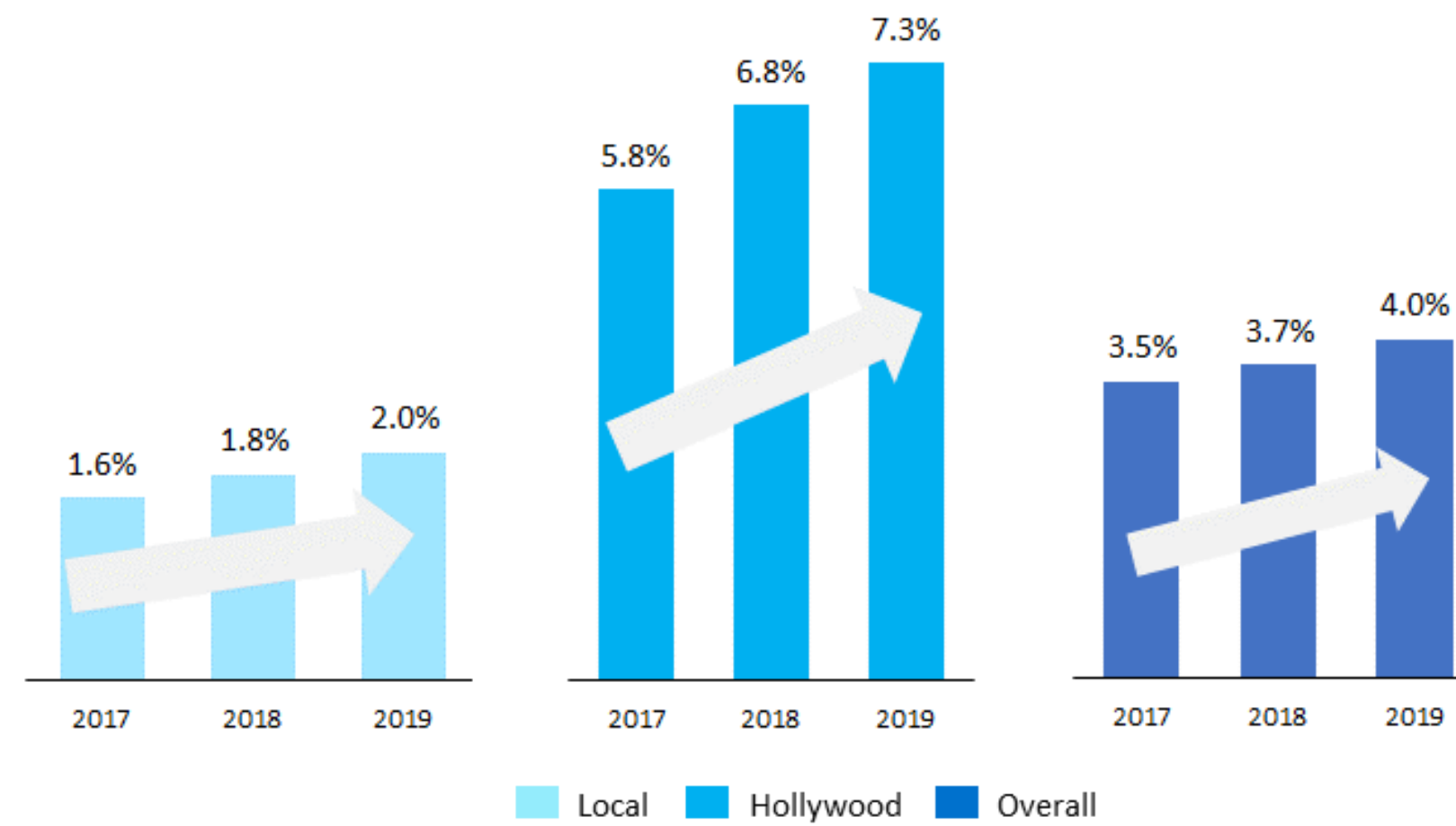
Source: Company data, China Film Administration

# ...And Sustainable Market Share Gain

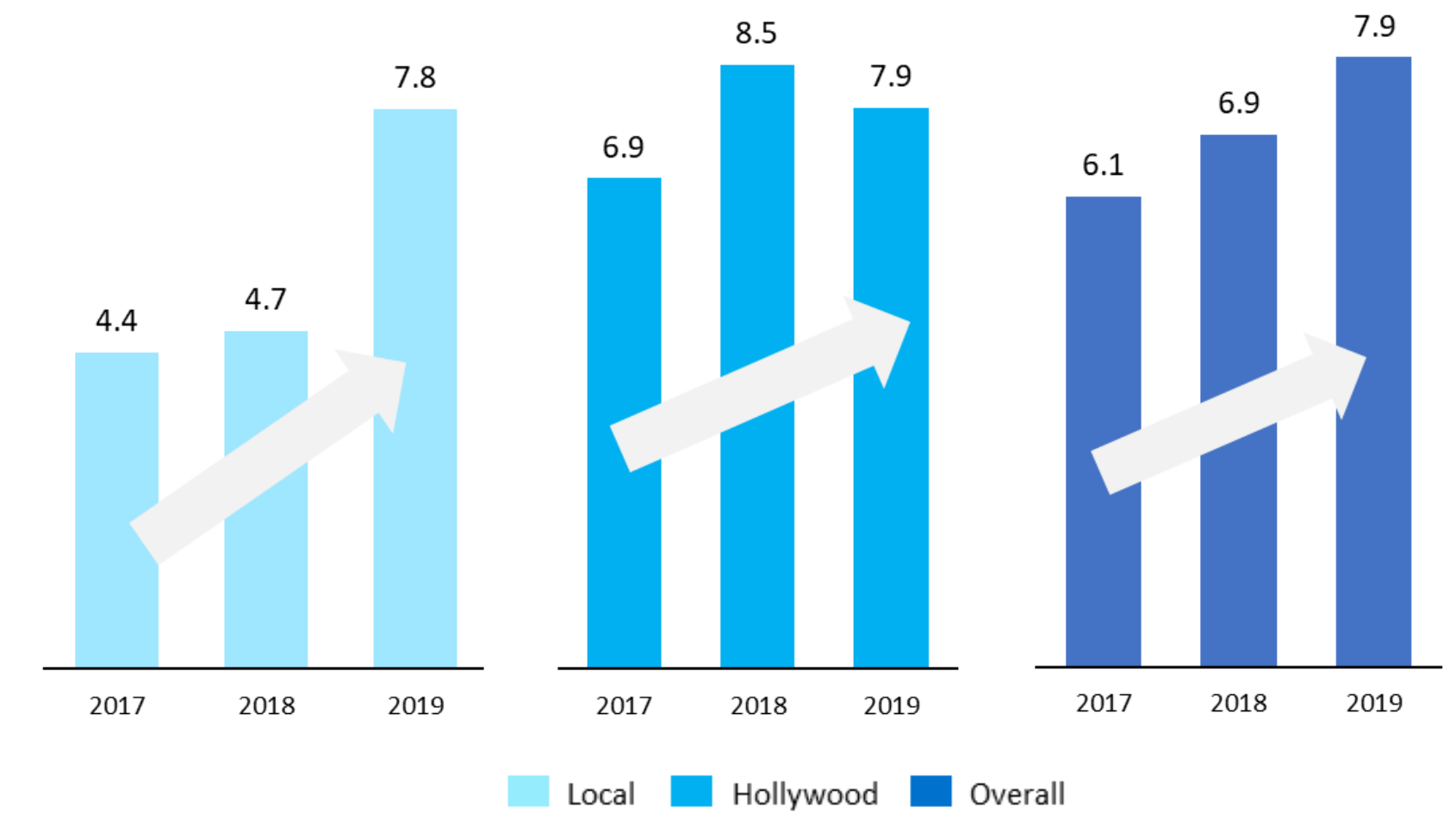
IMAX China Screen Count Share



IMAX China Box Office Market Share



IMAX China Average Box Office Per Title\* (in US\$m)



Source: Company Data  
Note \*: Chinese Mainland only



- **Ecosystem**
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# Strong Financial Position with Ample Liquidity and Balance Sheet Flexibility

## Strong fundamentals

- ❑ Healthy, debt-free balance sheet
- ❑ No exposure to fixed rental commitment or content production cost
- ❑ Flexible, asset-light business model
- ❑ Majority of capex is growth-related



## Cost control actions

- ❑ Three-day or four-day work week for majority of company during theatre closure
- ❑ Reduced non-core marketing initiatives, T&E and other non-essential spending



## Financial Strength

- ❑ US\$75 million in cash as of Sept 30, 2020
- ❑ Controlled monthly cash burn at US\$1 million under a zero-revenue environment during theatre closure
- ❑ Ample cash runway
- ❑ Maintain stable interim dividend payment of US\$7 million

Disciplined cost management over the years builds financial resilience through an extended operational pause



# Key Highlights (1H20 vs. 1H19)

Key Financial Highlights (in USD 000, unless otherwise stated)	1H2020	1H2019	YoY change %
Greater China Box Office <sup>1</sup>	7,393	235,959	(96.9%)
Theatre Network (in unit)	714	662	7.9%
Total Revenue	6,662	59,256	(88.8%)
- Network Business	1,120	33,730	(96.7%)
Take-rate <sup>2</sup>	15.1%	14.3%	85 bps
- Theatre Business	5,409	25,381	(78.7%)
Gross Profit	(4,042)	41,047	N.M.
Adjusted EBITDA	(13,424)	38,039	N.M.
Adjusted Net Profit	(15,512)	24,894	N.M.

Note 1: Box office excludes booking fee

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

N.M. = Not meaningful

Source: Company data

Temporary closure of our IMAX theatres due to COVID-19 has significantly impacted 1H20 financial results

## Key Highlights (FY19 vs. FY18)

Key Financial Highlights (in USD 000, unless otherwise stated)	FY2019	FY2018	YoY change %
Greater China Box Office <sup>1</sup>	365,807	336,633	8.7%
Mainland China Box Office <sup>1</sup> (in RMB million)	2,367	2,070	14.4%
Theatre Network (in unit)	717	639	12.2%
Total Revenue	124,294	117,520	5.8%
- Network Business	52,918	47,678	11.0%
Take-rate <sup>2</sup>	14.5%	14.2%	30 bps
- Theatre Business	71,033	69,599	2.1%
Gross Profit	76,647	75,251	1.9%
Adjusted EBITDA	68,829	65,016	5.9%
Adjusted Net Profit	44,571	44,283	0.6%
Adjusted Net Margin	35.9%	37.7%	(180) bps

Source: Company data

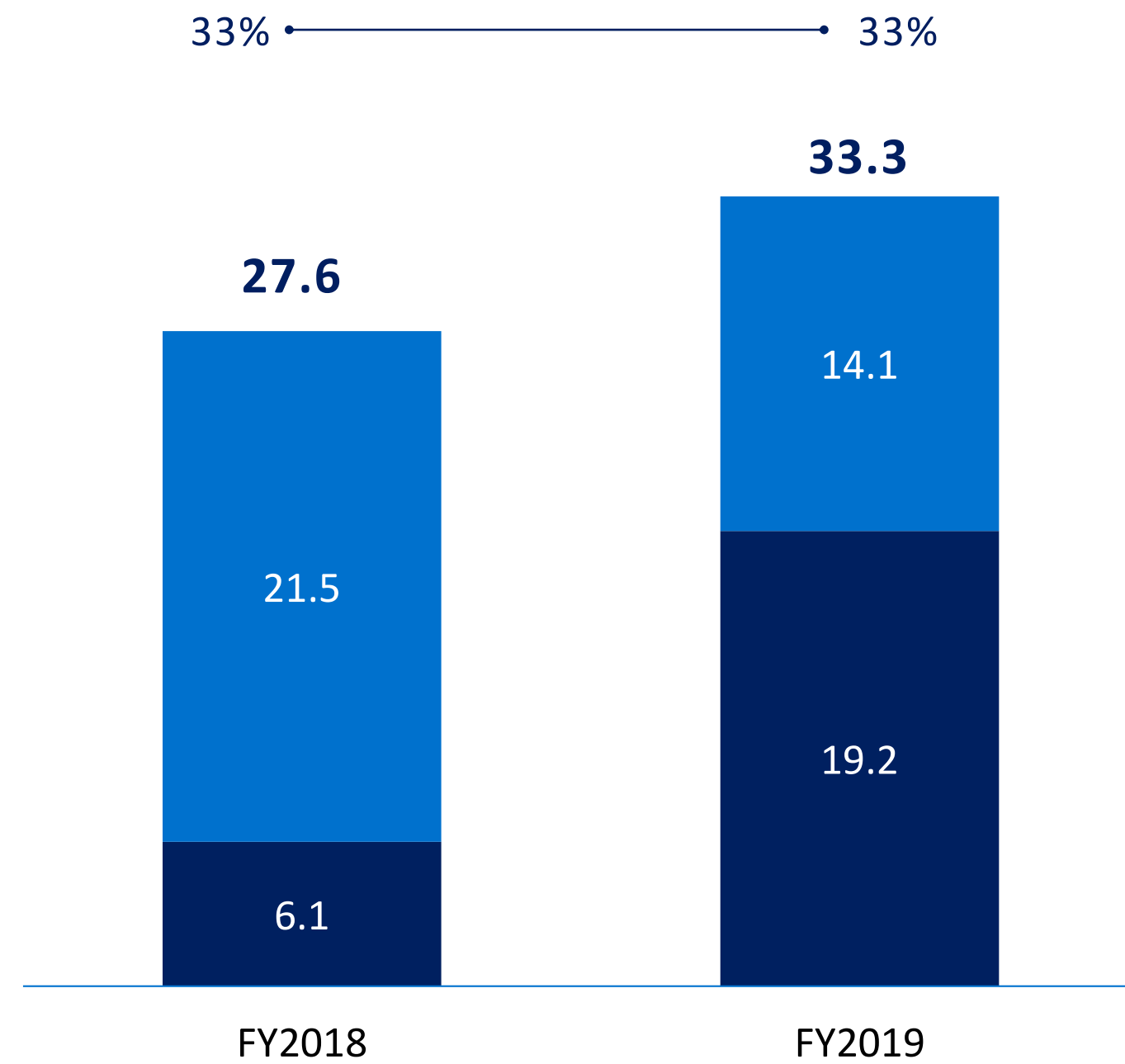
Record revenue, profit and all time-high box office in FY19



# Long-term Shareholder Value Creation

## Capital returned to shareholders

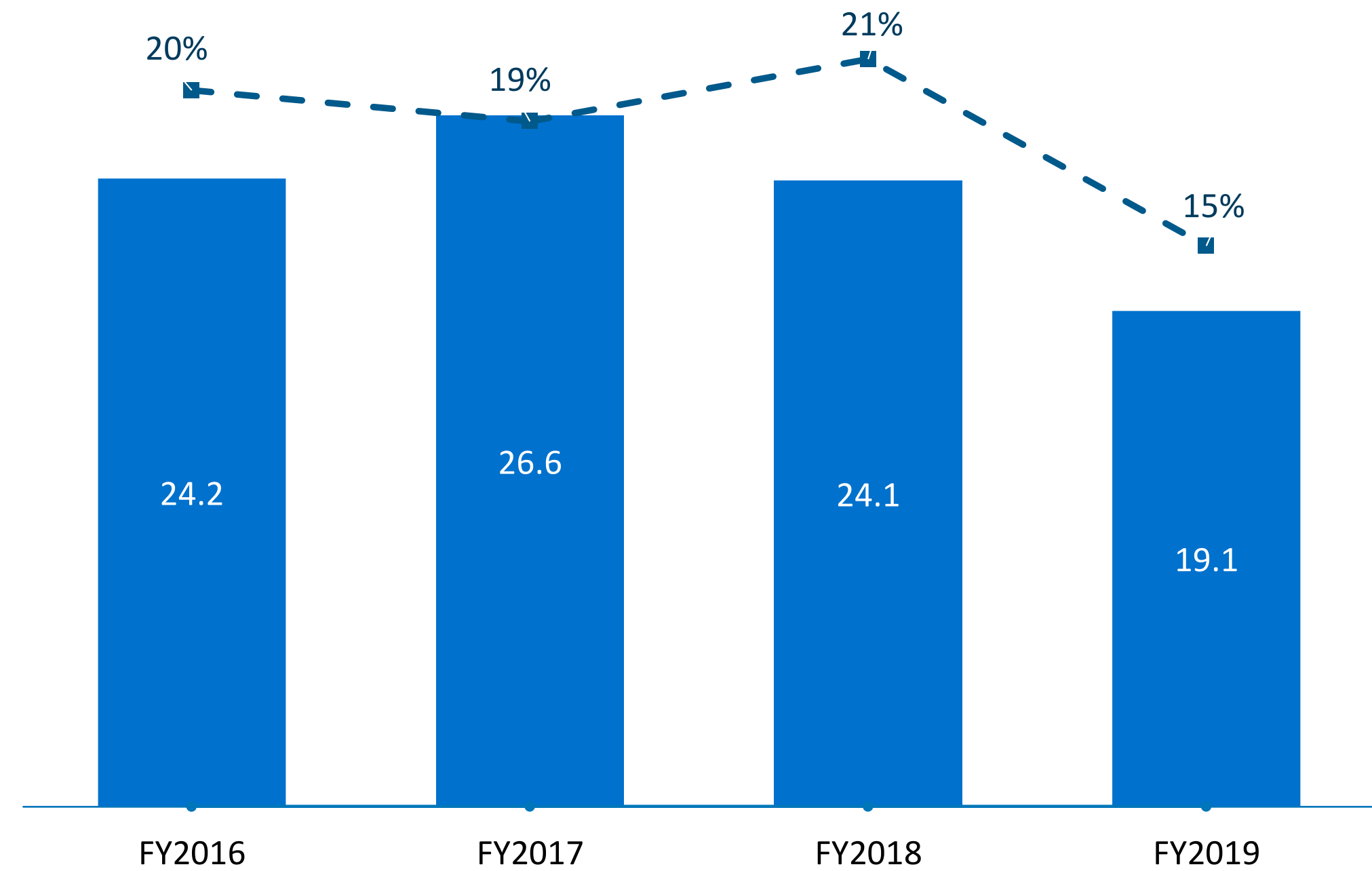
(in USD mn)



- Adjusted earnings payout ratio(%)
- Dividends paid
- Share buyback

## Capital expenditure

(in USD mn)



- As % of total revenue
- Network expansion-related capex

Source: Company data

