OBJECTIVE

1 Allocation of future expansion
   What percentage of screen growth should go to each of the BRIC?

2 Growth strategies
   How does IMAX grow in these markets?

3 R&D investment
   How much should the company invest in R&D and in what?
1. EXPERIENTIAL VIEWING
   Immersing oneself into the viewing experience and the film itself

2. ADVANCES IN TECHNOLOGY
   Widespread use of 3D tech, plus ongoing development of virtual/augmented reality

3. GLOBAL POTENTIAL
   Glocalization trends (global strategy + local customization) & potential of BRIC countries
LOOKING TOWARDS THE FUTURE: VISION 2025
VISION 2025

3 KEY GOALS

DIVERSIFY
GLOBAL REACH

REDEFINE
CINEMATIC EXPERIENCE

DOUBLE
REVENUE
BRAZIL

- High entertainment-based culture
- Low domestic movie production
- High long-term growth potential

*Fandango expansion*
RUSSIA

- Extremely corrupt legal environment (politically supported oligopoly)

- Low potential for adaptability due to corrupt and increasingly isolated government and national sentiment
INDIA
- High population, low GDP per capita ➔ wealth gap
- Highest production in # movies
- Entirely centered around a movie watching culture
- 90% domestic movie production, 10% Hollywood
CHINA
- Largest population
- Highest in Box Office Sales by far
- Legal Environment: Obsession with control
# Decision Matrix

**BRIC Weighted Scoring**

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<thead>
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<th>CRITERIA</th>
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<th>INDIA</th>
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## Decision Matrix

**BRIC Weighted Scoring**

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## DECISION MATRIX

**BRIC WEIGHTED SCORING**

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DECISION MATRIX
BRIC WEIGHTED SCORING

- Russia: 248
- China: 403
- India: 329
- Brazil: 336
DECISION MATRIX
BRIC WEIGHTED SCORING

CORRUPT GOVERNMENT
RUSSIA: 248
CHINA: 403
INDIA: 329
BRAZIL: 336

POPULATION, CURRENT GROWTH
ALLOCATION PER COUNTRY

BRIC WEIGHTED SCORING

- CHINA: 40%
- INDIA: 24%
- BRAZIL: 26%
- RUSSIA: 10%
DECISION MATRIX
BRIC WEIGHTED SCORING

BRAZIL: 26%

ENTERTAINMENT,
POTENTIAL FOR
INNOVATION, SOUTH
AMERICA EXPANSION

INDIA: 24%

HIGH LUXURY,
LARGE REACH,
MARKET DEMAND,
EXISTING STRUCTURE

CHINA: 40%
DECISION MATRIX

BRIC WEIGHTED SCORING

BRAZIL: 26%

ENTERTAINMENT, POTENTIAL FOR INNOVATION, SOUTH AMERICA EXPANSION

CHINA: 40%

HIGH LUXURY, LARGE REACH, MARKET DEMAND, EXISTING STRUCTURE
GLOBAL STRATEGY
STRATEGY
SHORT-TERM + LONG-TERM (VISION 2025)

SHORT-TERM

DOMESTIC INVESTMENT

LONG-TERM

5-YEAR

VIRTUAL REALITY + LIVE EVENTS

10-YEAR

AUGMENTED REALITY
SHORT-TERM

DOMESTIC PRODUCTION

Gain trust of locals
Build a stronger brand image

LONG-TERM

RESEARCH & DEVELOPMENT

World’s leading entertainment technology company immersive experience
CHINA

AFFORDABLE LUXURY
CHINA STRATEGY

SITUATION, TARGET, PROPOSAL (STP FRAME)

S
Growing middle class, affordable luxuries, growth in domestic and overall movie market, love for sports

T
Middle/Upper class

P
Invest heavily in domestic films, incorporate live events with virtual & augmented reality
RISKS + MITIGATION

FOCUS COUNTRY: CHINA

HOW DO WE BYPASS BARRIERS CREATED BY THE FOREIGN FILM QUOTA?

HOW DO WE PROTECT OUR INTELLECTUAL PROPERTY?

HOW DO WE STAY AHEAD OF THE COMPETITION?

DOMESTIC INVESTMENT

GOVERNMENT RELATIONS

R&D INVESTMENT

OVERVIEW | ANALYSIS | STRATEGY | IMPLEMENTATION | RECAP | APPENDIX
BRAZIL STRATEGY
SITUATION, TARGET, PROPOSAL (STP FRAME)

S
Love for Hollywood movies, growing domestic market, growing movie market, love for sports & music entertainment

T
Families, Entertainment Seekers

P
Invest in rapidly growing domestic movie market, capitalize on huge demand for sports and music via VR/AR Live Event showings
HOW CAN WE NAVIGATE BRAZIL’S UNCERTAIN POLITICAL ECONOMY?

WILL THE BOX OFFICE SALES IN BRAZIL REMAIN RELATIVELY LOW COMPARED TO OTHER BRIC COUNTRIES?

DIVERSE ALLOCATION

CAPITALIZE ON EXPANSION POTENTIAL, LOW COMPETITION & HIGH GDP/CAPITA
HOW DO WE IMPLEMENT OUR STRATEGY?
INVESTMENT BREAKDOWN

OVERVIEW OF INVESTMENTS

SCREEN ALLOCATION
15% OF INVESTMENT

DOMESTIC FILM
36% OF INVESTMENT

R&D
49% OF INVESTMENT
SCREEN ALLOCATION

FINANCIALS

New
(130 screens)

270 x $150k = $40.5m

Retrofit
(270 screens)

130 x $350k = $45.5m

400 x $86m
DOMESTIC INVESTMENT
FINANCIALS

DMR CONVERSION
$35,000 each

INVESTMENT IN PRODUCTION & PARTNERSHIPS
$5M per year per country

TO CALCULATE
$100M (avg. cost of a HQ production)
5% (decision to invest)
(per film)

AVG YEARLY COST
$20M

TOTAL COST OVER 10 YEARS
$200M over 10 years

*NOTE: DOMESTIC INVESTMENT REFERS TO IMAX INVESTING INTO THE LOCAL FILM INDUSTRY OF THE COUNTRY CHosen
REVENUE INVESTED IN R&D

FINANCIALS

3% LASER TECHNOLOGY
1% IN-HOME
1% MISCELLANEOUS

5% (2015)

1% LASER TECHNOLOGY
1% MISCELLANEOUS
1% IN-HOME
2% LIVE EVENTS
2% VR + AR

7% (2025)
FINANCIALS SUMMARY
10-YEAR PROJECTION

$857M
PV OF REVENUE FROM INVESTMENTS

$417M
PV OF INVESTMENT COSTS

$440M
NPV WITH 7% DISCOUNT RATE

ASSUMPTIONS:

ANNUAL REVENUE GROWTH DOUBLES GLOBAL GDP (7%)

NEW IMAX INVESTMENTS = 25% OF ALL REVENUE GROWTH

DOMESTIC INVESTMENT ($200 M)

SCREEN ALLOCATION ($85.5 M)

R&D ($275 M)
LET’S TAKE A MOMENT TO RECAP
DIVERSIFY
GLOBAL REACH

REDEFINE
CINEMATIC EXPERIENCE

DOUBLE
REVENUE
GOALS ACHIEVED
VISION 2025

DIVERSIFY GLOBAL REACH
→ INCREASE SCREEN PRESENCE IN BRIC COUNTRIES

REDEFINE CINEMATIC EXPERIENCE
→ INVEST HEAVILY IN DOMESTIC PRODUCTION & R&D (VR/AR)

DOUBLE REVENUE
→ EXPAND + CAPITALIZE ON GLOBAL & TECH TRENDS
appendix

DECISION MATRIX
BRAZIL (COUNTRY ANALYSIS)
RUSSIA (COUNTRY ANALYSIS)
INDIA (COUNTRY ANALYSIS)
CHINA (COUNTRY ANALYSIS)
GLOBAL INDUSTRY TRENDS (SUCCESS FACTORS)
GLOBAL INDUSTRY TRENDS (GENRE SEGMENTATION)
TOP PRODUCING COUNTRIES OF FILMS (2011)
INTERNATIONAL FILM INDUSTRY TRENDS
DOMESTIC INVESTMENT (FINANCIAL BREAKDOWN)
R&D (FINANCIAL BREAKDOWN)
ALLOCATION OF SCREENS
VR FEASIBILITY
AR FEASIBILITY
FANDANGO IN BRAZIL
IPO OF IMAX IN HONG KONG
R&D IMPLEMENTATION
TIMELINE (SHORT-TERM)
TIMELINE (LONG-TERM)
PLF COMPETITION
RUSSIA STP
INDIA STP
REVENUE PROJECTIONS
HISTORICAL COSTS
BRAZIL

DEMOGRAPHICS: Lower population, but high GDP per capita

BOX OFFICE SALES: Box Office Sales lower in comparison
Sales at all-time high for Brazil

MOVIE WATCHING CULTURE: High entertainment-based culture

LEGAL ENVIRONMENT: Corrupt, but commitment to incremental progress

COMPETITION: Low competition – 2 main competitors

DOMESTIC MOVIE PRODUCTION: Low domestic production

ADAPTABILITY: High long-term growth potential

*Fandango expansion
RUSSIA

DEMOGRAPHICS: Lowest population, highest GDP per Capita. Economy dependent on oil and gas.

BOX OFFICE SALES: Average Box Office Sales.

MOVIE WATCHING CULTURE: Highly loved.

LEGAL ENVIRONMENT: Extremely corrupt (politically supported oligopoly).

COMPETITION: Little to none.

DOMESTIC MOVIE PRODUCTION: Average.

ADAPTABILITY: Low due to corrupt and increasingly isolated government and national sentiment.
INDIA

DEMOGRAPHICS: High population, low GDP per capita → wealth gap

BOX OFFICE SALES: Relatively high
due to high production in number of movies

MOVIE WATCHING CULTURE: Entirely centered around this

LEGAL ENVIRONMENT: World’s largest democracy, but messy and corrupt

COMPETITION: Number of competitors

DOMESTIC MOVIE PRODUCTION: 90% domestic movie production
10% Hollywood

ADAPTABILITY: High potential, but high risks with domestic production
CHINA

DEMOGRAPHICS: Largest population, average GDP per Capita

BOX OFFICE SALES: Largest by far

MOVIE WATCHING CULTURE: Highly loved

LEGAL ENVIRONMENT: Obsession with control

COMPETITION: High in comparison

DOMESTIC MOVIE PRODUCTION: Average

ADAPTABILITY: High potential with size and existing sales
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<th>CRITERIA</th>
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<td><strong>329</strong></td>
<td><strong>329</strong></td>
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*NOTE: THE BOLD SCORE IS THE UN-WEIGHTED SCORE (1-10, 10 BEING MOST FAVORABLE). THE NUMBER FOLLOWING THE COMMA IS THE WEIGHTED SCORE (WEIGHT X SCORE).*
GLOBAL MOVIE INDUSTRY

KEY SUCCESS FACTORS VIA IBIS WORLD REPORT “GLOBAL MOVIE PRODUCTION & DISTRIBUTION (MAY 2015)

Key Success Factors

The key success factors in the Global Movie Production & Distribution industry are:

Control of distribution arrangements
Companies must successfully negotiate suitable distribution arrangements as the mediators between studios and movie retailers, including cinemas.

Ability to quickly adopt new technology
Operators’ use of digital and animated technology can improve the production process and lower overall production costs.

Having marketing expertise
Companies must thoroughly understand how to market new productions by using the internet, teaser trailers, word-of-mouth and press appearances.

Effective cost controls
Movie productions often run over budget, severely undermining the profit-generating potential of the project. Delivering a product on budget will increase the chances of a film being a financial success.

Prompt delivery to market
Films should be completed on time and distributed quickly in order to limit potential leaks and illegal distribution through online piracy.
Products & Services

Products and services segmentation (2015)

- Action/Adventure: 39.1%
- Comedy: 22.2%
- Drama: 17.0%
- Other: 7.9%
- Romantic Comedy: 5.2%
- Thriller/Suspense: 8.6%

Source: IBISWorld
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<th>Rank</th>
<th>Country</th>
<th>Average production (2005-2011)</th>
<th>Level of production*</th>
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<td>India</td>
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Notes: * “Very high”: 200 feature films produced per year; “High”: 80-199 feature films produced per year.

Although the Movie Theaters industry only serves the domestic market, rising levels of foreign investment are increasing the industry's level of globalization. In September 2012, AMC Entertainment Inc., the industry's second-largest company with an 17.6% market share, was acquired by Dalian Wanda Group, a Chinese media conglomerate. Additionally, Cinepolis Inc., the dominant movie theater operator in Mexico, began its foray into the US market with the construction of several upscale theaters in southern California since 2011.

Other major domestic companies operate theaters overseas. Cinemark Holdings, the industry's number-three company, has a wide presence in South America, particularly in Brazil. In 2011, Cinemark developed its reach in Argentina with the purchase of 10 theaters there. More commonly, though, larger domestic companies are divesting their international possessions to refocus on the US market. For example, AMC sold off most of its foreign theaters starting in 2009 and currently operates fewer than 10 locations in Canada, the United Kingdom and Hong Kong.

SUMMARY: TREND IS GLOBALIZING

➔ ACQUISITION OF AMC BY DALIAN WANDA GROUP (CHINA)
➔ CINEMARK WIDE PRESENCE IN BRAZIL + ARGENTINA
DOMESTIC INVESTMENT

FINANCIAL BREAKDOWN

DMR CONVERSION
$35,000 each

INVESTMENT IN PRODUCTION & PARTNERSHIPS
$5M per year per country

AVG YEARLY COST
$20M

TOTAL COST OVER 10 YEARS
$200M over 10 years

TO CALCULATE
$100M (avg. cost of a HQ production)
5% (decision to invest)
(per film)

*NOTE: DOMESTIC INVESTMENT REFERS TO IMAX INVESTING INTO THE LOCAL FILM INDUSTRY OF THE COUNTRY CHOSEN
**R&D FINANCIAL BREAKDOWN**

**LAST YEAR 2015**
5% of 2013 Rev (~$15m)
- Laser technology 3%
- In home 1%
- Miscellaneous 1%

**PROJECTION: 2025**
7% of rev (~$40M)
- Laser Tech 1%
- In home 1%
- Miscellaneous 1%
- Live Events 2%
- VR/AR 2%

**AVG YEARLY COST**
$27.5M

**TOTAL COST OVER 10 YEARS**
$275M over 10 years

*NOTE: R&D REFERS PRIMARILY TO THE DEVELOPMENT OF VR + AR TECHNOLOGY AND EXPLORING LIVE STREAMING CAPABILITIES WITH AN IMAX VIEWING EXPERIENCE*
ALLOCATION OF SCREENS
FINANCIAL BREAKDOWN

RETROFIT
Number of screens = 270 (2/3)
Cost per retrofit = $150,000 per screens
Total Cost = $40,000,000

NEW SCREENS
Number of screens = 130 (1/3)
Cost per screen = $350,000
Total cost = $45,500,000

AVG YEARLY COST
$8.55M

TOTAL COST OVER 10 YEARS
$85.5M over 10 years
# Revenue Projections

**Vision 2025 (10-Years)**

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<th>Assumed Rev Growth Rate</th>
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<td>309</td>
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<td>WW Expenses (ex. Investment &amp; R&amp;D)</td>
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<td>229</td>
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<td>284</td>
<td>302</td>
<td>320</td>
<td>341</td>
<td>363</td>
<td>387</td>
<td>414</td>
<td>443</td>
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<tr>
<td>BRIC Screen Building Expense</td>
<td>5</td>
<td>5</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
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</tr>
<tr>
<td>BRIC Domestic Investment Expense</td>
<td>5</td>
<td>5</td>
<td>13</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>18</td>
<td>19</td>
<td>20</td>
<td>22</td>
<td>23</td>
<td>25</td>
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<tr>
<td>WW R&amp;D Expense</td>
<td>15</td>
<td>16</td>
<td>18</td>
<td>20</td>
<td>23</td>
<td>25</td>
<td>28</td>
<td>30</td>
<td>34</td>
<td>37</td>
<td>41</td>
<td>45</td>
<td>50</td>
</tr>
<tr>
<td>Net Profit</td>
<td>49</td>
<td>59</td>
<td>59</td>
<td>67</td>
<td>74</td>
<td>82</td>
<td>90</td>
<td>98</td>
<td>108</td>
<td>116</td>
<td>126</td>
<td>135</td>
<td>144</td>
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<table>
<thead>
<tr>
<th>Profit Margin</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Rev for R&amp;D</td>
<td>5.1%</td>
<td>5.3%</td>
<td>5.5%</td>
<td>5.7%</td>
<td>5.9%</td>
<td>6.1%</td>
<td>6.3%</td>
<td>6.5%</td>
<td>6.7%</td>
<td>6.9%</td>
<td>7.1%</td>
<td>7.3%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

| NPV BRIC Revenue                  | 857  |
| NPV BRIC Costs                    | 417  |
## HISTORICAL COSTS

**VISION 2025 (10-YEARS)**

<table>
<thead>
<tr>
<th>Historical Income Statement</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
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<tbody>
<tr>
<td>Total Revenue</td>
<td>249</td>
<td>235</td>
<td>283</td>
<td>288</td>
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<tr>
<td>Total Expenses (ex. R&amp;D)</td>
<td>154</td>
<td>228</td>
<td>253</td>
<td>259</td>
</tr>
<tr>
<td>R&amp;D Expense</td>
<td>6</td>
<td>8</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>Net Income</td>
<td>101</td>
<td>15</td>
<td>41</td>
<td>44</td>
</tr>
</tbody>
</table>

Expenses (ex. R&D) YoY %

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>48%</td>
<td></td>
<td>11%</td>
<td>2%</td>
<td></td>
</tr>
</tbody>
</table>

Expenses (ex. R&D) YoY % Acceleration

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>-338%</td>
<td></td>
<td>-362%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**OVERVIEW | ANALYSIS | STRATEGY | IMPLEMENTATION | RECAP | APPENDIX**
NextVR

(company)

Founded in 2009

Mission: To deliver live and on-demand virtual reality experiences in true broadcast quality

23 Patents on Technology
MagicLeap
(company)

$542M in funding from Google (plus more)

Far into the future – still has a lot of R&D left to do
Fandango (company)

Movie ticket company, international (LA-based) acquires Ingresso (Brazilian ticketing site)

Parent organization is Comcast Interactive Media

Seeing potential and growth in Brazil

Could potentially work an agreement with IMAX Brasilia
IMAX IPO in HK Stock Exchange

(IMAX China raises $248 Million in Hong Kong Initial Public Offering)

“IMAX China raises $248 Million in Hong Kong Initial Public Offering.”
R&D IMPLEMENTATION
HOW WILL THE IMPLEMENTATION OF OUR STRATEGY LOOK?

LIVE EVENTS
SPORTS, CONCERTS, TALKS

- Screening of live events across the board
- Enhancing the “at-home” experience by bringing it to reality in IMAX

VIRTUAL &
 AUGMENTED REALITY

- Paired with movies and various live events
- Immersive experience and the future of a viewing experience
GOALS

Total Revenue $467M
Build 200 new IMAX screens in BRIC countries
Invest in 18 domestic BRIC films totaling $90M
Invest 6.5% of Revenue into R&D
GOALS

Total Revenue $661M
Build 400 new IMAX screens in BRIC countries
Invest in 40 domestic BRIC films totaling $200M
Invest 7% of Revenue into R&D
<table>
<thead>
<tr>
<th>Year</th>
<th>Global</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMAX Screens</td>
<td>40%</td>
<td>65%</td>
</tr>
<tr>
<td>Exhibitor Screens</td>
<td>60%</td>
<td>35%</td>
</tr>
<tr>
<td>PLF Companies</td>
<td>Many</td>
<td>China Film Giant Screen Dalian Wanda Poly Film</td>
</tr>
</tbody>
</table>
RUSSIA STP

• Situation
  – Big movie market, questionable growth

• Target
  – Massive Upper/Middle Class (Status)

• Proposal
  – Increase number of current screens, increase brand equity, invest in domestic film production to mitigate political risk
INDIA STP

• Situation
  – Big film industry leader w/ large population, very strong film culture, but low expendable wages
• Target
  – Upper/Middle Class (Lifestyle)
• Proposal
  – Increase theater presence, invest in domestic production, enhance the emotional bond felt with movie by providing richer, more immersive viewing experience through VR & AR, high technological adaptability