



IMAX (IMAX) 2020 Q1 Earnings Summary

May 2020

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## IMAX Does Not Have The Same Fixed Costs As Theaters, But Relies On The Box Office Just As Much

### THEATER RE-OPENING

- **Process of reopening theaters will require time to build theater-going momentum capable of supporting a blockbuster release**
  - Expect theaters to reopen with promotional pricing and library content in cooperation with Hollywood studios
  - It's ultimately the exhibitors' decision on when and how to reopen, subject to government regulation, but there is very much an ongoing dialogue
- **Anticipate social distancing expectations and regulations to create limited seating arrangement**
  - Given theaters typically operate with substantial excess capacity, expect the industry in general to still generate incremental gross margin

### WINDOWING

- **Engaged in conversations with studios to find compelling release windows that serve global audiences in the best way possible**
  - Studio wants to make sure the theaters are back to capacity and want to make sure as many people see their movies as they can
- **The bigger headline coming out of the pandemic is that virtually every blockbuster has been rescheduled for theatrical release**
  - Allowing movies to release on streaming rather than theatrical, would lose many ancillary windows, so that model doesn't make very much sense
  - Universal had special circumstances because they had already started the marketing campaign, and would have had to re-spend that money

### EXHIBITIONERS

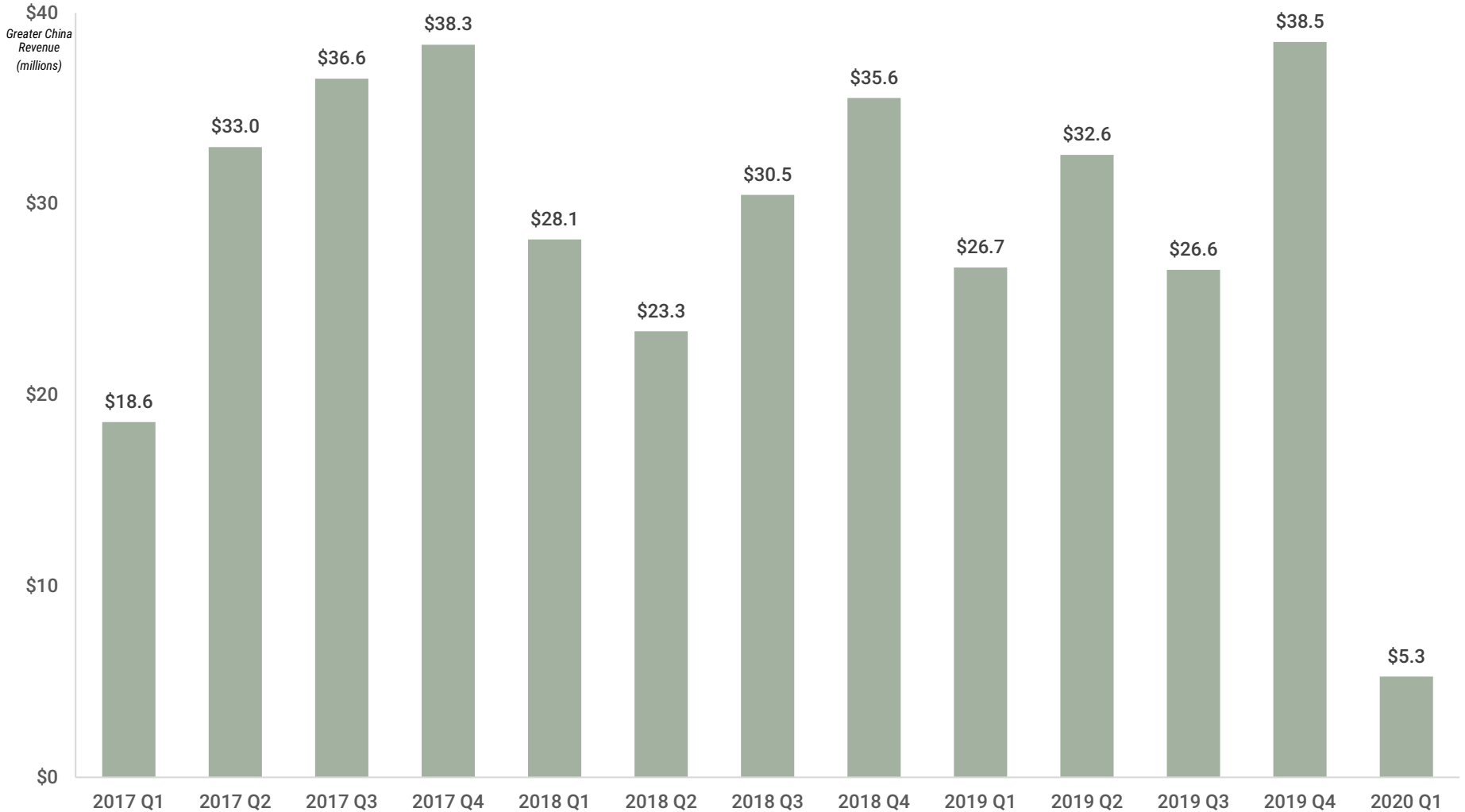
- **Hopeful that exhibition partners will reap the benefits of a strong slate, and manage through the temporary closure of theaters**
  - Capital markets in the last several weeks have been quite amenable to financing exhibitors through this crisis
  - They are on pretty good financial footing now so they don't really see a bankruptcy as a significant risk to a number of chains right now
- **Intend to be in business with them for a very long time, but would not entertain fundamentally changing their business deals**
  - Carefully negotiate all of their agreements, including joint venture agreements, on a worldwide basis and they're binding contracts

### CHINA

- **Given their vast network in China, with 700 theaters, they have been managing through the impact of this virus since January**
  - Provides them with an up close, on-the-ground look at the trajectory of theater closures and re-openings and consumer behavior patterns
  - Schools are opening across China, in-store retail consumption is picking up and TV/film production has resumed under strict health guidelines
- **China plays as much local content as they can, but the balance should swing towards getting the economy going again**
  - Prepared to immediately distribute many classic titles that are under consideration, followed by Hollywood films from earlier in the year

*They are able to use this downtime to development a DTC strategy that creates new touch points with their audience*

## China Was The First Country To Close Theaters, But Are Now Expected To Begin Re-Opening In Early June

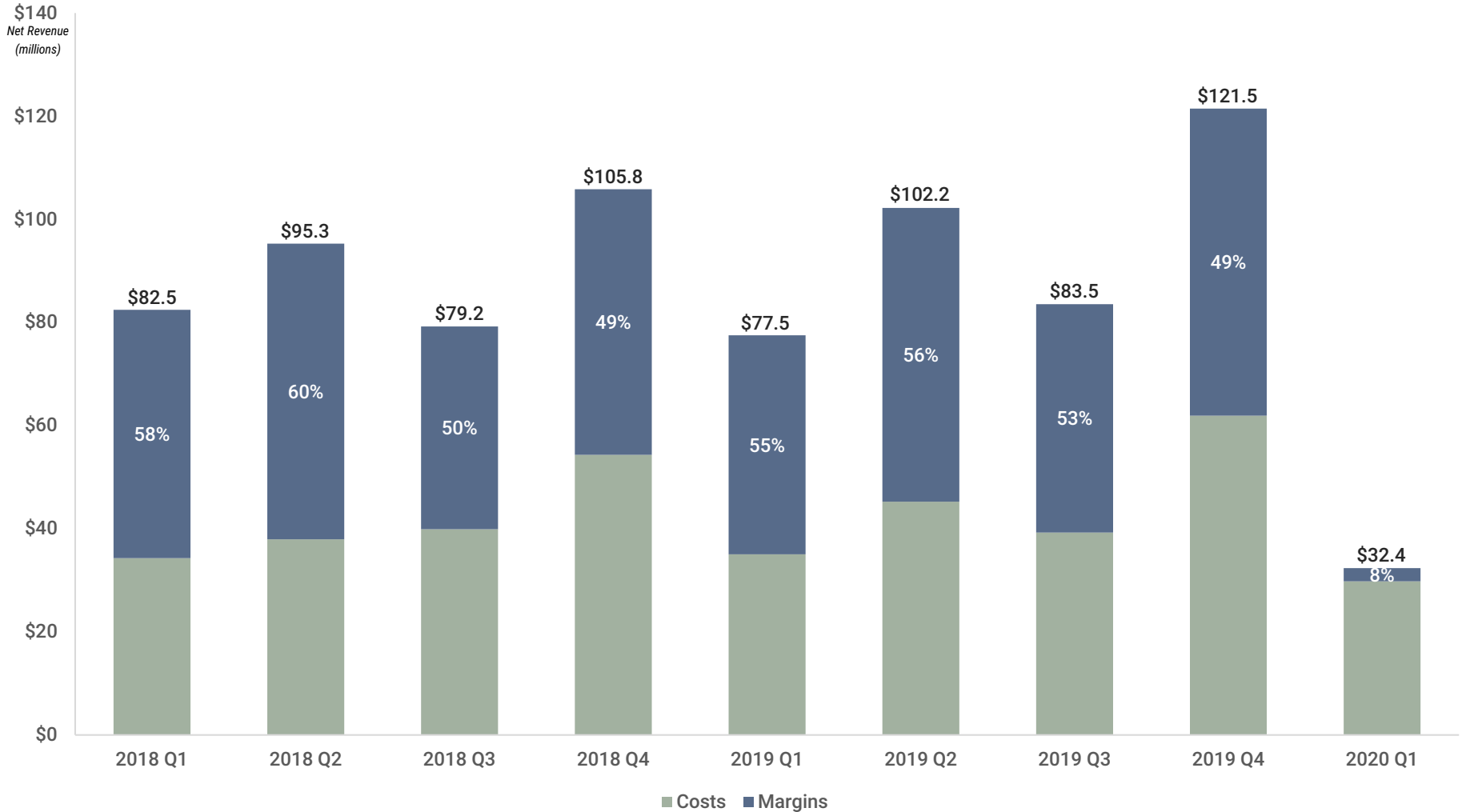


*With a global network, insights from China can be used to help formulate re-opening strategies in other regions*

# Margins



As A Provider Of Technology, They Have A Distinct Advantage Of Being Able To Resume Operations Quickly



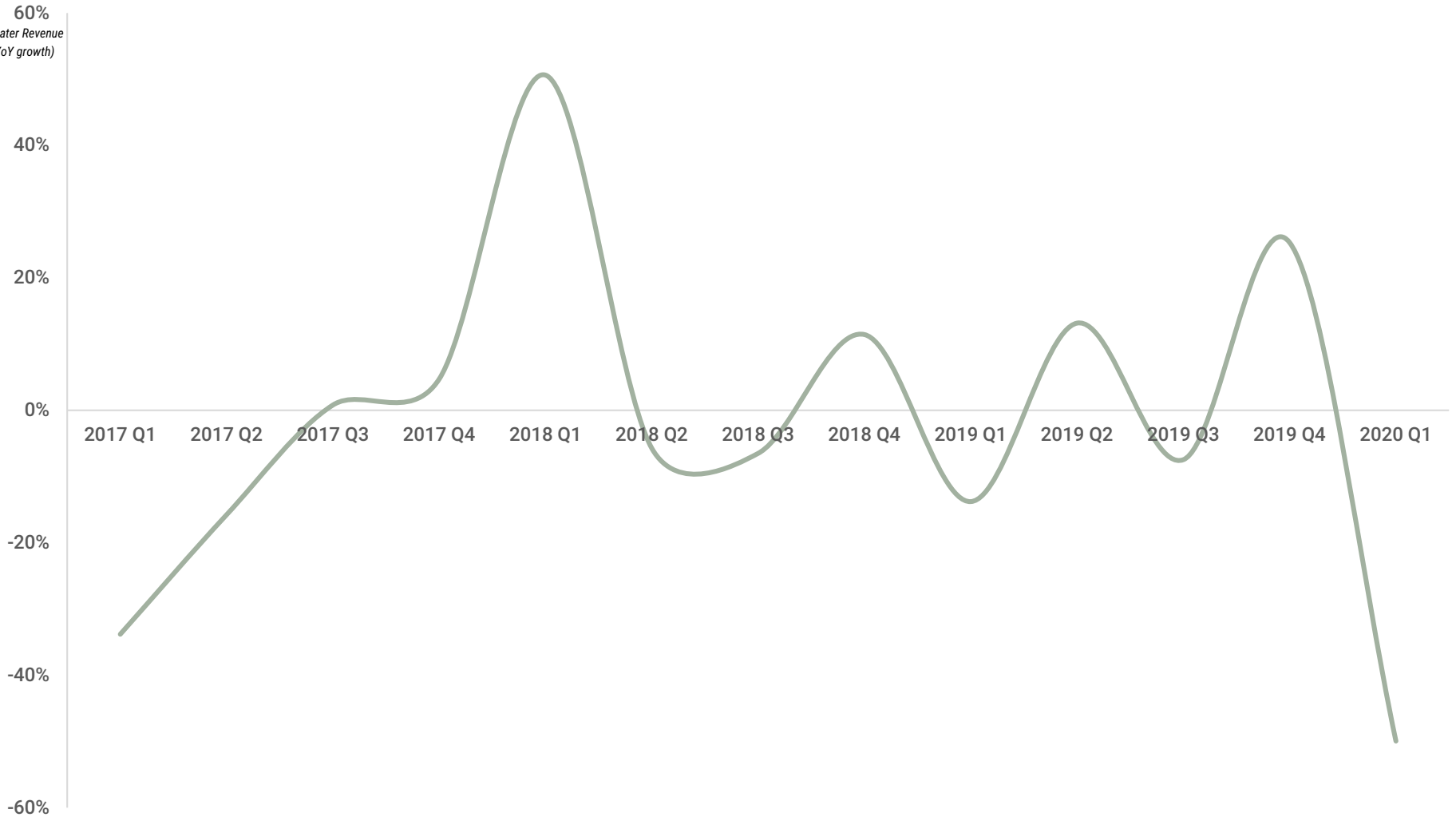
*They were quickly able to incorporate remote workflows to continue the post-production process on upcoming films*



# Theater Revenues



There Is A Willingness To Be Flexible With Exhibitors On Pace Of Installations Once They Re-Open



*They will continue to expand their network globally, but the rate of growth will slow down over the next 6 months*