

IMAX CORP  
Form 10-Q  
October 23, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**Form 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2014**

**OR**

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file Number 001-35066**

**IMAX Corporation**

**(Exact name of registrant as specified in its charter)**

<b>Canada</b> <b>(State or other jurisdiction of</b>	<b>98-0140269</b>
<b>incorporation or organization)</b>	<b>(I.R.S. Employer</b>
	<b>Identification Number)</b>
<b>2525 Speakman Drive,</b>	<b>110 E. 59<sup>th</sup> Street, Suite 2100</b>
<b>Mississauga, Ontario, Canada L5K 1B1</b>	<b>New York, New York, USA 10022</b>
<b>(905) 403-6500</b>	<b>(212) 821-0100</b>
<b>(Address of principal executive offices, zip code, telephone numbers)</b>	

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name of Exchange on Which Registered</b>
<b>Common Shares, no par value</b>	<b>The New York Stock Exchange</b>

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

**(Title of class)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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Indicate the number of shares of each of the issuer's classes of common stock, as of the latest practicable date:

<b>Class</b>	<b>Outstanding as of September 30, 2014</b>
Common stock, no par value	68,520,049

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**IMAX CORPORATION**

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**SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION**

Certain statements included in this quarterly report may constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, references to future capital expenditures (including the amount and nature thereof), business and technology strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of business, operations and technology, plans and references to the future success of IMAX Corporation together with its wholly-owned subsidiaries (the Company) and expectations regarding the Company's future operating, financial and technological results. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the expectations and predictions of the Company is subject to a number of risks and uncertainties, including, but not limited to, general economic, market or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by the Company; the performance of IMAX DMR films; competitive actions by other companies; conditions in the in-home and out-of-home entertainment industries; the signing of theater system agreements; changes in laws or regulations; conditions, changes and developments in the commercial exhibition industry; risks associated with investments and operations in foreign jurisdictions and any future international expansion, including those related to economic, political and regulatory policies of local governments and laws and policies of the United States and Canada; risks related to the Company's growth and operations in China; the failure to respond to change and advancements in digital technology; the Company's largest customer accounting for a significant portion of the Company's revenue and backlog; risks related to new business initiatives; the potential impact of increased competition in the markets within which the Company operates; risks related to the Company's inability to protect the Company's intellectual property; risks related to the Company's implementation of an enterprise resource planning system; the failure to convert theater system backlog into revenue; risks related to the Company's dependence on a sole supplier for its analog film; and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this quarterly report are qualified by these cautionary statements, and actual results or anticipated developments by the Company may not be realized, and even if substantially realized, may not have the expected consequences to, or effects on, the Company. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.

IMAX®, IMAX® Dome, IMAX® 3D, IMAX® 3D Dome, Experience It In IMAX®, *The IMAX Experience*®, *An IMAX Experience*®, *An IMAX 3D Experience*®, IMAX DMR®, DMR®, IMAX nXos®, IMAX think big®, think big® and IMAX Is Believing®, are trademarks and trade names of the Company or its subsidiaries that are registered or otherwise protected under laws of various jurisdictions.

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**PART I. FINANCIAL INFORMATION**

**Item 1. *Financial Statements***

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The following unaudited Condensed Consolidated Financial Statements are filed as part of this Report:	
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**IMAX CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

*(In thousands of U.S. dollars)*

*(Unaudited)*

	September 30, 2014	December 31, 2013
<b>Assets</b>		
Cash and cash equivalents	\$ 93,705	\$ 29,546
Accounts receivable, net of allowance for doubtful accounts of \$714 (December 31, 2013 \$887)	59,734	73,074
Financing receivables	103,616	107,110
Inventories	21,439	9,825
Prepaid expenses	5,382	3,602
Film assets	7,787	7,076
Property, plant and equipment	161,579	132,847
Other assets	20,197	27,034
Deferred income taxes	20,917	24,259
Other intangible assets	27,556	27,745
Goodwill	39,027	39,027
<b>Total assets</b>	<b>\$ 560,939</b>	<b>\$ 481,145</b>
<b>Liabilities</b>		
Accounts payable	\$ 16,571	\$ 19,396
Accrued and other liabilities	55,841	65,232
Deferred revenue	100,304	76,932
<b>Total liabilities</b>	<b>172,716</b>	<b>161,560</b>
<b>Commitments and contingencies</b>		
<b>Non-controlling interests</b>	<b>38,187</b>	
<b>Shareholders equity</b>		
Capital stock common shares no par value. Authorized unlimited number.		
Issued and outstanding 68,520,049 (December 31, 2013 67,841,233)	334,415	327,313
Other equity	43,200	36,452
Accumulated deficit	(26,545)	(43,051)
Accumulated other comprehensive loss	(1,034)	(1,129)
<b>Total shareholders equity</b>	<b>350,036</b>	<b>319,585</b>





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**IMAX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

*(In thousands of U.S. dollars, except per share amounts)*

*(Unaudited)*

	<b>Three Months</b>		<b>Nine Months</b>	
	<b>Ended September 30, 2014</b>	<b>2013</b>	<b>Ended September 30, 2014</b>	<b>2013</b>
				(note 20)
<b>Revenues</b>				
Equipment and product sales	\$ 11,765	\$ 9,623	\$ 37,621	\$ 40,649
Services	33,199	28,826	101,813	97,001
Rentals	13,646	10,987	42,278	38,782
Finance income	2,132	2,071	6,372	6,079
Other				375
	60,742	51,507	188,084	182,886
<b>Costs and expenses applicable to revenues</b>				
Equipment and product sales	6,041	4,086	19,126	20,561
Services	14,788	15,910	46,318	53,361
Rentals	4,471	4,059	12,996	11,687
	25,300	24,055	78,440	85,609
<b>Gross margin</b>	35,442	27,452	109,644	97,277
Selling, general and administrative expenses (including share-based compensation expense of \$3.4 million and \$11.3 million for the three and nine months ended September 30, 2014, respectively (2013 - expense of \$2.8 million and \$8.8 million, respectively))	23,513	19,778	68,323	61,549
Gain on curtailment of postretirement benefit plan				(2,185)
Research and development	4,560	3,974	11,468	11,267
Amortization of intangibles	441	409	1,259	1,146
Receivable provisions, net of recoveries	26	224	642	279
Impairment of available-for-sale investment			650	
<b>Income from operations</b>	6,902	3,067	27,302	25,221
Interest income	149	14	189	39
Interest expense	(269)	(315)	(803)	(1,008)
<b>Income from operations before income taxes</b>	6,782	2,766	26,688	24,252
Provision for income taxes	(1,188)	(685)	(6,667)	(6,701)

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Loss from equity-accounted investments, net of tax	(297)	(344)	(721)	(998)
<b>Income from continuing operations</b>	<b>5,297</b>	<b>1,737</b>	<b>19,300</b>	<b>16,553</b>
Net (loss) income from discontinued operations, net of tax		(128)	355	(267)
<b>Net income</b>	<b>5,297</b>	<b>1,609</b>	<b>19,655</b>	<b>16,286</b>
Less: Net income attributable to non-controlling interests	(439)		(911)	
<b>Net income attributable to Common Shareholders</b>	<b>\$ 4,858</b>	<b>\$ 1,609</b>	<b>\$ 18,744</b>	<b>\$ 16,286</b>
<b>Net income per share - basic:</b>				
Net income per share from continuing operations	\$ 0.07	\$ 0.02	\$ 0.26	\$ 0.24
Net income per share from discontinued operations			0.01	
	\$ 0.07	\$ 0.02	\$ 0.27	\$ 0.24
<b>Net income per share - diluted:</b>				
Net income per share from continuing operations	\$ 0.07	\$ 0.02	\$ 0.26	\$ 0.24
Net income per share from discontinued operations			0.01	
	\$ 0.07	\$ 0.02	\$ 0.27	\$ 0.24

*(the accompanying notes are an integral part of these condensed consolidated financial statements)*

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**IMAX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*(In thousands of U.S. dollars)*

*(Unaudited)*

	<b>Three Months</b>		<b>Nine Months</b>	
	<b>Ended September 30,</b>		<b>Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net income	\$ 5,297	\$ 1,609	\$ 19,655	\$ 16,286
Unrealized net (loss) gain from cash flow hedging instruments	(1,278)	535	(1,151)	(265)
Realization of cash flow hedging net loss upon settlement	248	179	752	131
Other-than-temporary impairment of available-for-sale investment			350	
Foreign currency translation adjustments	318	(2)	140	(115)
Gain on curtailment of postretirement benefit plan				398
Amortization of defined benefit plan actuarial loss		111		333
Other comprehensive (loss) income, before tax	(712)	823	91	482
Income tax benefit (expense) related to other comprehensive (loss) income	194	(213)	29	(128)
Other comprehensive (loss) income, net of tax	(518)	610	120	354
Comprehensive income	4,779	2,219	19,775	16,640
Less: Comprehensive income attributable to non-controlling interests	(467)		(936)	
Comprehensive income attributable to Common Shareholders	\$ 4,312	\$ 2,219	\$ 18,839	\$ 16,640

*(the accompanying notes are an integral part of these condensed consolidated financial statements)*

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**IMAX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(In thousands of U.S. dollars)*

*(Unaudited)*

	<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Net income	\$ 19,655	\$ 16,286
Net (income) loss from discontinued operations	(355)	267
Adjustments to reconcile net income to cash from operations:		
Depreciation and amortization	23,937	