

IMAX CORP
Form 10-Q
October 25, 2012
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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, 2012

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)

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Canada
(State or other jurisdiction of
incorporation or organization)

2525 Speakman Drive,
Mississauga, Ontario, Canada
(Address of principal executive offices)

98-0140269
(I.R.S. Employer
Identification Number)

L5K 1B1
(Postal Code)

(905) 403-6500
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

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

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

Class	Outstanding as of September 30, 2012
Common stock, no par value	65,977,319

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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; including the length and severity of the current economic downturn, 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; the failure to convert theater system backlog into revenue; the failure to respond to change and advancements in digital technology; risks related to the acquisition of AMC Entertainment Holdings, Inc. by Dalian Wanda Group Co., Ltd.; risks related to new business initiatives; 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; 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 foreign currency transactions; risks related to the Company's prior restatements and the related litigation; 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 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 Condensed Consolidated Financial Statements are filed as part of this Report:	
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	September 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	\$ 29,450	\$ 18,138
Accounts receivable, net of allowance for doubtful accounts of \$1,636 (December 31, 2011 \$1,840)	36,147	46,659
Financing receivables (notes 3 and 17(c))	91,533	86,714
Inventories (note 4)	20,841	19,747
Prepaid expenses	4,081	3,126
Film assets	3,488	2,388
Property, plant and equipment (note 5)	109,115	101,253
Other assets (notes 9(d), 17(d) and 17(e))	25,480	14,238
Deferred income taxes (note 13(a))	40,164	50,033
Goodwill	39,027	39,027
Other intangible assets (note 6)	27,709	24,913
Total assets	\$ 427,035	\$ 406,236
Liabilities		
Bank indebtedness (note 7)	\$ 30,000	\$ 55,083
Accounts payable	15,389	28,985
Accrued and other liabilities (notes 8(a), 8(c), 9, 14(b), 16(a), 16(c) and 17(d))	63,405	54,803
Deferred revenue	79,660	74,458
Total liabilities	188,454	213,329
Commitments, contingencies and guarantees (notes 8 and 9)		
Shareholders equity		
Capital stock (note 14) common shares no par value. Authorized unlimited number.		
Issued and outstanding 65,977,319 (December 31, 2011 65,052,740)	310,105	303,395
Other equity	26,587	17,510
Deficit	(97,008)	(125,666)
Accumulated other comprehensive loss	(1,103)	(2,332)
Total shareholders equity	238,581	192,907
Total liabilities and shareholders equity	\$ 427,035	\$ 406,236

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

Table of Contents**IMAX CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****In accordance with United States Generally Accepted Accounting Principles***(In thousands of U.S. dollars, except per share amounts)**(Unaudited)*

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2012	2011	2012	2011
Revenues				
Equipment and product sales	\$ 24,327	\$ 18,378	\$ 55,756	\$ 58,359
Services (note 10(c))	40,316	35,104	102,312	80,371
Rentals (note 10(c))	14,013	11,350	42,912	25,416
Finance income	2,055	1,581	5,537	4,409
Other		1,075		1,325
	80,711	67,488	206,517	169,880
Costs and expenses applicable to revenues				
Equipment and product sales (note 10(a))	10,652	8,083	27,727	28,595
Services (notes 10(a) and 10(c))	21,107	19,113	55,378	48,015
Rentals (note 10(a))	4,202	3,468	12,968	9,478
Other		386		406
	35,961	31,050	96,073	86,494
Gross margin	44,750	36,438	110,444	83,386
Selling, general and administrative expenses (note 10(b)) (including share-based compensation expense of \$2.8 million and \$10.3 million for the three and nine months ended September 30, 2012, respectively (2011 expense of \$0.5 million and \$9.0 million, respectively))	19,326	19,440	58,713	55,778
Provision for arbitration award (note 9(c))				2,055
Research and development	2,528	2,041	7,623	6,026
Amortization of intangibles	166	113	532	341
Receivable provisions, net of recoveries (note 12)	241	408	829	767
Asset impairments		8		8
Impairment of available-for-sale investment (note 17(b))			150	
Income from operations	22,489	14,428	42,597	18,411
Interest income	22	13	73	44
Interest expense	(373)	(431)	(1,375)	(1,425)
Income from operations before income taxes	22,138	14,010	41,295	17,030
Provision for income taxes	(6,814)	(5,179)	(11,599)	(6,504)
Loss from equity-accounted investments	(334)	(439)	(1,038)	(1,312)
Net income	\$ 14,990	\$ 8,392	\$ 28,658	\$ 9,214

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Net income per share basic and diluted: (note 14(c))

Net income per share	basic	\$ 0.23	\$ 0.13	\$ 0.44	\$ 0.14
Net income per share	diluted	\$ 0.22	\$ 0.12	\$ 0.42	\$ 0.14

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

Table of Contents**IMAX CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****In accordance with United States Generally Accepted Accounting Principles***(In thousands of U.S. dollars)**(Unaudited)*

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2012	2011	2012	2011
Net income	\$ 14,990	\$ 8,392	\$ 28,658	\$ 9,214
Amortization of defined benefit plan actuarial loss (note 16(a))	91	53	273	161
Unrealized net (loss) gain from cash flow hedging instruments (note 17(d))	589	(1,151)	826	(800)
Realization of cash flow hedging net loss (gain) upon settlement (note 17(d))	(158)	(229)	(22)	