

Tim Falls

To: R Epstein
Subject: RE: Imax Surges On Takeover Speculation

December 31, 2010, 11:42 am

Imax Surges On Takeover Speculation

By EVELYN M. RUSLI

Ronald Zak/Associated Press

Shares of Imax surged in early trading on Friday, amid speculation that Sony and possibly the Walt Disney Company are mulling takeover offers.

The company's stock, which closed at \$26.86 on Thursday evening, was up more than 20 percent at the opening bell.

The Daily Mail reported that Sony might be prepared to pay more than \$40 per share for Imax. Disney is also a potential suitor, said the British newspaper — which has a mixed history of predicting takeover targets.

The Daily Mail reported this week that BHP Billiton may make a move for Anadarko Petroleum.

Imax, best known for its large-format movie screens, has seen its shares steadily rise this year. Discounting the pop on Friday, the stock has roughly doubled in the last 12 months, bolstered by improving revenue and rising demand for 3D blockbusters and immersive theater experiences. A growing number of theaters, looking to increase foot traffic, are signing up for Imax screens, which typically draw larger crowds at higher ticket prices. In the third quarter, Imax easily beat analyst expectations with earnings of 15 cents a share and revenue of \$51.1 million.

The company's market capitalization is nearly \$2 billion.

Although Imax's financial situation has improved significantly in the last two years, some analysts questioned whether a bid north of \$40 per share was justified. Brett Harriss, a research analyst for Gabelli & Company, who has a buy rating on the stock, said a \$40 offer is roughly 20 times next year's earnings, "which is a very high multiple." He also questioned whether regulators would permit Sony, an entertainment company with a major production house, to buy Imax.

Still, Mr. Harriss said he would not be surprised if either Sony or Disney pursued a bid for Imax, which has significant growth prospects.

“There’s plenty of room for them to grow, they have about 400 screens installed in commercial theaters and they can grow that to 1,200,” he said. “It’s quickly become premium real estate.”