Initiating Coverage of Cinedigm:

The Internet Comes to the Big Screen

[NASDAQ: CIDM $1.77]

Research 2.0

Boston | New York | Paris

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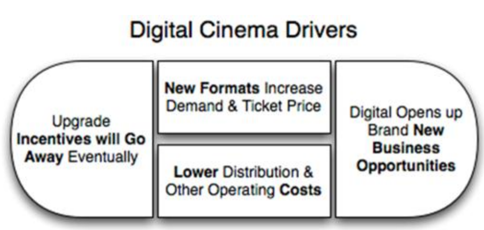
Highlights

- **Movie theaters are shifting to digital technologies and going online to provide the next version of big screen entertainment**. The move from film is similar to the shift away from printed information formats in news, books and magazines and has equally broad implications.
- **The transformation of the big screen is part of our ongoing coverage of what we refer to as "RealVR**." The line between the real and the virtual is blurring quickly thanks to new technologies and how they are used. The cinema offers a venue for highly immersive experiences for a large audience.
- The shift to digital **provides theater owners with improved margins, greater flexibility and more compelling content types** like enhanced picture quality and 3D. For most theater owners **there is now a "convert or die" attitude with respect to digital** and 3D.
- **Cinedigm provides services, software, and technology to theaters making the transition to digital cinema**. Cinedigm is benefiting from an increasing demand for solutions to support the digital operations of theaters.
- Cinedigm just completed a leadership transition and **Chris McGurk has taken over as CEO**. Previously, McGurk was COO of MGM and Universal Pictures, President of the Walt Disney Motion picture group and, most recently, CEO of Overture Films. **McGurk has the background, contacts and ability to lead Cinedigm into the next phase of growth and navigate the company in its pursuit of a market opportunity that totals $1B in the US and $3B globally.**
- Cinedigm acts as a service provider for the assets going into digital cinema, which includes financing for the initial purchase of the equipment. This adds a **substantial debt to the balance sheet and obscures the attractive underlying service businesses from investors**. We've put together an Intrinsic Valuation (IV) model that "looks through" the financing, which should really be in a separate entity.
- With recurring revenues and some "built-in" EBITDA growth, the shares have support with substantial upside if they can execute their plans in the next few years. **Our current IV factors in the corporate debt and total interest expense and suggests a stock price of $6.28 versus the current $1.77**.

Fundamental Drivers

There are three major forces at work that are driving cinemas to move to digital technologies, as well as a sense that the financial incentives will eventually end.



The first is the same analog to digital movement that we have seen with music and print. Distributing movies on film is expensive and inefficient. Theater owners have "seen the light" of lowering expenses, improving their ability to change seating capacity based on demand and improved advertising opportunities. It's worth noting that conversions to digital continued through the recent period of economic weakness and are accelerating with a return to a healthier economy.

The second is the advent of enhanced experience like 3D formats. The entertainment industry has embraced 3D. James Cameron's Avatar was an important catalyst because it proved that consumers would spend money to see 3D in theaters. According to AMC Entertainment, 3D "generates double the attendance of 2D [at] $2-3 more per ticket." Hollywood has decided to retool for 3D and digital technologies and this will keep driving theater owners to keep up. 3D serves as another key driver for digital adoption and more technology solutions in the theater. We expect to see even more upgrades to the technology in the next two years, including much brighter laser-based light sources and higher frame rates which, from recent demonstrations, will be breathtaking for theatergoers when they see it.

Thirdly, there is an opportunity for the cinema business to become more than a pure distribution arm for the filmed entertainment industry. To get beyond providing screens, seats, air conditioning and popcorn the theaters need options not only for different types of content but also for new business models.

The combination of more revenue opportunities and improved margins makes the widespread adoption of digital technologies in cinema inevitable. That alone is a sufficient driver for the Cinedigm business over the next few years.

However, additional content types and new business models always emerge from massive shifts to digital technologies. And so it will be for cinema.

DIGITAL AND 3D TECHNOLOGY

The conversion to digital involves several different elements. The digital projector is similar to what many of us have encountered in conference rooms but with much more powerful optics and lighting inside. A large digital projector has a special Xenon-based lamp in it that is 15 times more powerful than those used in conference room projectors. Leading companies in the high-end digital projector market include Barco, Sony, Christie and NEC. Along with the projector, the screen is upgraded, especially for 3D, to enhance the image quality and brightness.[1]

We are still at the beginning of the digital conversion of theaters. Even after the digital projectors are in and 3D is common be upgrading to more advanced and immersive technologies including laser-based light sources instead of bulbs.

There's been a major expansion of more immersive theater experiences in both large format (IMAX) and 3D technologies from companies like RealD. These companies have accelerated their growth and their stocks have experienced impressive gains in the last year.

The cinema also needs a "back end" system to handle the digital content files and the business aspects of film booking, distribution, management and accounting. Cinedigm provides the software platform that makes these operations possible. This application area is an important niche that Cinedigm occupies and will see expanding in the next few years. The recent licensing deal with AMC Entertainment (361 theaters and 5,203 screens) evidences a strong position for the Cinedigm solution in the market.

The capital costs vary but $75k per screen is a reasonable rule-of-thumb. Most theaters are unwilling or unable to make large up-front investments, especially in new technologies. The industry came up with a concept called "Virtual Print Fees" (VPF) which basically takes a use fee and applies it to recover the costs of the new equipment. Theaters don't get the full operational savings of digital distribution but they eliminate up-front costs. Most theaters go this route.

The large cinemas formed a separate financing entity called Digital Cinema Implementation Partners to support this activity for their own theaters. Cinedigm basically did this on their own which is why they have so much debt on their balance sheet (see below).

SOFTWARE & SERVICES

As digital assets, films now require sophisticated content management technologies. The industry takes strong measures to ensure that digital films are available precisely where they are supposed to be and thus security measures like encryption and device-level association are used. So this means that a digital copy of a film is not only secure but can only be played on a specific piece of projection equipment once unlocked. This requires planning, coordination and reporting to ensure that the right films are booked for the right theaters and all the data is aggregated for compliance and analysis.

Cinedigm also manages the distribution of content to the theaters. Most films are distributed on hard disk drives due to their large size but satellite distribution is playing a role and is essential for live content.

A critical element in the transition to digital technologies has been the advent of the "Virtual Print Fee" which studios have provided to help the industry make the move. In effect, the studios are subsidizing theaters by granting these credits, which are then used to finance the upgrades needed. Cinedigm has played a key role in enabling this to work for theaters.

In very simple terms, Cinedigm stands between the studios and the theaters. They provide a solution to the theaters and then collect the Virtual Print Fees from the studios. This intermediary role is a critical component of moving to digital.

[1] For a much more comprehensive treatment of this technology area please see: "3D Computing from Digital Cinema to GPUs" which we published in October 2009.

In addition to the films themselves, there is also the distribution, management and monitoring of trailers and advertising. Collectively, the control, management and administration of these assets is now giving Cinedigm a much improved data collection and analysis capability which is likely to play a larger role in future software and service offerings.

Recently we have seen Cinedigm license their software technology more broadly. One important advantage that Cinedigm has is global language support, which is a fundamental requirement for international markets. Cinedigm has a relationship with Vista for distribution of the software in 47 countries outside of the U.S.

Although Cinedigm enjoys a strong core position in the software space today, the company plans to make additional investments and potentially some acquisitions to build on their position. They recently brought in David Gajda to run software strategy; he is part of the original team that built the infrastructure the industry runs on now. We expect this division to gain importance in the coming quarters and for software to be a major aspect to the investment story over the course of the next year or two.

New Content and Business Models

Like the music industry, the filmed entertainment business is facing structural challenges that will create opportunities for innovative approaches and new business models. One very basic problem is that demand for films is expanding while the number of new films being made for theatrical release is shrinking.

Generally speaking, the film industry suffers from concentrated production, distribution, and exhibition. A handful of major players at each of the three levels make it very difficult for lower cost, more innovative content and models to emerge.

It's similar to the early days of television when only a handful of networks and channels were available. The advent of cable and satellite TV enabled hundreds of channels and an explosion of content. The Internet today is in the process of taking even that another step further.

Simply because independent movies and alternative content are not major factors today, it's unwise for investors to overlook the potential. A digital distribution platform enables content of any type to be offered and contracted for viewing on cinema screens – whether it's a dozen or a thousand. That means that a theater owner can generate new revenue streams outside of their normal major film viewing times and business. On the flip side it also means that content owners or creators can effectively go directly to theaters.

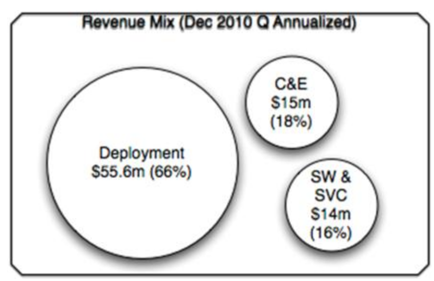
Geographic shifting of live events looks promising. Whether it's a live concert or a business event, there is typically a large audience available outside of the immediate area. Cinema will become a way to expand the reach of these events beyond the physical audience.

Business Overview

One way to conceptualize Cinedigm is as a content and service provider for the assets of the theater industry. They can provide any combination of financing, management software, delivery services and content. The package of services is becoming more diverse and Cinedigm has recently been winning services business that is not tied to financing.[2]

The company business can be roughly divided into 1) deployments, 2) digital services and 3) content.

Deployment revenues consist of both "Phase I" and "Phase II" deployments. Basically, Cinedigm provides non-recourse financing for the equipment and upgrades and then collects the Virtual Print Fees to pay off the debt. They report Phase I and Phase II separately since they have different dynamics, but we will lump them together to keep things simple.



Software & Services is the technology segment of the business and this consists of both licensed software for digital film booking, distribution and management, as well as related services including conversion and delivery services.

[2] Also see: "Is it Time for Cinedigm?" posted November 3, 2010 for additional background.

Content & Entertainment comprises marketing and distribution for alternative content and in-theater advertising. This includes special content like live concert events as well the local and sponsor advertising shown in the theaters.

We expect the revenue mix picture to change over time, with both the Content & Entertainment and Software & Service portions of revenues to grow to become a larger portion of the total business. On a combined basis these two segments should make up greater than 50% of company revenue by 2013.

The current reporting structure is "cleaner" than prior years, which included some additional segments that have been spun or sold off. There remains a theater (The Pavillion) that the company is actively seeking to sell and it has moved that out of the reporting of their operational results.

COMPETITION

From a competitive standpoint Cinedigm competes most directly with Digital Cinema Implementation Partners (DCIP), which is the joint venture founded by the major studio chains. DCIP is much larger with $880M in funding for doing conversions but they are focused on their own theaters for the most part (AMC, Cinemark & Regal.) The need to have studio relationships and the management software makes it difficult for competition to enter the market. However, equipment providers can provide financing.

Outside of the US there are companies we are watching in this space including Unique Digital Ltd., which has developed a Theater Management System which includes the back office features that Cinedigm offers. Unique recently signed an agreement with Odeon & UCI Cinemas in Europe covering just over 1,800 screens. Another notable competitor in Europe is Arts Alliance Media, which has a very similar model and business approach. Arts Alliance Media is smaller than Cinedigm with 1,127 screens installed, but they have been executing fairly well and also have an alternative content strategy that looks quite like what Cinedigm has done historically. Both Unique Digital and Arts Alliance Media are based in the United Kingdom.

In China the government has been playing a key role in financing digital conversions. There are some Chinese film entertainment companies we are watching but they are not really Cinedigm competitors. Cinedigm has licensed their software to a company in India that plans to use it to build out a digital cinema solution but the details of that deal are not yet announced. We expect Cinedigm to focus mostly on the US first but use licensing as a way to expand their position internationally in the near-term.

MARKET OPPORTUNITY

Cinedigm participates today in 1) digital implementation services, 2) film operations software and 3) the independent content market.

Although it's natural to focus on the existing market of theaters that are converting to digital, there's also an additional sizable opportunity in new screens and even new venue types. We'll start with the existing theater conversion opportunity:

Of the approximately 140,000 movie screens in use it's estimated that a little over 30% are digital today and that figure will probably cross 50% by year-end. By 2015 we expect 80% of all screens to be digital and about 50% of those to be 3D/enhanced content. It's fairly easy to do the math and come up with a figure, in our case $5.6B, which is the size of the market. But that includes everything from projectors to screens to software to support services. The one takeaway concerning the market is that Cinedigm should have no trouble making their goal of 14,000 screens by the end of 2012.

Another partially limiting factor—on the financing side at least—is the existence of Digital Cinema Implementation Partners (DCIP) with $880M raised so far they will be financing the conversions of the large theater chains.

The good news there in terms of market opportunity is that the Cinedigm deal with AMC is clear evidence that even if the financing for many of the large chains is "locked up" they can compete effectively for the software and services business at these chains. We don't know exactly what software number to use as the "attach rate" for this market yet, but for now we'd put it at 10%, which is probably low but close. That results in about a $500-600m software and services opportunity for Cinedigm and other players looking just at the US. A global number would be 2x to 3x this figure.

> *Cinedigm has a $500m market opportunity in software and services in the US. Add in international and alternative content and the opportunity quickly expands into the billions. There will be more than enough market opportunity for Cinedigm for years to come.*

Content and Entertainment is a developing but open-ended market. Investors find this nascent segment the most difficult to gauge. Today the theater business is limited to a few large providers of common content; these are the top films. Beyond that, though, there is a vast array of independent films, the best of which have substantial audience appeal. Examples of theaters that build their business around this type of content include the Angelika in New York City and Kendall Square Cinema in Cambridge, Massachusetts. These "art houses" have done well thanks in no small part to the development of a loyal and engaged audience that can reach a critical mass in major cites. The common question is "will it play in Peoria?" Of course it won't, but thanks to digital that doesn't have to be the end.

The people of Peoria may not want to see a film adaptation of "2666" but they likely love other types of independent content that is targeted toward their demographic and interests. This content may not come out of the Sundance Film Festival or Cannes but rather the Science Fiction Festival, Spanish Film Festival, Comedy Central, or American Idol. The point is that there is mass market potential for independent and alternative content in a digital world. YouTube crossed the $1B revenue mark a year ago and is still growing fast.

In addition to films, there are other entertainment types like concerts and sports that are promising as well. Cinedigm has been experimenting with these content types. They did something recently with the Foo Fighters in concert with both 3D and interactivity. There were serious technical problems during the April 5th event so the company is re-running it again on April 14th. We're reminded of the first "Victoria's Secret Fashion Show" that crashed badly ten years ago because the Internet was simply not ready for it. In time, these live 3D events will run more smoothly. Consumers are generally favorable to live concert events in the theaters. Most fans would pay $20 and travel locally to see an event rather than have to travel far and pay hundreds for the real thing. It's not the same but still a good experience and great value for many. Live Nation ($5B in revenues) is an excellent example of a potential partner for Cinedigm as more musical events come to the big screen to reach much larger numbers of fans.

Lastly, there are sports. The professional organizations like the NFL are not soon going to part with content cheaply (that is if they can figure out how to divide up all their lucre.) But the UFL (United Football League) certainly would. There are also many active sports and sponsors like Red Bull that actually pull in a better demographic than American Football. These include skateboarding, bike sports like BMX, fight sports, adventure sports and motor sports. These may seem uninteresting to the typical institutional investor demographic but of great interest to teenagers, especially boys.

All this content offers an opportunity to generate advertising revenue as well. For the sake of simplicity we are including those revenues in our 10% figure for what portion of the end market sale that Cinedigm can expect to capture.

Putting an actual size on this market is hard to do, in part because it doesn't really exist yet. Cinedigm had revenues of just $3.7m in Content & Entertainment in the quarter ending December 31, 2010. The first step is to limit the opportunity to just the 14,000 screens Cinedigm will have converted in their Phase I and Phase II deployments; then assume one show/event per week with 50 average viewers and $20 in commissionable revenue (content and advertising) for Cinedigm. At 10% of that figure the first small target of opportunity would generate just over $70m a year. That's really just looking at what is a semi-captive or at least already closely associated market for Cinedigm.

More broadly, the 80% of the 140,000 screens in the US would provide a market of 8x that amount or

$560m/year. Globally, the market is at least double that. The global market is clearly within the Cinedigm grasp thanks to recent deals in India and also South America. These are emerging markets in an early stage category, but they will certainly develop and in the coming years there will be substantial revenues.

In summary, outside of the deployment market the software and services opportunity is on the order of $500-600m per year in the US. If international markets are considered, the figure rises to $1-1.5b. The "low hanging fruit" for Cinedigm in Content & Entertainment is just $70m a year, but that's much bigger than their current run rate of just under $15m. Looking nationally, this number expands to $560m and globally would be $1.1-1.7b.

It's hard to discuss such large markets for a company with just $80m in revenues, so we would focus on the opportunity that is within "arm's reach." This would be the 10% of the software and service opportunity ($55m) plus the "captive" segment for Content & Entertainment ($70m.) Today that's just $125m, but compared to the current $29m run rate for both at Cinedigm there is plenty of room for growth in 2011 and 2012. Beyond that the total $1b US and $2-3b global market is up for grabs.

FUTURE SCENARIOS

Although they have not said anything yet, we expect to see Cinedigm make some acquisitions and strategic shifts in the next year or two. Here are some ideas about where their business could or should go by segment.

On the deployment financing side it's certainly easier said than done, but a path to having a separate vehicle that is off the balance sheet would help investors value the non-financing part of the business.

Turning to Software and Services, Cinedigm has an excellent foundation upon which to build. They could move deeper into theater operations with additional management software for box office, concessions, staffing, ticketing and loyalty programs, etc. This might seem a bit mundane because of how theaters were run in the past. The future will be much different. For example, when a new movie comes out the opportunity for the theater to market locally and also have tailored concession items available can add meaningful revenue and margin to their business. Monetizing consumer visits effectively will require much more than popcorn and soda.

With Chris McGurk in place as the new CEO we expect to see Cinedigm move more aggressively into software, services, more content and innovative business models to help reshape the film industry.

Cinedigm could also move out closer to the consumer and leverage the Internet to provide film-related information and services. Fandango is a good example of a company doing some of this now. An instructive example in the restaurant space is OpenTable. OpenTable has the consumer-facing portion of the business for reviews, information and booking but they also have the back-end software in the restaurants for managing the reservations, tables, customer relationship management, etc. This is a big opportunity for Cinedigm if they decide they want to take software and services to the ultimate level.

Alternative content is a top priority for the new CEO, Chris McGurk. Partnerships with companies like Live Nation could go a long way towards building a franchise in music and there are similar opportunities available with other brands to develop alternative content and businesses.

All of these offer international expansion opportunities for Cinedigm to partner with or acquire related businesses all over the world. They have shown some progress here already and we are expecting more to occur. In many ways the international markets in filmed entertainment are even riper for change than in the US. Cinedigm can leverage its ties with the studios and their software and service solution to broaden their footprint, and add more products and services for those markets as well as acquire content from these markets that would be useful in the US.

MANAGEMENT & CULTURE

Cinedigm is set for some transition as the CEO change has been completed. The prior CEO, Bud Mayo, led the company when it was called Access Integrated Technologies and through the initial steps toward a new positioning when the company changed the name to Cinedigm at the end of 2008. Mayo retired from Cinedigm in June of 2010 at which point Adam Mizel (chief strategy and financial officer) and Gary Loffredo (senior VP of business affairs and general counsel) shared the role as co-CEOs until Chris McGurk joined in early January of this year.

McGurk is rooted in content and entertainment. He held several jobs at Universal Pictures, including COO and then became COO of MGM before the company was sold some time later for $5B. Prior to joining Cinedigm, McGurk was running Overture Films, which was owned but not well provided for as a subsidiary of Liberty Media.

With his background, experience and contact base, it's pretty clear that Chris McGurk at 53 years of age didn't become CEO of an $80m theater servicing company to be a caretaker. Fortunately, Cinedigm provides a strong foundation to build on. The company is viewed positively by their clients and partners and has a functional operating team in place. While McGurk pursues new initiatives and relationships on the content side he can help to build from a stable base of services and technology revenue.

In Februrary Cinedigm added David Gajda to the software effort to advise the company on software strategy. Gajda is a long-standing expert in software for digital cinema, and co-founded the development company (Hollywood Software) that Cinedigm acquired in 2003 and which still serves as the base upon which the industry operates. This helps to support a view that Cinedigm will get deeper and broader in the software and technology services they offer to the market in coming quarters.

There have been some other important changes on the Board of Directors in the recent past. In 2009 Sageview Capital made large investments in the company; they have two seats on the board and a large vested interest in seeing the company through to enhanced growth and profitability.

Peter Brown joined the board in July of 2010; although today he is retired and running a private investment firm, he previously served as the Chairman, CEO and President of AMC Entertainment. It's probably not just a coincidence that Cinedigm announced their first deal with AMC in March of 2011. Mr. Brown also acquired nearly 350,000 shares of company stock at $1.44 upon joining the board.

In summary, Cinedigm has a positive and stable company operating foundation from a management standpoint. The leadership assets of Chris McGurk are fairly evident and we expect the company to accelerate their growth and execution to gain market share.

SO WHAT ABOUT THE DEBT?

No investor gets very far into the story when the extremely high level of debt the company carries on their balance sheet puts them off. Debt of $275m is a multiple of both annual revenues ($80m) and market capitalization ($60m), so investors find it difficult to even approach the growth aspects of the story.

But the debt is mostly non-recourse "pass through" financing that Cinedigm secured on behalf of the theater owners. This also results in a $223m PP&E asset on the Cinedigm balance sheet. While lamentable, this structure has been a common and necessary feature of the industry historically in order to convert the Virtual Print Fees into paying the interest on the debt.

So unless an investor is willing to dig into the situation and look through the debt structure, they won't see a good investment here. However, we have done that within our IV model by at least partially separating the equipment ownership and financing from the operating company.

VALUING CINEDIGM

Our IV model doesn't work well with "adjusted EBITDA" and so we've had to recast reported results at a gross level into our model.

First of all, we divided the debt between corporate ("Core") and what we view as agency debt that doesn't really belong inside the company. We did, however, include all the interest expense since it reflects a cost of doing business. As is our standard practice, we included stock-based compensation. We have allowed the exclusion of the non-cash expenses directly related to amortization and depreciation.

The net result is the cleanest way to look at the value of the business on a long-term operating basis. Over time we will probably expand and tweak our IV model for a more accurate triangulation of the right IV figure. But at $6.28/share on a preliminary basis, compared to the current $1.77, there is a significant gap between the IV and market value to kindle interest.

We've included our IV and peer group analysis at the end of this report.

INTRINSIC VALUE

Cinedigm Digital Cinema Corp.					**Price**	**$1.78**					
CIDM					**IV**	**$6.28**					
13-Apr-11					**Delta**	**253%**					
March Fiscal	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**		
Revenue	$47	$81	$77	$72	$82	$95	$110	$125	$143	**CIDM**	Ticker
YoY Growth		71.9%	-4.3%	-6.8%	13.6%	15.9%	15.8%	13.6%	14.4%	**Nasdaq**	Exchange
Gross Margin%	59.2%	71.1%	74.0%	75.1%	75.0%	75.0%	75.0%	75.0%	75.0%	17%	Rev Growth
Gross Profits	$28	$58	$57	$54	$62	$71	$83	$94	$107	**$1.78**	Current Price
R&D%	0.7%	0.2%	0.2%	0.3%	0.3%	0.8%	1.0%	1.5%	2.0%	48	Shares Out
R&D Expense	$0.3	$0.2	$0.2	$0.2	$0.2	$0.8	$1.1	$1.9	$2.9	1%	Avg. Dilution
SG&A%	53.7%	34.8%	26.6%	25.8%	26.0%	25.0%	24.0%	23.0%	22.0%	$85	Cap (M)
SG&A Expense	$25	$28	$21	$19	$21	$24	$26	$29	$31	$9	Cash
Net Operating Margin	4.7%	36.1%	47.1%	48.9%	48.7%	49.2%	50.0%	50.5%	51.0%	$76	Core Debt
Operating Income	$2	$29	$37	$35	$40	$47	$55	$63	$73	$170	Passthru
Interest Expense	$20	$27	$37	$28	$30	$32	$30	$28	$26	$20	Warrant Cash
Net Income	-$18	$2	$0	$7	$10	$15	$25	$35	$47	$0.19	Cash/Share
Taxed Net Income	-$12	$2	$0	$5	$7	$10	$18	$25	$33	30%	Tax Rate
Market Value Using P/E	-$187	$23	-$5	$77	$104	$155	$263	$369	$493	15	P/E Multiple
Cash Position			-$67	-$62	-$55	-$45	-$27	-$2	$50	15%	Discount Rate
Shares (M)	48	48	48	49	49	50	50	51	51		
Period Share Price	-$4	$0	$0	$2	$2	$3	$5	$7	$10		
PV of MV 4 Years Out	$60	$88	$150	$211	$282					**$6.28**	IV
PV of Cash 4 Years Out	-$31	-$25	-$15	-$1	$29					253%	Up/Downside
PV MV + Cash	$28	$63	$135	$209	$311						
PV Value Per Share	$0.59	$1.31	$2.78	$4.28	$6.28						

PEER COMPANIES

Cinedigm Peer Analysis

13-Apr-11

COMPANY	Segment	Ticker	Price	1 year change	3 month change	TEV	LTM Rev	LTM Growth	Gross Margin	Oper Margin	TEV / Revenue	Emps	Rev / Emp
Technicolor SA	Processing & Delivery	XTPA:TCH	$7.35	-41%	36%	2,688	5,161	-1.2%	21.8%	4.4%	0.5	20,818	247,929
Cinemark Holdings Inc.	Theaters	CNK	$20.30	10%	13%	3,493	2,141	8.3%	36.4%	7.0%	1.6	14,061	152,275
Carmike Cinemas Inc.	Theaters	CKEC	$6.95	-53%	-6%	431	491	-4.2%	27.0%	-2.6%	0.9	3,390	144,915
IMAX Corporation	Theaters	IMAX	$31.72	75%	15%	2,047	248	46.6%	55.3%	40.6%	8.2	361	687,573
Regal Entertainment Group	Theaters	RGC	$13.72	-23%	11%	3,984	2,808	-3.0%	59.8%	2.8%	1.4	22,061	127,279
Rentrak Corporation	Film Data & Analytics	RENT	$27.07	26%	-10%	272	97	10.2%	37.0%	0.2%	2.8	334	291,662
Bona Film Group Limited	Film Disribution China	BONA	$6.50	na	8%	339	53	37.6%	48.5%	-8.0%	6.4	445	118,696
RealD Inc.	3D Equipment	RLD	$27.95	na	18%	1,403	243	116.1%	6.5%	-12.0%	5.8	74	3,284,135
Ballantyne Strong, Inc	Theater Equipment	BTN	$7.21	27%	-9%	82	136	89.0%	18.1%	6.2%	0.6	289	471,746
Image Entertainment, Inc.	Content Distribution	DISK	$0.16	-25%	16%	59	78	-26.1%	20.1%	2.7%	0.8	74	1,050,338
Live Nation Entertainment, Inc.	Content Distribution	NYSE:LYV	$10.48	-33%	-7%	2,988	5,064	21.1%	32.4%	-4.0%	0.6	6,500	779,038
Madison Square Garden, Inc.	Content Distribution	MSG	$27.71	26%	11%	1,748	1,157	8.9%	40.8%	7.2%	1.5	5,369	215,522
Lions Gate Entertainment Corp.	Content	LGF	$6.41	3%	-2%	1,607	1,702	9.7%	50.6%	-7.7%	0.9	497	3,423,871
Average													
Cinedigm Digital Cinema Corp.	Servicing and Content	CIDM	$1.72	-1%	0%	325	78	18.8%	75.1%	-45.1%	4.2	177	441,401

SELECTED PEER COMPANY DESCRIPTIONS[3]

TECHNICOLOR

Technicolor SA provides a range of video technologies, systems, finished products, and services to the media and entertainment industry. Its Entertainment Services segment offers video-related content management services; content preparation and creation; and content distribution services through physical media, including theatrical and DVD, and digital cinema production services, as well as through digital media, including digital content delivery services. This segment also engages in the printing and distribution of film reels and DVD's for content producers/owners; provides tape and digital media asset management, production and postproduction, and broadcast playout services; provides broadcast services; provides electronic distribution services, such as digital video download support, live streaming, and disc initiated services, as well as solutions for the electronic distribution of music, software, and games; and manufactures and distributes video and game DVDs, Blu-ray discs, and CDs. The company's Connect segment supplies hardware and software technology in the areas of access and delivery platforms. It offers digital home products, including access and home networking products, set-top boxes, modems, and advanced service gateways, primarily to satellite, cable network, and telecom operators; connect devices, such as WiFi tablets; and a software service platform, which comprise softswitch solutions for network operators and Internet service providers. Its Technology segment provides corporate research and licensing services. The company offers its products in the United States, the United Kingdom, France, rest of Europe, and the Asia/Pacific. Technicolor was formerly known as Thomson and changed its name to Technicolor SA in January 2010. The company was founded in 1982 and is headquartered in Issy-les-Moulineaux, France.

IMAX

IMAX Corporation, together with its subsidiaries, operates as an entertainment technology company worldwide. It specializes in digital and film-based motion picture technologies. The company operates in eight segments: IMAX Systems, Theater System Maintenance, Joint Revenue Sharing Arrangements, Film Production and IMAX DMR, Film Distribution, Film Post-Production, Theater Operations, and Other. The IMAX Systems segment designs, manufactures, sells, or leases IMAX theater projection system equipment. The Theater System Maintenance segment maintains IMAX theater projection system equipment in the IMAX theater network. The Joint Revenue Sharing Arrangements segment provides IMAX theater projection system equipment to an exhibitor in exchange for a share of the box-office and concession revenues. The Film Production and IMAX DMR segment produces films and performs film re-mastering services. The Film Distribution segment distributes films for which the company has distribution rights. The Film Post-Production segment provides film post-production and film print services. The Theater Operations segment owns and operates IMAX theaters. The Other segment engages in camera rental business, as well as offers after market sales services for projection system parts and 3D glasses. The company serves institutional customers, such as science and natural history museums, zoos, aquaria, and other educational and cultural centers, as well as commercial multiplex exhibitors. It also sells or leases its theater systems to theme parks, tourist destination sites, fairs, and expositions. As of December 31, 2010, the company's IMAX theater network comprised 518 theater systems, including 396 commercial and 122 institutional systems. IMAX Corporation was founded in 1967 and is headquartered in Mississauga, Canada.

RENTRAK

Rentrak Corporation, an information management company, provides content measurement and analytical services to companies in the entertainment industry. The company delivers content performance data for various entertainment platforms and media technologies, including television, theatrical, home entertainment, mobile, and broadband video. It operates in two divisions, Home Entertainment, and Advanced Media and Information. The Home Entertainment division delivers home entertainment content products, such as DVDs and blue-ray discs; and offers related rental and sales information for the content to home video specialty stores and

[3] Company descriptions provided by CapitalIQ.

other retailers in the United States and Canada. It leases products from various suppliers, including motion picture studios; and retailers sublease and rent these products to consumers. This division also includes direct revenue sharing (DRS) services, which encompasses the collection, tracking, auditing, and reporting of transaction and revenue data generated by DRS retailers to its respective DRS clients. The AMI division offers Essen-Essentials Suite of business information services. This division's Essentials Suite software and services provide data collection, management, analysis, and reporting functions. It also collects and process data from across 26 countries. This division has operations in California, New York, Florida, the United Kingdom, Australia, Germany, France, Mexico, Argentina, Spain, and Russia. The company was founded in 1977 and is headquartered in Portland, Oregon with additional offices in Los Angeles, New York City, Miami/Ft. Lauderdale, Argentina, Australia, France, Germany, Mexico, Spain, and the United Kingdom.

REALD

RealD Inc. licenses stereoscopic three-dimensional or 3D technologies internationally. The company licenses its RealD Cinema Systems to motion picture exhibitors that show 3D motion pictures and alternative 3D content. It also provides RealD Format, active and passive eyewear, and display and gaming technologies to consumer electronics manufacturers and content producers and distributors to enable the delivery and viewing of 3D content on high definition televisions, laptops, and other displays. The company's 3D technologies also have applications in piloting the Mars Rover, heads-up displays for military jets, and robotic medical procedures. It develops and supplies 3D visualization tools for science, research, and product development. RealD Inc. has a strategic alliance with Sonic Solutions. The company was founded in 2003 and is headquartered in Beverly Hills, California.

BALLANTYNE STRONG

Ballantyne Strong, Inc. designs, develops, manufactures, services, and distributes theatre and lighting systems. The company operates in two segments, Theatre and Lighting. The Theatre segment offers digital equipment, such as cinema projectors; and motion picture projection equipment comprising motion picture projectors, xenon lamphouses and power supplies, a console system combining a lamphouse and power supply into a single cabinet, and soundhead reproducers, as well as related products, such as sound systems. This segment also provides film handling equipment, cinema screens, replacement parts, and digital and film projection lenses, as well as offers cinema services, including film and digital projector maintenance, repair, installation, and site survey services. This segment sells its products directly to end users, and to theatre exhibitors through a network of dealers. The Lighting segment offers followspots; promotional searchlights and lighting systems for the motion picture production, television, live entertainment, theme park, and architectural markets; and LED products. This segment sells its lighting products directly, as well as through commissioned representatives to arenas, stadiums, theme parks, theatres, auditoriums, and equipment rental companies. Ballantyne Strong, Inc. markets its commercial motion picture projection equipment under the Strong and Simplex trademarks; followspot products under the Strong, Super Trouper, and Gladiator trademarks; high intensity promotional searchlights under the Sky-Tracker and Strong Britelight trademarks; and LED products under the Litetude brand name. It offers its products and services primarily in the United States, Canada, China, the rest of Asia, Mexico, South America, and Europe. The company was formerly known as Ballantyne of Omaha, Inc. and changed its name to Ballantyne Strong, Inc. in June 2009. Ballantyne Strong was founded in 1932 and is headquartered in Omaha, Nebraska.

IMAGE ENTERTAINMENT

Image Entertainment, Inc. operates as an independent licensee and distributor of entertainment programming in North America. It releases its library of exclusive content on various formats and platforms, including digital versatile disc, Blu-ray Disc, digital, broadcast television, cable, satellite, theatrical, and non-theatrical exploitation. The company offers an array of general and specialty content comprising feature films, comedy, music concerts, urban, theatre, documentaries, theatrical catalogue films, independent films, foreign films, youth culture/lifestyle, television, and gospel. As of September 18, 2009, it had approximately 3,200 DVD titles and 340 CD titles, as well as holds digital rights to approximately 2,000 video programs and approximately 300 audio titles containing approximately 5,100 individual tracks. The company also acquires rights to audio content for distribution via digital platforms and on CD in various genres and configurations, including albums, compilation CDs, stand-up comedy programs, broadway original cast recordings, and audio recordings from live concert event DVDs. Image Entertainment, Inc. sells its products to traditional retailers, specialty retailers, rental customers, Internet retailers, and wholesale distributors, as well as through alternative distribution, such as direct-to-consumer print catalogs, direct response campaigns, subscription service/club sales, home shopping television channels, other non-traditional sales channels, kiosks, and sub-distributors. The company was formerly known as Key International Film Distributors, Inc. and changed its name to Image Entertainment, Inc. in 1983. Image Entertainment, Inc. was founded in 1975 and is headquartered in Chatsworth, California.

BONA FILM GROUP

Bona Film Group Limited distributes films in the People's Republic of China. It distributes films to movie theaters, as well as to non-theatrical distribution channels, including DVD and Blu-ray and other home video products; Internet and digital distribution; in-flight entertainment; and cable, satellite, and broadcast televisions. The company also invests in the production of Chinese and Hong Kong films in order to obtain the distribution rights for movie theaters and non-theatrical channels. In addition, Bona Film Group operates six movie theaters in five cities of the People's Republic of China; operates a talent agency business that represents artists; and involves in film advertising and television production businesses. The company was founded in 2003 and is headquartered in Beijing, the People's Republic of China.

About Research 2.0

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Open: Most research is seen and used by a small fraction of the interested audience. Our research is distributed broadly to more institutions, investors, company managers and individuals because we leverage the power of the Internet.

Long Term Intrinsic Value: We use a more reliable model for determining company valuation that is very effective over multi-quarter periods. It also avoids the noise of small quarterly fluctuations. It enables investors to exploit volatility.

Focus on Emerging Technology: Our coverage starts with technologies that are in the early stages of commercialization and stretches to those that are driving the bulk of industry and market growth. We avoid technologies that have reached a plateau or are declining.

Interactive Platform: Today, people are embracing more online and frequently updated information sources. Our research is targeted to the online community with distribution by email, blogs, syndication and social and professional networks.

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