Good afternoon, and welcome to the Moving iMage Technologies First Quarter Fiscal Year 2022 Earnings Conference Call and Webcast. With me today is Chairman and CEO, Phil Rafnson, CFO Mike Sherman and Executive VP of Sales and Marketing Joe Delgado. Today’s call will begin with prepared remarks and follow with a virtual Q&A session. Please submit your questions through the webcast portal and we will do our best to answer them.

This earnings call may contain forward-looking statements as defined in Section 27A of the Securities Act of 1933 as amended, including statements regarding among other things the company's business strategy and growth strategy. Expressions which identify forward-looking statements speak only as of the date the statement is made. These forward-looking statements are based largely on our company's expectations and are subject to a number of risks and uncertainties, some of which cannot be predicted or quantified and are beyond our control.

Future developments and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the forward-looking information will prove to be accurate.

Now I'd like to turn the call over to Phil. Phil?

PHIL RAFNSON, CEO

Thank you Brian and thank you all for joining us today.

Welcome to our first earnings call as a public company. I'm Phil Rafnson, CEO of Moving iMage Technologies, or MiT for short. As a newly public company, today I'm going to spend my part of the call discussing the overall industry trends that we believe will set the base for outlier type growth at MiT over the next few years, followed by an overview of MiT's business and growth strategy, and I’ll finish with a summary of why I think we are a very attractive investment opportunity. Then I will turn the call over to our CFO, Mike Sherman to discuss the results in more detail, followed by a Q&A.

MiT serves the commercial cinema and live events industry in several ways. Today, the vast majority of our business is serving cinema owners and operators. In North America, there are approximately 40,000 screens, 18,000 of which are outside the top 5 circuits. While we do work with the majors, the majority of our business is with small to medium size operators.

As you probably know, this industry has been hit hard by COVID during 2020 and the first half of 2021, with box office receipts declining from over $11 Billion in 2019 to $2.1 billion in 2020. In 2021, we are seeing a tale of two halves. At this point, over 90% of cinemas in the

US are now open, and we are not only seeing a return to movie theaters by consumers, but we are seeing studios committing to theater exclusivity after various attempts, and the controversy surrounding the simultaneous streaming and theatrical releases of movies such as Black Widow. Additionally, as recent releases have shown, there is pent-up demand for blockbusters with movies like Venom 2 and Shang-Chi, which had theatrical releases only, and several other movies eclipsing $100 million at the domestic box office, and numerous potential blockbusters due to be released before the end of the year. This strength has been confirmed recently by numerous large theater chains in their earnings reports including AMC, Regal, Cinemark, and IMAX, to name a few. Just this trend alone would make me very bullish on the industry and our prospects moving forward, however, there are several other major drivers on top of just a market recovery.

The first is related to government grants. As part of the Care Act, non-publicly traded live event operators can access over $16 billion in grants through the SBA. This program, called the Shuttered Venue Operations Grant or SVOG, to date has provided over $10 billion in grants during the first round with over $2 billion going to cinema operators. The second round has recently started as well. These grants can be used for anything from theater operations to payroll to upgrading or building new theaters – and this money will need to be spent within the next two years. So this is a second major boost to the industry.

The third boost is the industry is well aware of competition from other entertainment sources and theater operators are pro-actively refurbishing, upgrading, and building out new, modern theaters in order to significantly enhance the overall movie-going experience. This includes adding amenities such as in-house bars and lounges, breweries, restaurants, and in-cinema dining, among others. In fact, dine-in cinemas are among the fastest-growing parts of the industry, and we are very well-positioned with circuits such as Alamo Drafthouse, Stars Cinema and Grill, and Flixx Brewhouse, to name just a few.

And finally, we are in the early stages of a technology upgrade cycle, especially for laser projectors and servers. During the last upgrade cycle, we participated in 17,000 cinema screens…so we believe not only are we at the very beginning of this cycle but that there is a long runway ahead. We are also seeing some of the premium theaters begin to install the next generation of screen technology - Direct View LED, and we have installed the only two to date in the United

States. These screens require no projector, last 3 times as long as digital projectors today, and have an immeasurable increase in picture and sound quality. While pricing is currently prohibitive for the mass market, this is the wave of the future, and we are well-positioned with two of the three manufacturers – Samsung and Sony, to serve early adopters.

So how does this impact us? MiT is a technology and hardware designer and manufacturer, an integrator and distributor of third-party technologies, and a project manager to the theater industry. We have long-standing relationships with suppliers, key technology providers, and customers, as well architects and technical personnel, which help design-in our products. Today, we have over 45 proprietary products, a higher margin line which we are expanding. While the big 3 circuits are all customers, we get over 70% of our revenue from small and mid-size cinema operators, which tend to be expanding more quickly. From a prestige perspective, we have also installed over 40 in-home screening rooms for industry VIP’s, which include senior industry execs, producers, and directors.

There are four pillars to our growth strategy. The first is to shift our product mix towards higher-margin, proprietary products. We plan to develop, introduce or support disruptive technologies; add recurring revenue sources, including Software as a Service, also called SaaS, and subscriptions. I already spoke to the Direct View LED opportunity. Beyond that, we are about to start field trials of our translation device and service. This disruptive offering brings multi-language, in-theatre captioning capabilities, including American Sign Language, through Augmented Reality glasses. The market here in North America alone is tremendous, with over 70 million non-

English proficient speakers that may not have attended movies previously or for those that did, they could now have a significantly enhanced movie-viewing experience. This product meets all ADA requirements as well, so it also opens up the opportunity for theaters to engage with consumers in those markets. Finally, we believe this product is internationally viable, for example, if the movie was not originally made in a local language, instead of voice-overs, the original language film could be shown and translated into any local language.

We also have a bundled solution for venue management called CineQC. This includes a recurring SaaS platform, hardware, and services and includes applications such as quality assurance, theater operations, staff management, inventory control, back-office analytics, and remote access and control over auditorium systems. Similar to our translation offering, we believe this product is viable on an international basis.

The second pillar is leveraging our Caddy product line, which we acquired in 2019. Caddy designs and sells cupholders and other seating-based products as well as lighting systems. Caddy also has over 20 current patents. They are the market leader in cinema, stadiums, and arenas, for example, their customers include over 80% of MLB, NHL, NBA, and NFL stadiums. The opportunity includes not only retrofitting millions of seats, but we have some interesting new digital technology in development that we think can also disrupt the industry and materially expand Caddy’s addressable market. Finally, we believe Caddy will enable us to expand into stadiums and arenas to sell our proprietary products. For example, we believe our CineQC software can transition, with minimal investment, and can address a significant gap in stadium operations and management.

Our third pillar is international expansion. Over the next 12-24 months, we plan on targeting Europe, and longer-term we see the potential for Asia and South America. Part of this is renewing relationships that were built before Covid, and the other is being able to offer our internationally viable products like the translator solution and CineQC.

And fourth, we are targeting M&A. There are three main areas we are focused on. The first is consolidating industry technology equipment providers and broadening our offerings. The second is acquiring strategic products and services with recurring revenue streams. This will likely focus on sass or other subscription-type offerings that will enhance our portfolio and provide higher value to our customers. And finally, we will look at companies that could enhance or add to our customer relationships.

Now I'd like to summarize my remarks with the following key points as to why I am extremely optimistic that our fiscal 2021 was a trough year, and we can bounce back with significant growth in fiscal 2022 and beyond. First, industry trends are favorable. During 2022, industry analysts are forecasting domestic boxoff sales to return to 2019 levels and growth in the following years. When combined with billions of dollars in industry grants, a technology replacement cycle, pent-up demand for refurbishment and upgrades, and new theater construction, the industry has significant tailwinds at its back.

Second, we are extremely well-positioned to take advantage of these tailwinds through our relationships with both the growing small and mid-size cinema circuits as well as the top three circuits.

Third, we have a strong and growing proprietary product offering complemented by industry-leading partnerships and distribution of third-party technologies.

And fourth, we believe we have multiple organic and inorganic growth opportunities in disruptive new technologies, international expansion, and moving into adjacent live performance venues such as stadiums and arenas.

As you can see, we have a lot of opportunities, both market-driven and MiT specific, for us to capitalize on and I believe we are in position to do so. Before I turn the call over to Mike, I’d like to thank our dedicated employees - without them we would not be in what I believe is the strongest position we’ve ever been in as a company from an operational, financial, product, and competitive perspective and I’m excited about our strong growth prospects!

Mike, take it away…

MIKE SHERMAN, CFO

Thanks, Phil. I’d like to welcome everyone to our first earnings call. I’m going to take you through the quarter and then we’ll take questions through the webcast. Before I get into our results, I want to take you through s somewhat high-level discussion of our financial model and what can impact the business on a quarterly or year over year basis. For example, projects sometimes get delayed for various reasons, and parts of a project or the whole project may push out into a future quarter, or into the next fiscal year, which can lead to some lumpiness in revenue and gross margin from quarter to quarter and year over year, at times. Additionally, our business has historically had seasonality, with Q2 being the slowest as cinema operators don’t want to take any theatres out of the rotation during the Fall and Winter holiday season. From there, Q3 starts to see a pickup, and Q4 and Q1 tend to show seasonal strength. All of that said, given the pent-up demand from projects that were delayed during Covid, plus new projects that we have recently been awarded, we currently don’t expect to see much seasonality this year.

From a margin profile, project margins have historically been below the company average due to the resale of furniture, fixtures, and equipment, or FF&E as we call it, being a set, pass-through cost. How we improve these project margins is through installation services and sales of our higher-margin proprietary offerings, which tend to be well above the company average. As Phil mentioned, we have a strategic focus on increasing our proprietary product line, which includes Caddy, as well as diversifying it into SaaS, subscriptions, and other services to bring a high-margin recurring revenue element to the business. On a related note, our business mix has historically been about two-thirds project-based and one-third equipment and technology sales. In recent years, this mix has increased favorably towards proprietary equipment and higher-margin technology sales as we introduced more proprietary products that are sold either ala carte or as part of a project. Our goal is to continue this mix shift away from project work by adding disruptive technologies and products including CineQC, Caddy, our multi-language translator, and some other opportunities that we have in the pipeline that are in the pipeline, but are not quite ready for discussion. Now I'll move into results.

I'm very happy to say that our results were very strong. Revenue increased 98% to $3.5 million. Much of this was related to a pick-up in projects to build new theaters or upgrade existing theatres, and we finished the quarter with a backlog of $7.7 million.

Gross profit increased to $0.7 million from $0.5 million last year. As you look at our financial model, mix and timing can also play a role in margins from quarter to quarter. This quarter, we had a project where we only recognized revenue for a part of the project, which happened to be for the FF&E portion, and we also had a large screen resale at a similar type margin. As I mentioned, these are pass through costs that are below our company average. So the net impact was lower gross profit and gross margin in the quarter. We expect to see the higher-margin portions of this project hit revenue in a subsequent quarter.

Moving to our operating expenses and income. GAAP operating expenses increased from $0.8* million last year to $1.3 million this year. In addition to the $164,000 of one-time adjustments outlined in the Earnings Release, sales and marketing expenses were a big driver of the year over year increase, as last year we were not traveling, attending tradeshows and conferences, or doing much face-to-face business development due to COVID. G&A was the next biggest driver of the increase with approximately $0.2 million related to the executive team taking a significant compensation cut in fiscal 2021, which has now been restored as of fiscal 2022.

Our GAAP operating loss increased from $0.3 million last year to $0.5 million this year.

Adjusted operating loss was about $0.4 million versus $0.4 million last year. Our calculation of adjusted operating loss adds back stock-based compensation and one-time items. For Q122, this included a staff retention bonus of 50 thousand dollars paid to employees that remained with us during COVID; about 60 thousand dollars in stock-based compensation; and about 60 thousand dollars related to a line of credit guarantee and audit work done on our incentive plans related to the S-8. There were no adjustments to the prior year's GAAP operating loss.

GAAP net loss and loss per share were $0.6 million and $0.06 versus $0.4 million and $0.07 last year, respectively.

Adjusted net loss and loss per share were $0.4 million and $0.04, versus $0.4 million and $0.07 last year, respectively.

Moving on to the balance sheet, we raised a net $12.3 million from our IPO and finished the quarter with cash and cash equivalents of 11.0 million dollars. Besides a stronger balance sheet that can be used for M&A purposes, the IPO funds gave us the flexibility to take advantage of AP and prepaid inventory discounts that will help enhance margins.

We also extinguished $3.1 of debt without using any of the IPO proceeds, reducing our debt to approximately $0.7 million, which is a second PPP loan that we expect to be forgiven. We expect this action to save us about $0.3 million in interest expense during fiscal 2022.

Looking at the remainder of fiscal 2022, we believe the recovery in the box office, combined with the SVOG money, is going to drive significant year-over-year revenue growth. In fact, our backlog increased to $8.7 million during October. Given this strength, we are setting our initial revenue guidance for fiscal year 2022 at between 12 and 15 million dollars. We also anticipate positive cash flow from operations. As we get further into the year, we plan on providing updates to this guidance as appropriate.

I’d like to thank everyone for attending our first conference call and look forward to speaking with you again at the end of our second fiscal quarter.