BRIAN SIEGEL, Sr. Managing Director, Hayden IR

Good afternoon, and welcome to the Moving iMage Technologies Third Quarter Fiscal Year 2022 Earnings Conference Call and Webcast. With me today is Chairman and CEO Phil Rafnson, co-founder and CFO Mike Sherman. 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. Please note this event is being recorded.

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.

I'm Phil Rafnson, CEO of Moving iMage Technologies, or MiT for short. Like last quarter, today I'm going to spend my part providing an update on overall industry trends that we believe will drive the tremendous growth opportunity for MiT over the next few years, followed by an overview of MiT's business and growth strategy. I will then turn the call over to our CFO, Mike Sherman, to discuss today's results, followed by a Q&A.

MiT serves the commercial cinema and live events industry in several ways. Today, most of our business is serving cinema owners and operators. In North America, where there are approximately 40,000 screens, 18,000 of which are outside the top 5 circuits. While we work with the majors, most of our business is with small to medium-sized 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 the second half of 2021, the industry began to recover, with 14 films grossing over $100 million in the domestic box office and the overall domestic box office doubling to over $4 billion. Industry analysts expect the domestic box office to grow to over $10 billion in 2022 with Dr. Strange, the Batman, Sonic 2, and Uncharted already topping $100 million, and we haven't even hit Summer yet! This is truly exciting! We expect many more tentpoles for the remainder of the year, including sequels to Avatar, Thor, Black Panther, Jurassic World, Aquaman, Top Gun, Minions, and The Spiderman Multiverse animated movie. New movies include The Flash, Black Adam, and Lightyear, among others. We believe several other growth drivers will boost this strong industry backdrop.

The first is related to government grants. As part of the Cares 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 $14 billion in grants to date with over $2.5 billion going to cinema operators. This money is just starting to flow, and MiT is in the early stages of reaping the benefits in our cinema business as this spending is kicking off a multi-year growth cycle.

Next, theater operators use these funds to pro-actively refurbish, upgrade, and build new, modern theaters 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 these circuits.

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 approximately 17,000 cinema screens over nearly five years…so we believe there is a long runway ahead.

So how does MiT fit in? We are 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 strong, long-standing relationships with suppliers, key technology providers, and customers, as well architects and technical personnel, which help design-in our products. Over 70% of our revenue comes from small and mid-size cinema operators, which tend to be expanding more quickly than the big 3, with whom we also work. From a prestige perspective, we have also installed over 40 inhome screening rooms for industry VIP's, which include senior industry execs, producers, and directors.

Before I turn the call over to Joe, 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 for our existing and future shareholders, I feel your pain as the Company's largest shareholder. I know the past 7 months have been painful as the overall stock market and specifically micro and small caps have been decimated by a number of macro concerns. Regardless of the stock price, we are still in the first inning of our growth opportunity and our business has continued to strengthen. I'm excited about our strong growth prospects over the next several years as we strive to turn MiT into a $50 to $100 million company!

Now I'm going to review our four pillar growth strategy. The first pillar is driving revenue growth and margin expansion by shifting our product mix towards our higher-margin, proprietary products.

Our proprietary products fall into two categories. First is our proprietary manufactured goods, which we do right here in Fountain Valley, California. Today, we have nearly 50 proprietary manufactured products that tend to have gross margins in the 35 to 45% range and help increase project margins and overall margins when sold ala carte. Beyond these, we have our Caddy line of cupholders and trays, backed by over 20 patents. Caddy has a significant leadership position in cinema, professional sports stadiums and arenas, and gross margins are in the range I just mentioned. I’ll talk to these more in a minute.

Next, we have a set of technology products in development with disruptive potential. First, we have two products that form our accessibility strategy. The MiTranslator is a multi-language translation device with a recurring revenue service attached. We demonstrated this product in late April at the CinemaCon industry tradeshow in Las Vegas, and the reviews from theater operators were GREAT! This disruptive offering brings multi-language, in-theatre captioning capabilities, including American Sign Language, through Augmented Reality glasses. The market in North America alone is tremendous, with over 70 million non-English proficient speakers that may not have previously attended movies or, for those that did, they could now have a significantly enhanced movie-going experience.

We rounded out our accessibility strategy a few weeks ago by acquiring the USL product line and associated IP from QSC. ALL movie theaters in the US must carry a certain number of these products to meet ADA requirements, so it also opens up the opportunity for theaters to engage with underserved populations of consumers in those markets. We acquired both finished goods and parts inventory, and unfulfilled orders as part of the deal. As we work through the finished goods inventory, we will begin manufacturing this internally as a new proprietary product, with the opportunity to increase gross margins for this product over time.

Next, we have a bundled solution for venue management called CineQC. CineQC is a recurring revenue SaaS platform, hardware, and services solution for quality assurance, theater operations, staff management, inventory control, back-office analytics, and remote access and control over auditorium systems. We believe there is nothing like it available in the industry, and we are currently beginning to market this to potential theater operators.

The second pillar of our growth strategy is moving beyond cinema. First, we plan to leverage our Caddy product line’s strong position in sports stadiums and arenas as a touchpoint for fan interaction. We will also continue to build out the Caddy product line with new and innovative features. For example, we will likely introduce a unique, potentially disruptive new digital product and service during calendar 2022. Medium to longer term, we also believe Caddy’s relationships can help provide an opportunity to tailor CineQC to more efficiently manage stadiums and venues as well.

We recently announced another expansion opportunity through an exclusive, strategic partnership with SNDBX for the eSports and gaming market. SNDBX is developing, promoting, and marketing local, amateur e-Sports and gaming leagues around the nation. This unique strategy includes hosting 10-week leagues in movie theater auditoriums. MiT will be the exclusive technology integrator for SNDBX, having built a proprietary mobile cart that integrates video game consoles and accessories into IP switches and other technologies via a portable cart that moves between auditoriums. The value proposition to both sides is tremendous. Theater operators can now leverage excess capacity to bring the movie theater experience to eSports, including playing on large, MORE IMMERSIVE screens while increasing concession revenue. Besides playing video games, the leagues include training and learning opportunities. We announced this partnership ahead of CinemaCon a few weeks ago, and the reception from theater operators at the show was nothing short of extraordinary, with some committing to SNDBX right on the spot. Beyond this, we created a large pipeline of interested potential customers. We don’t see this as a one-time sale of our cart, but we believe that as technology advances and new consoles and computers come to market, we will see refreshes every few years.

Additionally, we will work with SNDBX on additional bizdev initiatives.

Our third pillar looks to markets beyond North America over the next 18-24 months, beginning with Europe. We believe CineQC and the MiTranslator will be viable in international markets. In addition, we saw strong interest in the SNDBX model from theater circuits outside of North America. We believe that connecting with foreign theater owners at CinemaCon has brought the potential to accelerate our time frame to expand into these markets.

And fourth, underlying the first three pillars, is accretive M&A. There are three main areas on which we focus. The first is consolidating industry technology equipment providers and broadening our offerings. The acquisition of the QSC product line was an excellent example of this strategy. The second is acquiring strategic products and services with recurring revenue streams. This will likely focus on SaaS or other subscription-type offerings to 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.

In conclusion, we are still in the first inning of our growth opportunity. We have numerous secular tailwinds at our backs that are just beginning to turn into higher revenue levels. We also have several potentially disruptive technologies in development that will bring recurring revenues while driving higher margins over time. As a result, we increased our guidance this morning from $14 to $16 million to $17.5 to $18.5 million for fiscal 2022 ending June 30, 2022. I’ll turn it over to Mike to go through our third-quarter results.

Mike, take it away…

MIKE SHERMAN, CFO
Thanks, Phil.

Good morning and thank you everyone for attending our third-quarter earnings call. Like last quarter, I'm going to spend a little time reviewing our model, and then I'll take you through the quarter, followed by a Q&A session.

One of the challenges with our business is the timing of revenue recognition. 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 cause some lumpiness in the business. Fortunately, we have not seen much of this so far this year. However, as a result, we will generally be conservative when providing guidance, which we will update quarterly.

From a gross margin profile, projects, which have historically made up 2/3 of our business, tend to be below Company average due to the resale of furniture, fixtures, and equipment, or FF&E, all of which are pass-through costs. Installation services and sales of our higher-margin proprietary manufactured offerings, which tend to be well above the company average, start to bring this margin up. Over time, we expect the mix to shift more favorably towards our proprietary products and services. Initially, our proprietary manufactured products and the higher-margin resale of technology products, will drive this margin expansion. Still, as we begin to introduce our CineQC SaaS platform, our

MiTranslater, and other products in development, we expect this to shift more significantly away from FF&E.

Now I'll move into the results.

I'm thrilled to say that our results were strong. Revenue increased 241% to $5.8 million. Much of this was related to a pick-up in projects to build new theaters or upgrade existing theatres. Even with this growth,we finished the quarter with a backlog of $10.2 million.

Gross profit also increased 233% to $1.4 million from $0.4 million last year. However, gross margin was down 700 basis points, mainly due to a stand-alone order for FF&E from a valued customer with a very low margin.

Moving to our operating expenses and income. GAAP operating expenses increased from $0. 7

million last year to $1.5 million this year. Some of this was related to a return to sales and marketing activities and the executive team's compensation, which was cut last year, returning to normal levels. Also, additional expenses related to being a public company, including those associated with our first annual shareholders meeting incurred during Q3, have contributed to the increase.

GAAP Operating loss decreased 67% to $0.1 million. Our Non-GAAP operating loss decreased 76% to $0.1 million.

GAAP net income and EPS were $0.6 million and $0.06 versus a loss of $0.2 million and $(0.03) last year, respectively.

Non-GAAP net loss and loss per share were $0.1

million and break-even, versus $0.2 million and $(0.03) last year, respectively. Please note that for our non-GAAP loss and loss per share this quarter, we excluded the forgiveness of our PPP loan, which was classified under “other income” in our GAAP results.

Moving to the balance sheet, our cash, cash equivalents and marketable securities increased to $9.8 million from $9 million.

Looking at the remainder of fiscal 2022, we believe the recovery in the box office, combined with the SVOG money will continue to drive significant year-over-year revenue growth. In fact, our backlog remained strong at over $10 million at the end of the third quarter. Given this strength, we are increasing our revenue guidance for fiscal year 2022 from $14 to 16 million to $17.5 to $18.5

million. This represents 155 to 169% growth over last year.

I'd like to thank everyone for attending our today's call and I look forward to speaking with you again at the end of our fourth fiscal quarter.

Brian, are there any questions?