

## iflix expands from Southeast Asia into frontier markets

JAKE MITCHELL THE AUSTRALIAN 12:00AM JUNE 20, 2016

iflix chief executive Mark Britt says the digital streaming company is on track to become a multi-billion business, as it looks to expand from its Southeast Asian base into frontier markets, such as Africa and the Middle East.

An Asian-based Netflix rival, iflix is run by a group of Australian expatriates, including Mr Britt, the former boss of Nine Entertainment's digital business, while Catcha Group, run by rich-listers Patrick Grove and Luke Elliott, was the founding investor.

At \$2 to \$3 a month it's cheaper than the global giant, which costs about \$10 a month, while iflix also localises its product by translating subtitles and complying with regulatory and cultural standards and sensitivities.

"There's \$50 billion in listed market cap in cable TV businesses and free-to-air businesses in emerging markets, excluding India and China.

"In the next 10 to 15 years, I don't think cable businesses will continue to exist, and I think free-to-air businesses will get much smaller so I think there's going to be a migration of value from traditional media to new entrants.

"So whether it's iflix or anyone else, someone is going to build a multi-billion business in these markets. And right now we're backing ourselves to be aggressive enough and focused enough that we think it's us."

iflix's willingness to comply with local regulations and cultural standards became a key competitive advantage when Netflix was blocked by the Indonesia's state-owned telco Telkom because the company refused to submit its content for censorship in January.

iflix seized the opportunity and signed a deal with Telkom whereby the telco's internet customers will be eligible for up to 12 months' subscription of the streaming service, announced last week. It was a major setback for Netflix's expansions plans in the region, given Indonesia is Southeast Asia's most populous nation. It's also home to the world's biggest Muslim population, underlining the pertinence of complying with cultural standards.

Mr Grove said a large part of iflix's cost base was associated with translating subtitles but the product's localisation was paramount to its success.

“Netflix Thailand is the exact same as Netflix Egypt,” he said. “It’s the exact same shows, the same movies and they’re not even translated. They’re just delivered in English. That’s really great if you’re an Egyptian who speaks English, which is a really small proportion of the market.”

Bundling iflix with telco offerings has helped drive the company’s growth in Malaysia, the Philippines and Thailand, Mr Britt said. “You’re in markets with 250-300 million smart phones in the footprint of Southeast Asia,” he said. “Most of them with shared wi-fi with some mobile data, and most of them don’t have a home PC. So this is their prime computing device and many of them don’t even have a home TV. This is the beginning of the cable industry for emerging markets.”

iflix secured a \$US45 million (\$61m) investment from European subscription television giant Sky in March, which valued the company at \$US450m. The company also has the backing of US studios MGM and US-based merchant bank Evolution Media Capital, while Catcha was the founding investor.

Catcha had considered floating iflix on the ASX in late 2014 but found enough private backing to fuel its early growth.

Asked whether a float was back on the agenda, Mr Britt said: “The private demand for high growth businesses in emerging markets is much bigger than we had ever expected, so I think certainly for the next few rounds they’ll continue to be private.

“What has changed is we’ve quickly pivoted and realised what we’ve solved are not Asian problems. What we’ve solved are technical and business model challenges for emerging markets so in that world, for us, Nigeria, Ghana, Iran, Morocco are just as interesting from a business model point of view as Korea or Singapore.”

*Jake Mitchell travelled to the Wild Digital Conference as a guest of Catcha Group*



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