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Patrick Grove: the Rich Lister beating Netflix in Asia with iflix



iflix founder and Rich Lister Patrick Grove raised \$US133 million this week.



by [John Stensholt](#)

A little over two years ago, Patrick Grove did the rounds of Australian institutions and investors pitching his latest digital entrepreneurial vision.

The [Financial Review](#) Rich Lister's big plan was the Asian version of online streaming giant Netflix, reasoning that there was huge demand across hundreds of millions of people in the region for streamed television shows and movies and their phones.

But no-one was interested.

"To be honest, the iflix concept didn't resonate well with Australian investors," Grove, a one-time accountant at Arthur Andersen in Sydney, tells *AFR Weekend*.

"I think it was a combination of streaming and OTT (over the top) content still not being fully developed as the disruptive model we know it is today. Mind you, Netflix's market cap at the time was \$10 billion – it's \$70 billion today."

Over the previous decade Grove, now 42, had already established and listed on the ASX online classified companies iProperty Group, iCar Asia and iBuy Group. While some struggled, his property business [sold for \\$751 million to REA Group in early 2016](#).

Those Australian investors who didn't want to know about iflix have missed out on what is fast becoming one of the region's tech success stories.

Iflix, run from Kuala Lumpur, is beating Netflix in subscriber numbers in several south-east Asian countries and has Grove and his team raising hundreds of millions of

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dollars from some of the biggest tech and media companies in the world.

Rapid growth

Crucially, Grove has grown rapidly because he positioned iflix at a price point far cheaper than Netflix and other local streaming video on demand (SVOD) competitors. In only two years, iflix has grown to be in 19 countries and is closing in on 5 million paying customers and an annual revenue of more than \$US100 million (\$127 million).

In the process, iflix has attracted some big investors.

This week it announced a \$US133 million (\$168 million) capital raising led by United States publisher and television station owner Hearst, bringing the total raised in two years to \$US303 million (\$384 million) and potentially valuing iflix at more than \$700 million (Groves' private Catcha Group holds the biggest stake).

At that level, it brings the company closer to the \$1 billion tech "unicorn" status enjoyed by the likes of Atlassian, though the cash burn rate is high and it could be some time before iflix is profitable. A future float could be an option and increase the amount of investors but for now Grove is keeping iflix in private hands.

Grove said the latest raising took about four months of negotiations with nine different parties, including existing shareholders and flying to the US four times in the past three weeks.

Hearst joins global names such as John Malone's Liberty Global, Britain's Sky – currently under a takeover bid from Rupert Murdoch's 21st Century Fox – and Singapore's EDBI and Philippines Long Distance Telephone Company on the iflix register.

Grove is quick to play down any rivalry with Netflix, but according to data from analytics firm App Annie quoted [in Tech in Asia this week](#), iflix is ahead of Netflix in Malaysia, the Philippines, Indonesia, and Thailand in app rankings for Google Play.

Going hyper local

What has differentiated iflix in Asian markets has been concentrating on the Android platform – "it often has 80 per cent market share," says Grove – and keeping its prices low, charging customers via their phone bills, making content relevant, while offering small parcels of equity to local celebrities to promote the product.

"We do not see Netflix as a competitor at all," Grove says. "We are hyper local in content, price, language and distribution. Theirs is a great first-world brand with English content at a first-world price. Our typical price is the exact same price as a pirated DVD, which is usually \$US2 per month. You can choose to buy a pirated DVD, or have 10,000 hours of great amazing content in your phone with us.

"Celebrities are massive in our markets. The typical celebrity can reach more people on Instagram than buying the front page of the newspaper every day for a week. This is the reality of digital media and we embrace it fully in our marketing and relationships with local celebrities with massive social media followings. More than 30 of them are iflix shareholders."

Netflix is stronger in more affluent markets like Singapore, where Apple's iPhone has a higher penetration. But the US giant has made some missteps across Asia, including falling foul of censors and entering countries without government permission.

Grove says iflix, co-founded and run by former Nine Entertainment Co executive Mark Britt, has also had its issues. "Every challenge you can imagine and double

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that. Building iflix has been a huge humbling experience in how difficult it can be to build a company in 20-40 countries in different markets at the same time."

Producing original content

But to build relevance in the different markets the company is producing 26,000 hours of subtitles in nine languages, with locally curated content for every market. It also started producing its own original content for some markets, including comedy shows, according to Grove, and has struck a deal to show live Indonesia first and second division soccer.

"We've launched local stand up comedy shows in Malaysia, Indonesia and the Philippines. We see a huge opportunity to bring great comedy to the masses. With sport it's the same, everybody loves sport, but not everybody can be home at 8pm to watch their favourite team. In Jakarta you could be stuck in traffic for three hours a day. We are giving people the opportunity to watch proven content via an alternative out of home distribution experience."

Next comes more countries in the Middle East and Africa, and Grove has a team looking at Latin America. He will also be spending more time in Sydney in a [\\$28 million Darling Point waterfront mansion he recently purchased](#), and where he attended Scots College and earned a commerce degree from the University of Sydney before heading back to Singapore (his father still lives in Sydney) to join the original dot com boom after two years at Arthur Andersen.

Grove says there is still plenty to come with iflix. "It's only day one in a long, long journey to reach this massive opportunity of over 3 billion people in the 50 emerging markets we focus on with smartphones. All these people want great video content that iflix hopes to provide."

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