

24 October 2014

Chairman and CEO's Address to the 2014 Annual General Meeting

Dear Shareholders

Welcome to the 10TH AGM of Quickflix since it was listed on the ASX on 2005. During the past ten years the team at Quickflix with shareholder support and investment of over \$50 million has sought to bring about change in the way consumers access home entertainment. First as pioneer in online DVD rental subscription, Quickflix has introduced additional choice and convenience for consumers offering the largest library of movie and TV content in DVD and Blu-ray, dispensing with late fees and overseeing the dramatic decline of video store chains. Second as pioneer of streaming entertainment in Australia and New Zealand, it has established itself as an emerging brand, offering more content over more devices to more customers than any other service of its kind. In that time Quickflix has delivered over 40 million movies and TV shows to half a million customers generating almost \$100 million in revenue.

The Australian and New Zealand home entertainment sector including payTV and free-to-air is a multi-billion dollar industry and represents a significant opportunity for a disruptive pure-play like Quickflix. Quickflix is wholly focused on executing its streaming and online DVD rental model without incumbent media interests to protect. Streaming is one of the fastest growing sectors in media and entertainment globally, posing a major challenge to broadcasters. Free-to-air broadcasters face the prospect of declining advertising revenues as audiences switch their viewing to on-demand options including streaming. PayTV operators face the prospect of viewers switching to lower-priced unbundled streaming. A challenge for the whole industry is revenue leakage resulting from piracy and illegitimate access to international services, in part a function of consumer frustration with restricted access arising from exclusive rights deals with payTV broadcasters.

It therefore is no surprise that many broadcasters around the globe including Australia and New Zealand are seeking to enter the streaming sector through building their own service or partnering with existing players. This is not a simple exercise. Some media players will seek to protect their market share by chasing exclusive rights to content. This may prove expensive and uneconomic for them in the long run. In any case exclusivity tends to be for a limited period or window only.



In this new era of global movie and TV content finding audiences in Australia and NZ, there is ever more content than the capacity of the broadcasters or a few global players to tie-up it all up in exclusive deals. This creates an opportunity for streaming players like Quickflix with access to a large potential audience via the internet and connected devices to participate and secure content. Quickflix has already entered content deals with major Hollywood and international studios and TV networks and will continue to add to these.

Against much larger players Quickflix competes by being the nimble innovator and an established online brand using its strength in technology to deliver an affordable quality service to customers. It is able to operate at a fraction of the cost-base of broadcasters and acquires customers through low-cost affiliate and partner marketing arrangements.

Quickflix has developed its streaming service over four years, building the most comprehensive device coverage, adding thousands of hours of content and registering over half a million devices. It has accumulated learnings and viewing data from delivering millions of movies and TV which are applied to algorithms for personalising individual viewing recommendations and content merchandising.

Broadcasters in Australia and New Zealand seeking to compete in streaming have a steep learning curve, must make a large investment in setting up and face the challenge of catching up with Quickflix. Rival streaming service Foxtel Presto has only a fraction of the customers of Quickflix today despite access to enormous resources. StreamCo the joint venture between Nine Entertainment Co and Fairfax is already delayed and its launch in 2014 now looks unlikely. Hoyts has mothballed their planned streaming service after years of development.

Quickflix streaming service offers a selection of quality movie features, TV drama series and kids content without the need for a set top box, fixed contracts or interruptions of advertisements. At \$9.99 per month, or half the price of a single cinema ticket, Quickflix delivers unparalleled value enabling a household to register up to six devices, from smart TVs, game consoles, mobiles and tablets accessing thousands of hours of movie and TV content. Quickflix also streams latest release movies pay-per-view and latest seasons TV drama series to own. Complementing Quickflix streaming is its subscription online DVD rental service offering Australia's largest range of movies and TV in DVD & Blu-ray format.



In the year ahead Quickflix is anticipating the entry of Netflix in Australia and New Zealand and the possible launch of StreamCo's service. The new entrants will increase awareness of streaming as an alternative to broadcast viewing which is likely to benefit Quickflix. The new players may tie up some content in exclusive arrangements and may increase the price of some content. Quickflix will be rational in its level of investment to maintain a differentiated curated service offering while ensuring a return on investment and long-term sustainability. No service priced at less than \$10 per month will represent the universe of content and is unlikely to satisfy all the content needs of consumers. Given this, then customers may choose two or more over the top ("OTT") streaming services for their household, a behaviour evidenced in the United States. In the future we may see a world in which consumers access multiple local and international streaming services each of them representing different audiences, genres, and niche propositions.

Quickflix met the challenges of 2014 and grew customers and revenues whilst extending its service over the new major device platforms and securing new content deals to position for longer term growth. Growth has flattened in the recent June and September quarters as result of no major campaign activity in market however growth is expected to return over the next two quarters which seasonally are the strongest.

Quickflix represents an attractive partner for any broadcast media, telco, ISP or retailer seeking the fastest path to move into movie and TV streaming service. It has a brand, operating platform, content supply chain and customer base from which to readily expand with further investment. Quickflix is in discussions with parties in relation to potential strategic partnerships in the Australian and New Zealand markets in which it currently operates. It is also in discussions with parties regarding opportunities to expand into Asia. The benefits of a strategic partner with mass consumer reach would accelerate Quickflix's growth potential.

Stephen Langsford

Chairman & CEO

