



ABOUT MEDIAWARE INTERNATIONAL

DIGITAL VIDEO HAS REVOLUTIONISED THE WAY WE INTERACT WITH THE MOVING IMAGE. IT HAS REDUCED THE COST AND COMPLEXITY OF CREATING AND DISTRIBUTING FILM AND TELEVISION CONTENT AND ENABLED A RANGE OF NEW MEDIA EXPERIENCES. NONE OF THE TECHNOLOGY THAT WE NOW TAKE FOR GRANTED, SUCH AS DVDS AND WEB-BASED STREAMING VIDEO, WOULD BE POSSIBLE WITHOUT THE UNDERLYING COMPRESSION TECHNOLOGY THAT SQUEEZES LARGE VIDEO FILES INTO FORMATS THAT CAN BE EASILY STORED AND TRANSMITTED. BUT AS OUR EXPECTATIONS OF DIGITAL VIDEO INCREASE, THE LIMITATIONS OF THE TECHNOLOGY BECOME MORE APPARENT.

> The most common forms of video compression are based around the MPEG (motion picture expert group) standard. While MPEG is an ideal format for transporting and storing digital video, it was never designed for advanced functions such as searching or editing where it is necessary to decompress the video stream and manipulate it in real time. This is a time-consuming process and can degrade image quality.

MAXIMISING MPEG MANIPULATION

- > Overcoming these limitations is what Mediaware International does best. The company has developed products for manipulating MPEG footage in its compressed state, allowing for editing and manipulation of its incorporated metadata for easy searching within compressed files.
- > According to Mediaware's Chief Executive Officer, Chris Newell, this

translates to better image quality and reduced editing time for customers. These factors are especially important in Mediaware's two key markets: defence imaging and television broadcasting.

- > "One of our clients is (the international news agency) Bloomberg," Newell says. "They have to get content to air quickly – they don't have a lot of time to play around with it in the editing suites."

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— CHRIS NEWELL, CEO

> Other media customers include the US television networks CBS, NBC and CNN. But Mediaware’s biggest opportunities lie in the defence industry. The company has made numerous sales to the US Department of Defence, which uses the technology in intelligence, surveillance and reconnaissance (ISR).

> “In the defence space, the growth in the use of video as an intelligence tool is astronomical,” Newell says. “Most off-the-shelf software and systems do not offer the specific capabilities and features required by defence. They do not incorporate Mediaware’s core native MPEG processing capabilities.”

MOVING UP THE VALUE CHAIN

> “We’re in the process of winning some sizeable direct contracts in the US. This is quite a change for our business. The next step is to continue moving up the value chain in our space.”

> Deals are flowing thick and fast. The company recently signed up one of the largest defence contractors in the US and it has also made a deal with Time Warner.

> Mediaware has recruited Jason Frye as Vice President of North America Operations. Jason had previously been a senior manager with L3 Communications Holdings, the US\$9 billion ISP-specialist defence contractor.

CSIRO BEGINNINGS

> Mediaware was founded in 1996 by three scientists from CSIRO’s Image-processing Research Unit: David Keightley, John Lilleyman and Ken Tsui. Newell joined the trio in 2003, bringing an impressive management pedigree in media, finance and online marketing.

> The founders provided the capital to get Mediaware started and the company has also taken an angel investment. Three years ago it received a \$450,000 investment from Epicorp and was housed for a period in Epicorp’s headquarters. Newell says Epicorp played a crucial role in both recruiting him and one of Mediaware’s directors, and in helping the research-based company deal with the realities of the commercial world.

> Mediaware holds two patents, but Newell says its main advantage is the strong lead time it holds over rivals.

> “The decision was taken when the company was founded to commercialise as quickly as possible to generate revenue,” Newell says. “We’ve got dozens and dozens of people — years of research that have gone into the technology. It would be extremely difficult for somebody to replicate that.”

BLAZING AHEAD

> Newell says the company is currently highly profitable, with operating margins around 30%, and significant cash in the bank, which frees it from the need for further capital injections.

> Newell sees many possible extensions for Mediaware’s technology and is excited by the new opportunities in video search being opened up by Google and Blinkx, as well as Apple’s video podcasting.

> “We’ve got to stay one step ahead of the curve and we’ve got to diversify away from just editing,” Newell says.

> Newell says additional opportunities will arise as customers change over to a new form of compression, dubbed MPEG H264, which requires upgrading to a new set of tools.