

BEAUTIFULLY ENHANCED



When you were watching 'Stars Wars' or 'Lord of the Rings', did you know that those major movies – and many others – were created or manipulated using **Quantel** technology? Quantel CEO **Ray Cross** believes one of the reasons why the company is performing well in the recession is sharing its future vision with the customer

Between September and March there was a huge amount of uncertainty in the market, some of that has gone away. I think people realize that life has to go on and that you can't suspend investment and upgrade decisions forever. I see it in our sales – our sales dipped in that first six months and have recovered strongly.

How is the Quantel business split between the film and the broadcasting industry?

It divides pretty equally actually. On occasion broadcast will be 55% of our business and perhaps post 45% and then on occasion it switches. We have three main products, our broadcast market, our post DI market and then we have a professional services division, and each one of those contributes equally to our revenue and our profit. But of course the professional services is generally split 50:50 between broadcast and post DI.

At the high end of broadcast we pick up quite lumpy contracts, for example if you look at the last 12 months our top five contracts gave

us something like £17m - when you are hitting a few of those then it can skew things tremendously.

Has the economic downturn been a catalyst to make changes?

Like lots of businesses I think the recession brought about a more urgent need to look at everything. I guess we evolve continuously at Quantel but maybe we have been a bit quicker to respond than we would normally.

The industry has gone through some tough times but I think the fact that our systems do many things rather than just one thing – our colour corrector, our Pablo, doesn't just colour correct, you can edit, you can do effects, you can do deliverables - that's made a massive difference in the recession because you can do more business from the same machine.

What are the latest developments?

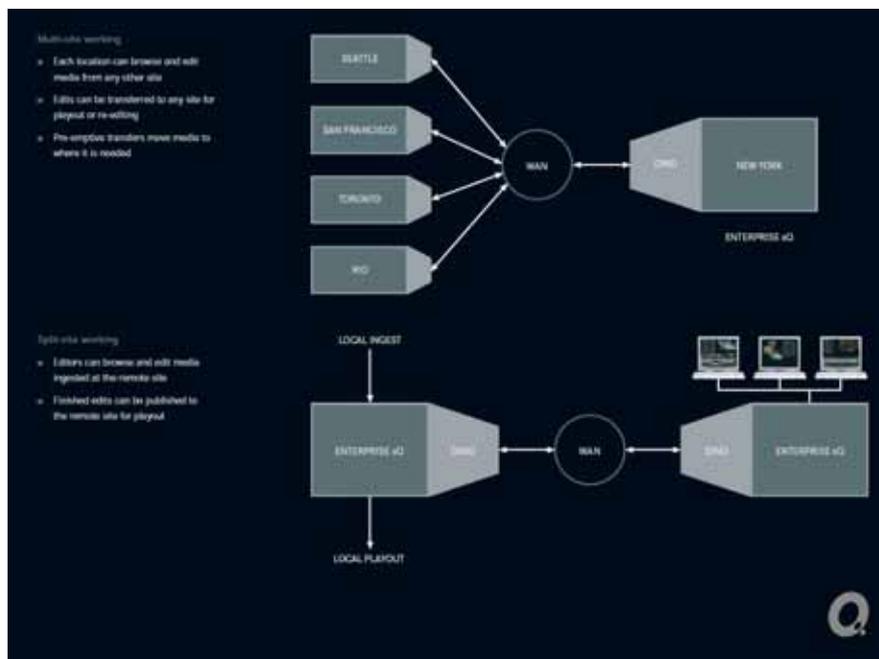
The next big thing is Stereoscopic 3D – everybody who has seen 3D gets it immediately. We have now got over 50 Stereoscopic systems for post and DI out in the market. The Stereoscopic option that we fit to our Pablo system isn't a very expensive option. It's a software change and therefore we pass on

“ Our systems do many things rather than just one ”

that ease of enhancement to our customers as well. We are seeing a significant increase in the number of 3D features that our systems are involved with, and we have also worked with one major broadcaster, Sky, to help develop 3D material - they are proposing to launch a 3D channel next year.

Another development is the Final Cut Pro integration into our sQ workflow – it's going to be available by IBC. Many customers wanted to be able to do that - we have already received significant orders. Another one is Dino, basically 'Distance is no object', it's a way of enabling individual sites to communicate, so two or more sites can actually share media and that includes the meta-data as well. We see that as a major tool for lots of broadcast businesses around the world, we have a lot of interest in that product already.

We will be delivering 1080p on our servers by the end of 2009, and other things are in the pipeline which we can't tell you yet because we haven't told our customers! We do share on an NDA basis with our customers our roadmap and our vision for the future - it's a different way of working but it is very successful.



When you are investing in our products and services, you want to be sure that they have a longevity and sharing what we'll be doing over the next 2 years and what we are thinking of doing in the next 4-5 years gives our customers a lot of comfort.

Is it difficult to bring products to market before they are out of date?

Quantel has been very good at developing base systems that have a long life. Our iQ is just one such machine. What we have been able to do is allow people who bought the first iQs to continually enhance and upgrade their systems. If you bought a Pablo from us three or four years ago, you can connect the Neo panel to it, Stereoscopic 3D software to it, it runs 1080p, and so on. Going back to your question: We have got over 200 staff and approx. 25% of those are in R&D, and our R&D teams are very good at getting things to the market quickly and then moving on to the next product.

Integrating products with other companies' systems, is that the way you see the industry going?

I think that is what customers are insisting on. We spend a huge

amount of our time talking to customers and prospective customers around the world, and listening. That's why we chose the Final Cut as our first integration. We will be moving on to other third parties as well, we've got plans to do that over the next year.

How is your client base changing?

We are putting more effort into new markets, particularly places like South America, India, we've been in China for a while, and Korea. India is a very similar market to our own - the project with Gemini Labs in India was a nice win. In terms of different customers, we are talking to people from the publishing/newspaper market and we are talking to one organisation that is not in TV or broadcast at all but wants to be so. Clearly as local TV becomes more and more important then I think that will grow too.

How successful was your "Pay as you go HD"?

Lots of people bought systems but very few people actually used the HD facility. And of course since then everything we do is SD and HD concurrently which again is unique to Quantel - all our customers get SD and HD for the

▲ Left: Pablo in use; right: Dino, the technology that allows media and workflows to be shared between remote sites

price of SD. You often find that: customers want choice and the minute you give them choice actually they are happy with what you offered them in the first place. That's one of the reasons for our continuing success - people are able to select Quantel even though they are not going HD just yet, knowing full well that when they are going HD, basically there is no difference.

Let's look ahead...

I think the next thing is the move away from traditional broadcast to more IT based, so everything is files and folders. We are doing a lot with virtualisation - it does not matter how we store the media, it can be stored as any format you want but you can just click on that file or folder and say 'I'd like that as HD' and it creates it in HD immediately for you. You don't have to hold multiple formats just in case you need them. This year for Quantel will be - and we know this because we are over half way through - our most successful year since the MBO in 2000. So despite the recession it is possible to perform well.

Ray Cross, thank you. ■

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