

## ASX Announcement

30 August 2019

Linus Annual Activities Update: 1 July 2018 – 30 June 2019

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### IN FY19 LINIUS BUILT THE ASSETS TO WIN IN HUGE MARKETS

#### Investment Highlights

- Invested in and launched the Linus SaaS platform - Linus Video Services ('LVS')
- Established strong relationships with channel partners, including AWS and Microsoft
- Developed and launched the SaaS marketplace with third parties already investing and launching their own technology on the Linus backbone
- Invested in and secured Proof of concepts ('POCs')
- Raised \$3.5million with management heavily contributing

#### Overview

**Linus Technologies Limited (ASX: LNU)**, (also referred to as "Linus" and "the Company" throughout this report), is pleased to lodge its Annual Activities Report and Appendix 4E financial statements with the ASX. Appendix 4E relates to the Company's performance during Financial Year ending 30 June 2019 (FY19). This Annual Activities Update relates to FY19, and includes some information subsequent to the close of the fiscal year.

Management believe that the size of the markets, long term revenue potential and long trailing revenue models justify the FY19 investment in getting the technology and other operational assets in place at an industrial, Internet scale.

The company's unique technology enabling it to virtualise video means that the company has continued to invest in its patents. The core technology has patents granted in all key regions of the world.

In the most recent capital raise, management invested \$1million of the \$3.5million raised.

The technology has now been proven with proof of concepts for tier 1 organisations.

In FY2019 the Company began to generate commercial traction.

Accordingly, across FY19, the Company continued its strategic focus and delivered the operational assets to deliver on the company vision to:

- Make all of the worlds video accessible as data
- To become the *de facto* standard for the management and streaming of video
- Deliver Linius' patented Video Virtualization Engine™ (VVE) to mass markets in 3 ways:
  - Industry specific divisions and solution sets built around VVE
  - Mass distribution through partners
  - Self-service to global markets through a SaaS model

In Linius' previous annual update, the Company stated that its tactical plan for the year was to work to:

1. Deliver Commercial validation: to complete direct sales and commercial POCs as commercial validation of its VVE technology;
2. Scale through Channel Partners: to create replicable solutions built around the Company's core VVE technology, which can be delivered by channel partners including Amazon AWS, Microsoft Azure, and IBM Cloud – to scale fast; and
3. Technology: Deliver a SaaS platform capable of virtualising and assembling video at internet scale, 80% of the world internet traffic is video, and delivering new technology use cases such as Blockchain.

## Direct Sales and Commercial POCs

During FY19 Linius' hyper-personalization application of VVE successfully went through many proof-of-concept trials. Examples include Warner Bros, in the media-and-entertainment vertical, successfully comparing the delivery of long form, high value movies virtually with traditional methods; and Oklahoma State University, in the education sector.

The first commercial deal was closed in the news vertical with Swedish news provider Newstag. Subsequent to the close of the year, the Company also announced its first commercial deal in the sports vertical, with Australian company SportsHero (ASX: SHO).

Both SportsHero and Newstag are revenue generating in FY20.

In management's opinion the company is hitting its commercial stride, with a full pipeline of advanced opportunities.

These initial deals and proof of concepts are important to Linius' success because of their replicability. Each solution was built by a third-party system integrator, and can be quickly deployed for future clients, reducing friction in adopting Linius' VVE technology.

### Newstag – Commercial agreement

Newstag launched a hyper-personalized news search service, powered by Linius, on their site. According to Nielsen's Total Audience Report 2016, news consumption is showing significant growth. In the US alone, adults over 18 years old watched more than 27 billion minutes of national cable television news programming per week. The hyper-personalization of news content represents a dramatic shift in people's ability to get the content they want, when they want it, delivered in an easy to consume single environment. Newstag began generating revenue for Linius subsequent to the close of the year and the Company expects Newstag to begin introducing Linius to news agencies around the world in the near future.

**Warner Bros. POC**

In FY18, the Company announced Warner Bros. and Linus had agreed to collaborate on a pilot to demonstrate the analytics and KPI capabilities of Linus' virtual video. In November, the TVOD (Transactional Video-On-Demand) test platform constructed by Linus' System Integration partners on IBM Cloud went live. The original agreement with Warner Bros. was extended to include Village Roadshow as the in-country partner for the test, and the test was conducted by Qualtrics, a well-known third-party testing agency, in Australia. The test involved the streaming of selected Warner Bros. movies over a VOD OTT (over the top) platform. The video streams were protected by industry standard DRM (Digital Rights Management). The testing criteria included a range of quantitative data (machine collected performance data), such as video load times and buffering, and qualitative data based on perceptions of the quality of the experience. The trial verified that high and standard definition virtual movies will stream on demand and met standard industry quality metrics.

**Oklahoma State University (OK State) POC**

The OK State POC went live, delivered on LVS. The focus of the POC was to provide search capability across "famous" faces in University videos (famous within the context of the university). The POC was a great success, with OK State TV staff acting as a reference both internally and externally for commercial prospects. Based on this POC, the Company has signed partners, ready to roll out this capability across the education vertical.

**SportsHero**

Subsequent to the fiscal year end, the Company announced its first commercial sale in the sports vertical, signing an agreement with SportsHero for SportsHero to use the Linus technology in the SportsHero app and white label solutions, including the "Kita Garuda" mobile application. The Kita Garuda application is being deployed for PSSI, the football association of Indonesia, who is promoting the application to 80 million soccer fans across Indonesia.

**Channel Partners**

The Company has established a strong partner network and continues to invest in these relationships. Partners are required to roll out replicable solutions, but additionally partners are developing their own products on LVS, and enhancing their sales pipelines.

Linus is partnered with the major cloud providers, and also with local system integrators and software developers. During FY19, Linus renewed its collaboration agreement with IBM, the Company's products became available on the Amazon Web Services (AWS) and Microsoft Azure marketplaces, and the Company was admitted to the Microsoft Co-Sell program.

The Microsoft Co-Sell program is particularly exciting for the Company because it means that the Microsoft sales teams around the world will be compensated for selling Linus solutions to Microsoft's vast customer base. Their sales representatives and partners are incentivized and enabled to sell a range of Linus solutions, including hyper-personalization solutions and services via LVS.

These major cloud providers are significant in the Company's plan to scale the business, as they are investing billions of dollars in infrastructure and artificial intelligence. Linius' ability to generate millions of hyper-personalized video streams dynamically, and nearly instantly, based on the metadata generated by these artificial intelligence engines adds tremendous value to these infrastructure providers.

In addition to the household names, Linius channel strategy includes local partners that can build on top of the Company's technology and deliver bespoke solutions to their clients. In FY19, Certus Solutions — the largest and fastest growing IBM systems integration company in Australia and New Zealand — partnered with Linius, and built the Warner Bros. POC.

Additionally, Hemisphere, a leading video-systems integrator based in Auckland, New Zealand, launched several products built on top of LVS, including their Search & Assembly App, which allows their clients to deploy hyper-personalized video solutions on their websites incredibly quickly — in some cases, in under an hour. This, and other products built by third parties are available on the LVS marketplace.

## **Technology:**

### **Linius Video Services (LVS)**

The Company continues to invest in its technology, primarily to expand functionality and ease of adoption and commercialization. The primary technical investment in FY19 was the launch of LVS, the Company's cloud-based SaaS implementation of its core VVE technology, which entered beta test in the December 2018 quarter and became commercially available in the March 2019 quarter. Subsequent to the commercial release of LVS, a number of enhancements have been made including extending APIs, simplifying the signup process, improved reporting for users, improving support for third-party metadata, enhanced search capability, support for certain asset-level management capabilities, support for bulk upload of metadata, and native support for HLS discovery and assembly, to name a few.

The platform allows clients and partners to deliver their own solutions with no involvement by Linius personnel, and is the technical core of the business. All direct sales and partner sales are being delivered on LVS.

The Company also continues to pursue protection of its intellectual property through patents, trademarks, copyrights, etc. The last jurisdiction in which the Company sought patent protection for its core invention — India — granted the patent during FY19.

### **Blockchain Proof of Concept**

The Linius virtualization technology has applications across many sectors and throughout the video value chain from production, distribution and broadcasting. The company has been focused on delivering personalized video experiences in sectors such as sports and news.

With the foundational elements of the company are in place, management felt comfortable to make a very small investment in a new capability, blockchain, where management believes Linius provides such value that video virtualization makes video blockchain possible.

The promise of blockchain is to have a transformative impact on management of digital assets, particularly across borders. However, this promise is yet to be realized in any significant way for traditional digital assets. The Company has long believed its virtual video technology could be the enabling factor to make a video blockchain possible. To date, the Company has made *de minimis* investment in blockchain R&D.

In March 2019, Linius demonstrated to the world that the combination of blockchain technology and virtual video makes it possible to store digital video assets on the blockchain and control those assets via “smart contracts” — an industry term for a set of rules (a contract) running on a blockchain. The Company is currently working with commercial pilot partners to accelerate the move from prototype to commercially viable product and to further develop the commercial models.

## Outlook

### Investing to deliver positive recurring long term cashflows

During FY19, the Company focused on generating its first commercial wins and proof of concepts, in a manner that would be easily replicable by channel partners and would leverage the deployment advantages of a SaaS solution. Going forward, Linius expects already announced deals to generate meaningful revenue, with these solutions to be replicated in future clients, and to repeat this process in additional verticals.

Moving forward, the Company intends to continue to focus on delivering the hyper-personalized TV capability of VVE to seven key verticals:

- **Sports** – Deliver subscription-based hyper-personalized sports channels
- **News** – Develop new revenue models with hyper-personalized news
- **Education** – Unleash the value of video: learning, teaching, research & business
- **Corporate Comms** – Boost employee performance and meet compliance
- **Gambling** – Drive subscription and gambling revenues with granular data
- **Security & Defense** – Assemble and distribute actionable intelligence
- **Media & Entertainment** – Reduce piracy and drive workflow efficiency

Linius continues to believe that delivering hyper-personalized video experiences is the best way to generate adoption of virtual video and drive revenue.

As discussed above the Company has continued to develop external partnerships, technology and internal processes, this investment will enable the Company to collect positive cashflows over the medium term and amass strong recurring cashflows over the long term. The directors are currently focusing on the delivery of our technology to medium term customers in the sports, education and defense verticals – where we are specifically looking to leverage personalization of content, within the racing, soccer and football markets, and the application within both the gambling and law enforcement sectors. These three small target markets represent a fraction of the use cases of our technology, however will provide us sufficient resources to focus on broader use cases and markets.

## **Appendix 4E financial statements and full year results**

Linus released its full year results in Appendix 4E, which it submitted to ASX today in conjunction with this report. The Appendix 4E includes full details of the Company's performance and financial position for FY19 ended 30 June 2019.

The financial results and net cash outflow for Financial Year 2019 reflect the commercialisation activities undertaken by Linus. Over that period, the Company has acted on its strategy to conclude commercial deals and targeted POCs in selected verticals, to engage major cloud providers as channel partners, and to provide replicable solutions that can be sold through channels in order to scale the business. This investment in people and process will further enable the Company to capitalize on growing global market opportunities for Linus' world-first VVE, driven by the billions being invested in video services and AI in the cloud from Amazon, Microsoft and IBM.

During the FY19 quarter ending 30 June the Company conducted a \$3.5 million capital raising via a placement to professional and sophisticated investors, including \$1 million from directors and their nominees received in July 2019 following shareholder approval. Linus' cash balance at end of FY19 was AUD\$2.3 million. In addition, there have been abnormal costs for restructure of the Company's engineering function, providing reduced cost and increased output as well as increased focus on client support. The cost impact of these efficiencies will be reflected from Q2 of the 2020 financial year.

## About Linius Technologies Limited

Linius Technologies Limited (ASX:LNU) has invented and patented the **Video Virtualization Engine™ (VVE)**, which is available on Amazon Web Services, Microsoft Azure and IBM Cloud.

Amazon, Microsoft and IBM are virtualizing video services (technologies) and Artificial Intelligence in the cloud. It is arguably the biggest battle on the internet, given that video accounts for nearly 80 percent of internet traffic.

Only Linius can expose the data that makes up the video file, making cumbersome video as flexible as all other forms of data. Accessing the data within the video file is the missing link for video cloud service providers, creating unparalleled value across the internet video industry.

Linius has the potential to transform many multi-billion-dollar markets, and is initially focused on:

- **Anti-Piracy:** Applying proven data protection methods to video to solve piracy
- **Search:** Search within videos and compiling new videos on-the-fly
- **Security and Defence:** Intelligent search and immediate distribution of security footage
- **Personalized Advertising:** Hyper-personalized to individuals, time slots and content

For more on Linius Technologies, visit [www.linius.com](http://www.linius.com)

For regular news and updates, follow Linius Technologies on Twitter (@linius\_tech), LinkedIn (Linius Technologies Ltd), Vimeo (Linius Technologies) and Facebook (@linius).

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