



ASX Announcement

31 October 2019

Linus Quarterly Activities Report – Period ending 30 September 2019

Key achievements

- **Two Commercial Deals in Sports Vertical**
- **Launch of DATN (a blockchain initiative) in conjunction with IBM**
- **\$4.5 Million Capital Raise to Fund Commercial Activities**

Linus Technologies Limited (ASX: LNU) (**Company** or **Linus**) is pleased to lodge its Quarterly Activities Report and Appendix 4C with the ASX for the quarter ending 30 September 2019.

During the quarter the Company has continued its strategic focus, summarized as:

- Vision:** To make all the world's video accessible as data
Mission: To become the *de facto* standard for the management and broadcast of video
Commercialization: Linus patented Video Virtualization Engine™ (VVE) to deliver to mass markets in 3 ways:
- Self-service to global markets through a SaaS model
 - Mass distribution through partners and resellers
 - Industry specific divisions and solution sets built around VVE

Linus continued to focus on delivering the hyper-personalized TV capability of VVE to seven key verticals, and execute on its plan to deliver across them:

- 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

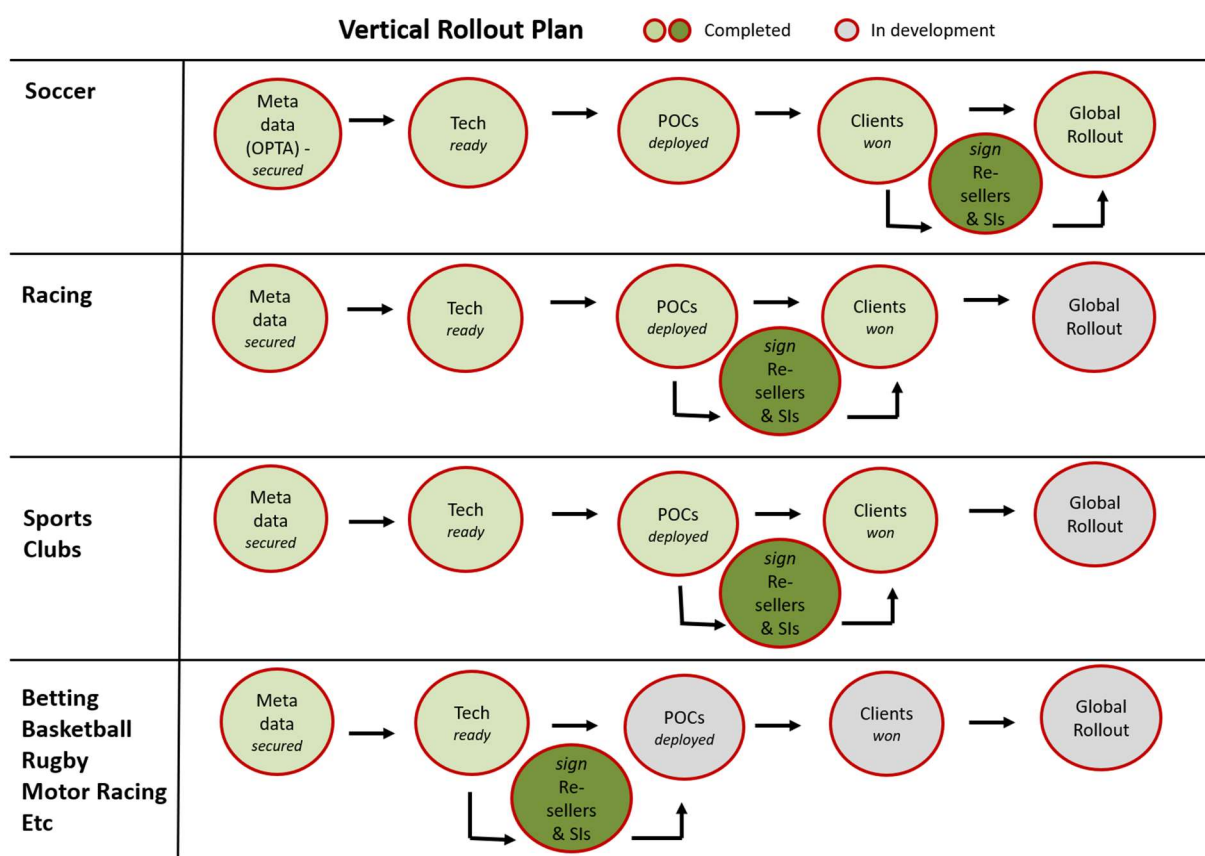
Linus has heavily focused operations on the sports vertical. These represent the progress towards a transition between direct sales and resale-channel sales. Linus' goal of turning all the world's video to virtual video can be summarized as follows for any given vertical:

1. Ensure that a solution is ready for each segment of the vertical, by partnering with leading industry players so that potential clients have no barriers to technology adoption
2. Build a commercial proof of concept (POC) for one or two clients
3. Get early commercial wins through direct sales
4. Sign up resellers and system integrators to replicate those solutions across the market segment

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For sports, Linus is well progressed down this path, with clients won for soccer (SportsHero, ASX: SHO), and racing (Racing.com). As can be seen in the chart above, it is the Company's expectation that, within a given vertical, as additional segments are rolled out, the Company will cease to be involved in direct sales and POCs, as go-to-market partners assume those responsibilities.

Subsequent to the quarter close, the Company announced its first commercial sale for sports clubs, being the Essendon Football Club, along with its partnership with Swanbay, a video platform provider and Linus distribution partner in Europe. This is an example of the above process, where Swanbay is reselling the solution in parallel to Linus closing the first commercial deal in this sector.

As each vertical progresses, the Company repeats the process for additional verticals. Within the realm of the hyper-personalization capability of Linus Video Services (LVS, the Company's SaaS platform for delivery of virtual video), targeted vertical markets include enterprise communications, news, security and defense, and education. For each of these, virtual video provides a unique value proposition, and the Company is making progress against its commercial targets.

	Vision	Strategy	Status
Corporate 	Increased communication and compliance	Outsource to Microsoft	Green light for global roll out Commercial POC completed, Co-sell agreement w/ MSFT signed, On boarding MSFT with initial briefings completed. Metadata generated by Microsoft's Video Indexer. Technology market ready and deployed.
News 	Personalization delivers the answer to driving news subscription	Partner with news aggregators	Green light for global roll out Commercial POC's completed, First aggregator won – Newstag. Metadata available through AI, predominantly MS Video Indexer. Technology market ready and deployed.
Security & Defense 	Instant actionable intelligence	Engage advisors to facilitate introductions	Green light for global roll out Commercial POCs with government agencies underway. Deep engagement with UK agencies. Early engagement with US agencies. Metadata Available through AI. Technology available and deployable off the shelf.
Education 	Enhanced learning and research	Outsource via product integrations	Green light for global roll out Commercial Currently integrating with Kaltura (6.7% OVP market share), promoting on Kaltura marketplace; signed agreement with Media Amp, market leader in the US. Metadata Available through AI. Technology Available and deployable off the shelf.

Operational highlights

First Inroads into Sports Vertical — with the signing of SportsHero for soccer, Racing.com for racing, and (subsequent to the quarter close), Essendon for the Company's "clubs" solution, Linius is making substantial inroads into the first of its verticals serviced by hyper-personalization.

The core proposition of the hyper-personalization in this vertical is that, using Linius, every single sports fan can have their own personalized channel — each subscriber can decide exactly what content is in their channel.

The Company signed a Master Services Agreement (MSA) with SportsHero Limited (ASX: SHO). SportsHero has the rights to use LVS in its app and through their white label solutions, including the "Kita Garuda" mobile application, developed for the Football Association of Indonesia — one of the world's largest sports federations, boasting an engaged fan base of 80 million fans over four leagues and 128 teams.ⁱ

Similarly, Racing.com signed an MSA with Linius. Betting on horse racing in Australia alone generates \$18 billion in annual revenues, and globally it's over \$116 billion each year.ⁱⁱ An initial rollout of a virtual-video experience is expected during Spring Carnival, and following that initial launch, Racing.com and Linius will deliver multiple world-first video experiences in the racing industry and for video as a whole.

In the sports vertical, Linius' hyper-personalized solution can provide value at all levels: broadcasters, leagues, and even individual clubs. The Essendon deal (signed after the close of the Quarter) speaks to this third segment of sports distribution. Ultimately, any content rights holder can deliver a hyper-personalized stream based on their content. Importantly, the club solution was launched in conjunction with Swanbay — a reseller of the Linius technology, focused on European markets.

These initial inroads into the sport vertical are just the beginning, and the Company intends to leverage its initial success to rapidly scale the business in this vertical, and follow on with the other verticals targeted for hyper-personalization.

Revenue from these commercial deals is expected in the December quarter, and is dependent on end-user uptake. All deals are usage based, and at standard Linius pricing.

LVS Marketplace — The LVS marketplace is a publicly available marketplace where Linius and third party developers can publish and promote software solutions built on LVS. In the quarter Hemisphere made available

a personalised advertising solution that will be used in some current client deployments. This opens up a whole new market to virtual video. In addition, various connectors were added allowing clients to more easily virtualise their content. These toolsets open up more potential paths to revenue for Linus and make client deployments simpler and faster.

Blockchain – While hyper-personalization is the immediate, commercial focus of the Company, Linus continues to pursue initiatives in its other key horizontal applications, including anti-piracy. At the International Broadcasters' Convention (IBC), in September, Linus in conjunction with IBM Aspera and other major industry players launched a digital-asset trust network (DATN). At IBC, the companies demonstrated a proof of concept of a blockchain based solution designed to thwart piracy in the production and distribution workflows of major studios, as they move to cloud-based production. While the initiative is in its early stage, the Company is optimistic about the revenue opportunities associated with combating piracy. The US Chamber of Commerce's Global Innovation Policy Center estimates that piracy costs the U.S. economy at least \$29.2 (USD) billion per year.ⁱⁱⁱ

\$4.5 Million Capital Raising to Fund Commercial Activities —the Company conducted a \$4.5 million capital raising via a placement to professional and sophisticated investors during the September quarter, including the Kirby Family and \$300,000 from directors and their nominees, pending shareholder approval. The Company will use the proceeds of the placement to fund continuing operations and deliver on its vision of making all the world's video accessible as data. Commercialization of the technology and building strong, recurring revenue streams will occur as the Company continues to

- Invest in the cloud based Linus SaaS platform – Linus Video Services ('LVS').
- Scale distribution through partnerships including Microsoft, AWS and IBM.
- Replicate solutions in key verticals including sports, news, security and defence, education and corporate communications.
- Further develop the SaaS Marketplace where third parties invest and launch their own technology on the Linus, SaaS platform LVS.
- Invest in and secure further POCs.
- File new patents, trademarks and copyrights in line with the commercialization strategy.

Appendix 4C Quarterly Report and Statement of Cash Flows

The ASX Appendix 4C Quarterly Report for September 2019 is attached to and lodged with this report. The Appendix 4C Quarterly Report covers the 3-month period to 30 September 2019, reflecting the net cash outflows incurred by the Company while pursuing its technology development, marketing and commercialization activities. The cash balance at 30 September 2019 was \$4.873 million, inclusive of the capital raisings in the quarter. With the recent commercial deals, the company expects to commence generating revenue in the December quarter.

The expenditure for this quarter and the coming quarter reflect reduced costs from restructure of the Company's engineering function. The cost impact of these efficiencies are expected to further improve from Q2 of the 2020 financial year.

About Linius Technologies Limited:

Linus 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 investing billions in 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 Linus 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.

Linus 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 compile new videos on the fly
- **Security and Defence:** Intelligent search and immediate distribution of security footage
- **Personalized Advertising:** Hyper personalized to individuals, timeslots and content

For more information please contact:

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ⁱ <https://www.asx.com.au/asxpdf/20190325/pdf/443r67k5hcjy4x.pdf>

ⁱⁱ <https://www.ifhaonline.org/>

ⁱⁱⁱ <https://www.theglobalipcenter.com/wp-content/uploads/2019/06/Digital-Video-Piracy.pdf>

+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Linus Technologies Limited

ABN

84 149 796 332

Quarter ended ("current quarter")

30 Sep 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(1,083)	(1,083)
(b) operating costs	(84)	(84)
(c) advertising and marketing	(77)	(77)
(d) leased assets	-	-
(e) staff and consultant costs	(714)	(714)
- recruitment fees	(40)	(40)
(f) administration, travel and corporate costs	(99)	(99)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	-	-
1.8 Other – legal & patent costs	(51)	(51)
1.9 Net cash from / (used in) operating activities	(2,146)	(2,146)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2)	(2)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(2)	(2)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares*	4,723	4,723
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	4,723	4,723

*net of costs incurred and balance of placement to be received in the second quarter.

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,298	2,298
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,146)	(2,146)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(2)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,723	4,723

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	4,873	4,873

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,701	346
5.2	Call deposits	1,120	952
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	52	1,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,873	2,298

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

146
-

Amounts in item 6.1 relate to remuneration of directors.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	652
9.2 Operating costs	321
9.3 Advertising and marketing	55
9.4 Leased assets	-
9.5 Staff and consultant costs	740
Recruitment fees	10
9.6 Administration, travel and corporate costs	161
9.7 Other – legal & patent costs	41
9.8 Total estimated cash outflows	1,980

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 31 October 2019

Print name: Giuseppe Rinarelli

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.