



## ASX Announcement

31 August 2020

**Linus Annual Activities Update – Year ended 30 June 2020**

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### Highlights:

- Won multiple clients across each target sector and commercially validated the business, including:
  - Linus' AI Meeting Solution with a first integration in to the Livetiles platform;
  - Linus personalised news service to new client Grafa; and
  - Linus sporting solution to Racing.com's "Replay Hub", NBL and Sportshero
- Following commercial success in sports, news, and meetings, partners such as Amazon Web Services ("AWS") now actively introducing their clients to these Linus solutions.
- Continued testing of the Linus security capability by European security agency.
- Continued to drive down expenditure, and refocused the business on relevant market sectors in light of COVID 19

### Overview

Linus' core strategy of providing personalised TV solutions remains unchanged, as does the strategy of commercially validating solutions in each sector, then leveraging partners such as AWS and Microsoft to sell more of them.

During FY2020 management felt that Linus had achieved commercial validation with multiple wins in the sports sector, including clients such as SportsHero, Racing.com, Essendon FC, and National Basketball League, only for them to be delayed by the COVID 19 pandemic. The technology is deployed and ready to go live as the sports open up once more.

More recent commercial wins in April and May, Livetiles for the Video Conferencing solution and Grafa for the News solution, are insulated from these market conditions.

Importantly, partners such as AWS now see the company as commercially validated. AWS are now actively introducing Linus solutions to their clients considering Linus' revenue growth will in turn generate significant new traffic for AWS.

Linus' patented technology, known as Linus Video Services (LVS), is a best practice SaaS platform sat in AWS. It is fully operational, tested to internet scale with well-established and utilised APIs.

Management believe that the new business wins in large markets, with the long-term revenue potential and long-trailing revenue models justify the FY20 investment and position the company well to repeat these solutions for new clients in the quarters ahead.

Directors or their nominees have participated in capital raises and invested \$1,300,000 during the year with a further \$250,000 approved by shareholders subsequent to year end.

## **1. New Business:**

All of the solutions below are readily repeatable across large markets and will begin to deliver revenue to Linus in late September and early October.

### ***Linus' AI Meeting Solution***

Linus' AI Meeting Solution instantly searches the data within the recordings of meetings within selected time-frames, leverages AI including voice recognition, facial detection, transcripts, character recognition, labels, key frames, shot detection and objects recognition (e.g. pages from the actual documents presented in the meeting), and intelligently connects these knowledge assets to deliver them in personalized videos to employees.

The Linus AI Meeting solution is particularly relevant with the video conferencing sector booming:

- Microsoft Teams now has 75 million daily active users, adding 31 million in just over a month<sup>1</sup>.
- Zoom reported a 50% surge in use of the online meeting application in April 2020, up from 200 million to 300 million daily meeting participants<sup>2</sup>.

On April 15<sup>th</sup> Linus and Livetiles announced that Linus' technology would be integrated into the Livetiles platform. The parties were introduced by Microsoft and the solution draws video content from Microsoft Teams and Microsoft Stream with the solution developed likely to of be integrated into other global video conferencing platforms.

Sales activities, to primarily Livetiles clients, have now commenced around the first iteration of the product with first revenues from this deal to be received late in September / early October 2020. Linus go to market strategy is to deploy, validate and repeat. Considering Linus' video conferencing play is commercially validated, partners are actively introducing Linus into their video conferencing clients.

### ***Linus' personalised news service***

On May 6<sup>th</sup> Linus announced new client Grafa. Grafa will provide financial news, charting and market intelligence to its subscribers.

Linus' technology enables Grafa subscribers to personalize finance and business video content based on their interests. Users will input their preferences encompassing economic data, stock markets, forex and cryptocurrencies to effectively build their own bespoke business news channel, tailored specifically to them.

Grafa are building their own platform, leveraging Linus Video Services ('LVS') APIs and are expected to deploy in September 2020 with revenue flowing within 30 days.

### ***Linus' sports solution***

Linus' clients in the sports sector continue to deal with a great deal of uncertainty, including a lack of live sports and distressed commercial models. In addition to a number of active POC's, Linus has deployed solutions for a number of clients and is confident that when live sports re-commence the previously expected revenues will commence.

#### **Racing.com**

Racing.com continues to see great and growing success from Replay hub. The client is expected to continue to grow and provides a valuable case study for the power of personalised video. Linus partners are now introducing Linus into further similar clients.

#### **Sportshero**

Sportshero is deployed and ready to go live. The go-live date and commencement of revenue is dependent on the recommencement of Indonesian football league.

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<sup>1</sup> <https://www.businessinsider.com/microsoft-teams-hits-75-million-daily-active-users-2020-4>

<sup>2</sup> <https://www.bloomberg.com/news/articles/2020-04-22/zoom-daily-users-surge-to-300-million-despite-privacy-woes>

## **NBL**

NBL is deployed and ready to go live with the parties taking the opportunity to explore further enhancements.

### **Other**

- A European security agency continues to pilot the technology in counter-terrorism related activity with live trials expected in the December quarter.
- The previous work in anti-piracy, including a Proof of Concept ("POC") with Warner Bros. has continued to develop into our Blockchain capability where the highlight of the year was the collaboration with IBM's Digital Asset Trust Network Team and the launch of the Linus subsidiary Blockchain Video Services ("BVS") to develop Linus' blockchain technology<sup>3</sup>.
- Capabilities developed during POC's previously undertaken with Universities are now being rolled out with LiveTiles.

## **2. 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 FY20 ended 30 June 2020.

The financial results and net cash outflow for Financial Year 2020 reflect the commercialisation activities undertaken by Linus. Over that period, the Company has acted on its strategy to conclude commercial deals and targeted POCs, discussed above. The investment in our people, technology and processes will further enable the Company to capitalize on growing global market opportunities for Linus.

### **a. Capital Raises**

During the year, Linus raised \$6,954,434, including \$1,300,000 from directors or their nominees, before costs. An additional \$250,000 was approved by shareholders on 6<sup>th</sup> August 2020, subsequent to year end, and is expected to be received over the coming days.

### **b. Operational Expenditure**

During the year significant investment has occurred in the Company's engineering function, with a number of full-time resources being brought in house, resulting in a significant reduction in consultancy and software development expenses for the year, whilst increasing the output of key software deliverables and our capabilities to support clients.

In addition, the Company acted decisively to cut costs in March 2020, in light of the impacts of COVID 19 on our key market segments. The cost reductions included Board and senior management taking significant pay cuts of 20-80% of total compensation along with the negotiation of cost reductions with key suppliers in the range of 20-50%.

The above changes to the engineering function and reductions in key costs resulted in cash outflows for June 2020 quarterly of \$1,058,000, compared to \$2,665,000 in the June 2019 quarter.

The Company has continued to maintain its cost discipline, notwithstanding the completion of four-month pay cuts from 1<sup>st</sup> August 2020, and expects that its cost base will remain significantly reduced from previous quarters, until such a time that expected significant revenues begin to flow.

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<sup>3</sup> <https://www.bvsplatform.com>

### **3. Building on the investment from 2020**

Linus' core strategy of providing personalised TV solutions remains unchanged and has achieved significant commercial wins.

The Company is focussed on two things:

1. Generating significant near-term revenue growth from Linus' proven technology solutions:
  - Video conferencing solution, with Livetiles
  - Personalised Finance News product, with Grafa; and
  - Sports personalisation, with Racing.com and other existing sports clients such as Sportshero and NBL as their markets re-open.
2. Deploying and repeating these established and commercially validated solutions with other similar organisations. Close Partners such as AWS and Microsoft are actively introducing these Linus' solutions to their clients.

The company will be conducting an investor webinar in the coming weeks to up-date the market on Livetiles sales, deployment of the Grafa and NBL services and pipeline opportunities.

### **Extended Reporting Deadline provision**

The ASX and ASIC have issued a class waiver in relation to the lodgement of 2020 Annual Reports (Extended Reporting and Lodgement Deadlines - Listed entities) Instrument 2020/451 dated 15 May 2020 ("ASIC Relief"). The Company intends to report as per normal by the end of September 2020, however, reserves its right and will provide timely disclosure in the event that it seeks to rely on the provision.

This announcement has been approved for release to ASX by the Board of Directors of the Company.



## About Linus 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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#### **Linus Technologies Limited**

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