



## ASX Announcement

31 July 2019

Linus Quarterly Activities Report – Period ending 30 June 2019

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### Key achievements

- **First Inroads into Sports Vertical**
- **Hemisphere's Widget Suite Launched on LVS**
- **Launch of Linus Marketplace and Partner Portal**
- **Accepted into Microsoft Co-Sell Program**
- **\$3.5 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 June 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

During the quarter, Linus continued 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

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

**Subsequent to the quarter close**, 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.

Each target vertical has active conversations and in some cases active deployments with potential clients.

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The Company remains committed to its commercial strategy. These direct sales (such as Sportshero and Newstag commercial deals) and POCs commercially validate the technology and enable Linius to replicate these successes into similar clients around the world. Linius is actively marketing these solutions to the news and sports markets.

Throughout the quarter Linius continued to invest in the paths to scale:

- through developing channel-partner relationships, such as Microsoft;
- encouraging and receiving new third party-built products on LVS, driving new usage. A good example of this is the launch of the self-service application, built by Hemisphere, which allows clients to quickly deploy personalized content solutions for their viewers; and
- through innovation such as Blockchain, where Linius believes its virtual video could be the enabling factor to make a video blockchain possible.

Additionally, Linius remains committed to delivering its products cloud-first, as SaaS both reduces customer capex and leads to recurring revenue streams. Many of the world's leading technology companies — Microsoft, Amazon, and Google, to name a few, have business strategies centered on personalization. Linius is perfectly positioned to deliver the next evolution of TV viewership, and to generate rapid adoption through its SaaS platform and channel partners.

### **Operational highlights**

**First Inroads into Sports Vertical** — subsequent to the close of the quarter (on July 1, 2019), the Company announced that it had entered into a Master Services Agreement with SportsHero Limited (ASX: SHO). SportsHero has the rights to use LVS in their 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.<sup>i</sup> The term of the agreement is two years with provisions for extension. Pricing is at Linius' standard pricing. Revenue will be dependent on the take-up of the service.

Linius continues to engage with sports broadcasters for POCs using their sports content. The core proposition of the POC 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.

POCs are designed to provide commercial validation of the Linius technology and to produce repeatable solutions that can be sold by the Company and its partners to similar organizations around the world.

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.

**Blockchain** — in March 2019 Linius demonstrated that the combination of blockchain technology and virtual assets made it possible to store digitized video assets on the blockchain and control those assets via smart contracts. The Company has spent very little on the development of the technology, instead targeting one of the world's leading cloud providers with the concept and the Company is actively involved in demonstrating the technology at scale in a significant market.

**Microsoft Co-Sell Program** — admission to the Microsoft Co-Sell Program was a substantial step forward on the Company's Channel Partner plan, and represents a significant expansion on the previously announced Microsoft relationship. Microsoft sales teams around the world will be compensated for selling Linius solutions to Microsoft's vast customer base. Their sales representatives and partners are incentivized and enabled to sell a range of Linius solutions, including hyper-personalization solutions and services via LVS.

**Hemisphere's Widget Suite Launched on LVS** — Linius Video Services is the SaaS offering at the heart of the Company's business. The product is designed to allow businesses, developers, and system integrators around the world to create and deliver previously impossible hyper-personalized video experiences at scale. In the

March quarter, the Company announced that Hemisphere, a leading video-systems integrator based in Auckland, New Zealand, was developing a “search and assembly” application.

The search-and-assembly application, launched in the June quarter as the Widget Suite, is already seeing success, including as part of the SportsHero engagement and ongoing POCs. The Widget Suite encompasses a set of simple instructions and code snippets that clients can embed on their website or mobile app – with no development or Linius resources required – in as little as an hour, and which will provide the full Linius hyper-personalization capability. The ease of deployment of widget suite has been instrumental in accelerating deals, and the Company expects this trend of acceleration to continue in other verticals beyond sports.

In addition to these initiatives Hemisphere has also committed to develop a personalized advertising solution, delivering hyper-personalized advertising solutions.

**Linius Marketplace and Partner Portal** — two of the three pillars of the Linius strategy to scale the business are its SaaS offering (LVS) and its channel-partner program. In support of those initiatives, the Company expanded its services in the June quarter. In order to further simplify the use of LVS, and to enable third-party developers to provide add-ons that they can independently monetize, Linius launched its Marketplace. (<https://www.linius.com/marketplace/>)

In addition to the Widget Suite, the Marketplace currently hosts a number of adapters to make it easier to virtualize video from various sources. The Company also developed and launched a portal for its channel partners, where they can receive dedicated support and documentation, focused on their particular business, whether that be as a reseller or distributor, a managed-service provider, a video-solution vendor, a system integrator, or an alliance partner. Continuing to invest in support of Linius’ partners and LVS users is critical to accelerating adoption of the platform and driving the business towards becoming the *de facto* standard for video.

**\$3.5 Million Capital Raising to Fund Commercial Activities** —the Company conducted a \$3.5 million capital raising via a placement to professional and sophisticated investors during the June quarter, including \$1 million from directors and their nominees received in July 2019 following shareholder approval. The proceeds from the raising will be used to fund continuing operations along the Company’s three-pronged strategy for achieving its vision of making all the world’s video accessible as data.

#### **Appendix 4C Quarterly Report and Statement of Cash Flows**

The ASX Appendix 4C Quarterly Report for June 2019 is attached to and lodged with this report. The Appendix 4C Quarterly Report covers the 3-month period to 30 June 2019, reflecting the net cash outflows incurred by the Company while pursuing its technology development, marketing and commercialization activities. The cash balance at 30 June 2019 was \$2.3 million, inclusive of the \$2.5m capital raising in the quarter. Post the close of the quarter \$1 million was received from the directors and their nominees as noted above taking the total cash to \$3.3 million as at 6 July 2019, excluding cash outflows for the September 2019 quarter.

The expenditure for this quarter and the coming quarter reflect accelerated costs for replicable products in commercial deployment providing efficiency for future deployments. 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:**

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:**

Chris Richardson, Chief Executive Officer

**Linus Technologies Limited**

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

Linius Technologies Limited

**ABN**

84 149 796 332

**Quarter ended ("current quarter")**

30 June 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(1,014)	(4,341)
(b) operating costs	(205)	(1,302)
(c) advertising and marketing	(173)	(625)
(d) leased assets	-	-
(e) staff and consultant costs	(826)	(3,058)
- recruitment fees	(18)	(461)
(f) administration, travel and corporate costs	(392)	(976)
1.3 Dividends received (see note 3)		
1.4 Interest received	10	107
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	-	36
1.8 Other – legal & patent costs	(47)	(194)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,665)</b>	<b>(10,814)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(24)	(24)
(b) businesses (see item 10)		
(c) investments		

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
(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)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(24)</b>	<b>(24)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares*	2,320	2,370
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)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>2,320</b>	<b>2,370</b>

\* An additional \$1,000,000 has been received as consideration from the directors and their nominees for shares issued in July.

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,667	10,766
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,665)	(10,814)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(24)	(24)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,320	2,370
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,298</b>	<b>2,298</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	346	149
5.2	Call deposits	952	1,468
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	1,000	1,050
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,298</b>	<b>2,667</b>

**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**

268

-

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. <b>Financing facilities available</b> <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. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	1,008
9.2 Operating costs	98
9.3 Advertising and marketing	73
9.4 Leased assets	-
9.5 Staff and consultant costs	863
Recruitment fees	65
9.6 Administration, travel and corporate costs	261
9.7 Other – legal & patent costs	25
<b>9.8 Total estimated cash outflows</b>	<b>2,393</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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 July 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.