



ASX Announcement

31 January 2020

Linus Quarterly Activities Report – Period ending 31 December 2019

Linus Technologies Limited (ASX: LNU) (“**Linus**”, or “**Company**”) is pleased to lodge its Quarterly Activities Report and Appendix 4C for the Quarter ending 31 December 2019 (“**Quarter**”), and to report its first revenue.

Key Achievements

- In November 2019, the Company signed a commercial agreement with the Australian National Basketball League (NBL), to launch personalised video services to Australian basketball audiences.
- Racing.com signed a master services agreement (MSA) with Linus and deployed an initial implementation of a virtual-video experience on its website during the Spring Racing Carnival.
- Essendon Football Club signed as the first sports team using the Linus Club Solution, now being rolled out through distribution in Europe.
- First cash receipts received from commercial activities during the Quarter, with cash receipts anticipated to grow as clients deploy and build upon Linus’ technology.

The December quarter was a significant milestone in the evolution of the Company, as Linus achieved its first cash receipts from commercial activities, and made significant inroads into the sports vertical, including deals in horse racing, Australian football, and basketball, adding to the Company’s previous success with soccer.

Addressable Market

While validation of the Company’s technology in terms of its first cash receipts was an important step, and while the Company expects revenue and cash receipts to grow from these initial deals, as its clients deploy and build upon Linus’ technology¹, the significance of said deals is far greater in terms of outlining the future market opportunity. In the U.S. alone, only on the four largest sports networks (ESPN, ESPN2, Fox Sports, NBC Sports Network), viewers watched over 1 trillion (1,000 billion) minutes of sports in 2018.² Even at the individual-sport level, the numbers are quite large:

- English Premier League viewership for the 2018/19 season: 3.2 billion people³
- US National Basketball Association 2017/18 season viewership: over 1 billion unique viewers⁴
- World gambling statistics show that around 26% of the population gamble⁵, which includes watching and betting on horse racing

Personalized Channels

Many of the world’s largest Internet businesses have been built either on the concept of personalization, or by

¹ Actual revenue is dependent on end-user usage

² <https://www.hollywoodreporter.com/live-feed/staggering-amount-time-americans-spend-watching-tv-1224123>

³ <http://www.sportspromedia.com/news/premier-league-audience-figures-global-2018-19-season>

⁴ <https://www.forbes.com/sites/patrickmurray/2019/01/20/inside-the-nbas-attempts-to-reach-a-global-audience/>

⁵ <https://www.casino.org/gambling-statistics/>

leveraging technology to enable personalization: Google, Facebook, and Twitter all monetize their platforms through personalized advertising; Amazon led the way in personalized recommendations, and now Shopify offers similar capability for those who build an electronic storefront on their platform.⁶ Netflix' business model is built on the concept of watching what you want, when you want. The application of Linius' technology to the problem allows broadcasters to extend this concept of personalization down to the internal pieces of a given TV show. The Company believes its clients are building a deeply-personalized channel capability, where their viewers will be able to use business rules to construct their own personal channels, displaying exactly the content they want to see.

At the Annual General Meeting during the December Quarter, the Company demonstrated this capability in the form of a personalized soccer channel constructor. Viewers were able to select their favorite team, favorite player, favorite sports news programs, and what they wanted to see from each (e.g., "I want my channel to include all of Soccer Saturday, the full game if my favorite team played, and any mention of my favorite team or favorite player on Monday Night Football or the Sunday Supplement"). The demonstration continued to show how viewers could further customize their personal channel by uploading photos, choosing a theme, connecting to social media, etc....

In November 2019, the Company commissioned an independent study of soccer fans in the UK to determine the potential market opportunity for personalized channels for its clients. The study was conducted by Quantum Market Research, who surveyed 1,000 football fans with a distribution equivalent to the population of the UK, in order to achieve statistically significant results. The outcome exceeded the Company's expectations:

- 96% of respondents said they would be likely to use a personalized channel if it were offered as an additional service by their TV provider;
- 77% of respondents said they would be more likely to renew their subscription if they were offered personalized channels; and,
- the average price respondents said they would pay for their own personalized channel, on top of existing subscription fee, was £14.30 (\$27 AUD) per month.

A full copy of the research can be downloaded at: <https://try.linius.com/personalizedchannels>

The Company provides this capability as a software-as-a-service (SaaS) platform to content-rights holders. The above described demonstration is indicative of the nature of a personalized channel, where the broadcaster holds rights for a single sport, and the Company believes similar capabilities will be deployed by clubs, leagues, and third-party geographic-rights holders in individual sports. This capability is not limited to a single sport, and can be applied across any content to which the Company's customers have rights. Linius envisions that future clients will have content rights across multiple sports, news, and entertainment, using the technology to allow their viewers to build multiple comprehensive personalized channels that draw from all of their content.

Linius' pricing begins at \$0.00022 per minute of personalized TV viewed, with additional charges for other Linius software and services offered. In 2017, the world watched approximately 480 trillion minutes of TV, and spent approximately the same amount of time online.⁷

Go to Market Plan

Linius has heavily focused operations on the sports vertical. As part of the Go to Market Plan, the next steps are to drive a transition between direct sales and resale-channel sales, and to repeat this process in other vertical

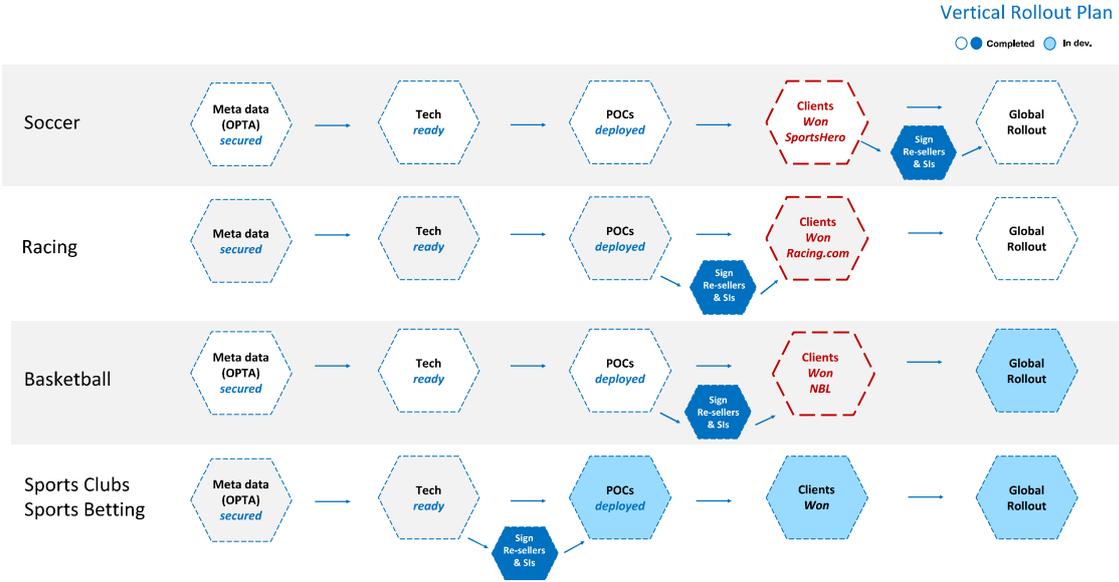
⁶ <https://developers.shopify.com/changelog/product-recommendation-api-available-to-plus-merchants>

⁷ 175 minutes per day per person, globally; 365 days in 2017; a world population of 7.53 billion:
<https://www.vox.com/2018/6/8/17441288/internet-time-spent-tv-zenith-data-media>
<https://www.un.org/development/desa/publications/world-population-prospects-the-2017-revision.html>

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markets. Linius' 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



This represents a continuation of the Company's strategic focus, summarized as follows:

- 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:** Linius 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

An important part of this commercialization strategy is the next step, mentioned above: to drive a transition from direct sales to resale-channel sales. The Company has already made substantial progress in terms of reseller partners. Linius is part of the Microsoft Co-Sell program — a global relationship which puts the Company in front of Microsoft's managed accounts, and compensates Microsoft sales people for selling Linius' products and services; is a Select Tier partner with Amazon Web Services, has a global collaboration agreement with IBM and works in partnership with Stats Perform, who provide the world's leading time-stamped metadata for sports. Additionally, the Company is targeting channel partners and other resellers in vertical markets by geography. Swanbay is an example of this: they are a reseller in the UK which will be taking the Linius Sports Club solution, initially sold directly to Essendon Football Club, and bringing it to sports franchises across the UK and EU.

By partnering with both global and local strategic resellers, the Company is building a channel to market which it believes will scale sales globally into large clients significantly faster and more cost effectively than the Linius could achieve through a direct sales force. The Company estimates that Microsoft alone has 30,000 sales people, and relationship with nearly all of its potential clients.

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Operational Highlights

Launch on Racing.com

In the September 2019 quarter, Racing.com signed a master services agreement (MSA) with Linus, and deployed an initial implementation of a virtual-video experience on its website during the Spring Racing Carnival. The Company continues to work closely with Racing.com on additional, personalized TV opportunities for their website, as well as the prospect of reselling a solution into the broader horse-racing community. Betting on horse racing in Australia alone generates \$18 billion in annual revenues, and globally it's over \$116 billion each year.⁸

National Basketball League Commercial Agreement

In November 2019, the Company signed a commercial agreement with the Australian National Basketball League (NBL) to launch personalised video services to Australian basketball audiences. The agreement includes a fixed monthly service fee plus additional per video fees for advertising insertion, with total revenue under the agreement dependent on take up of the service. As part of this deal the NBL is strongly financially incentivized to introduce Linus services to all basketball leagues around the world. Basketball has over one billion followers globally.⁹ The Company expects the NBL to go live with a service based on Linus' technology in the March 2020 quarter.

Sports Club Solution

In the December 2019 quarter, the Company closed its first commercial deal in this sub-vertical with Essendon Football Club, and signed Swanbay, a digital content and engagement company, as a reseller for the solution in Europe. In the age of the Internet, the term "broadcaster" has broadened substantially, and in many cases, individual sports clubs have certain rights to their content and run their own TV channels (e.g., Chelsea Football Club from the English Premier League)¹⁰. Swanbay has integrated the Company's technology into their Global Content Distribution Platform and is currently engaging in the sales process with clubs across Europe. In addition to delivering personalized TV to their fans, the Company expects clubs to use Linus' technology for player development and coaching, media editing, archives, and breaking news.

The Future

The Company's immediate focus is on helping existing clients deploy solutions that delight their customers and increase engagement, working towards initial deployments with SportsHero, the NBL, and Essendon Football club, and helping Racing.com to develop a roadmap and expand their deployment, as well as execute the next deals in our pipeline – delivering increasing recurring revenue streams for Linus. As already mentioned, the next steps are to move sales in the sports vertical from direct to channel-partners, and to repeat this process in additional verticals.

In addition to sports, the Company believes its personalized TV experience has tremendous value and plans to execute on its plan to deliver across

News – developing new revenue models with hyper-personalized news

Security & Defense – assembling and distributing actionable intelligence

Gambling – driving subscription and gambling revenues with granular data

Education – unleashing the value of video: learning, teaching, research & business

Corporate Comms – boosting employee performance and meet compliance

Media & Entertainment – reducing piracy and driving workflow efficiency

As each vertical progresses the Company intends to repeat the process for additional verticals. Within the realm of the hyper-personalization capability of Linus Video Services (LVS, the Company's SaaS platform for

⁸ <https://www.ifhaonline.org/>

⁹ totalsportek.com/most-popular-sports

¹⁰ <https://www.chelseafc.com/en/videos/v/chelsea-tv>

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

Other Applications

While hyper-personalization is the immediate, commercial focus of the Company, Linius continues to pursue initiatives in other key horizontal applications, including anti-piracy. Linius is one of the founding members of the Digital Asset Trust Network initiative, and the Company has been working in partnership with IBM-Aspera and other founding members on developing an industry paper and proof of concept which has now been published and is available at <https://www.linius.com/wp-content/uploads/2019/11/DATN-Whitepaper-1.pdf>. 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.¹¹

In addition to the DATN initiative, the Company is investigating other opportunities to commercialize its core technology in the context of blockchain. Further, there are applications for Linius’ virtual video beyond personalized TV in security and defense, personalized advertising, and many other horizontal and vertical markets.

Appendix 4C Quarterly Report and Statement of Cash Flows

The ASX Appendix 4C Quarterly Report for December 2020 is attached to and lodged with this report. The Appendix 4C Quarterly Report covers the 3-month and 6-month period to 31 December 2019, reflecting the net cash outflows incurred by the Company while pursuing its technology development, marketing and commercialization activities. The cash balance at 31 December 2019 was \$3.182 million, inclusive of the capital raisings in the 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 in subsequent quarters with expenditure reductions in the vicinity of \$300k per quarter to approximately \$1.9m.

¹¹ <https://www.theglobalipcenter.com/wp-content/uploads/2019/06/Digital-Video-Piracy.pdf>

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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 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 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 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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+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")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	19	19
1.2 Payments for		
(a) research and development	(836)	(1,920)
(b) operating costs	(302)	(384)
(c) advertising and marketing	(107)	(185)
(d) leased assets	-	-
(e) staff and consultant costs	(756)	(1,470)
- recruitment fees	(30)	(70)
(f) administration, travel and corporate costs	(172)	(271)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	4
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 and patent costs)	(18)	(69)
1.9 Net cash from / (used in) operating activities	(2,200)	(4,346)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(22)	(24)

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	-	-
(j) investments	-	-
(k) intellectual property	-	-
(l) 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	(22)	(24)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities* (excluding convertible debt securities)	531	5,254
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
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	531	5,254

*net of costs incurred

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	4,873	2,298
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,200)	(4,346)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(22)	(24)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	531	5,254
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,182	3,182

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	3,103	3,701
5.2	Call deposits	-	1,120
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	51	52
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,182	4,873

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

288

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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**

-

-

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Quarterly cash flow report for entities subject to Listing Rule 4.7B

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	671
9.2 Operating costs	160
9.3 Advertising and marketing	88
9.4 Leased assets	-
9.5 Staff and consultant costs	684
Recruitment fees	-
9.6 Administration, travel and corporate costs	208
9.7 Other – legal & patent costs	67
9.8 Total estimated cash outflows	1,878

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 January 2020

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.