

1H19 RESULT, WAITING FOR REVENUE

March quarter should see revenues commence

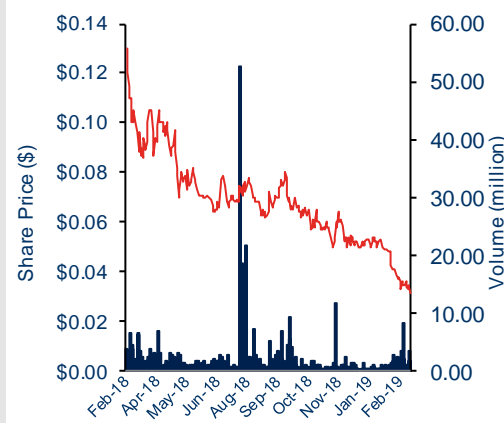
- Linus Technologies (LNU) provided an activities update for 1H19. LNU is pre-revenue at this stage and has only one direct commercial agreement with Swedish news services business, Newstag, to engage in hyper-personalised news search. Newstag expects to begin introducing LNU to news agencies around the world in the March qtr. LNU expects initial revenue from Newstag itself in the March qtr, via using the platform technology for its own internal purposes. LNU went live with two Proof of Concept (POCs) in the period with Warner Bros. and Oklahoma State University (OSU). Both POCs have completed with the Warner Bros. test being evaluated and the OSU POC deemed successful. OSU is now acting as a reference both internally and externally for commercial prospects. In the re-seller market, its education sector partner MediaAMP began introducing LNU to both their existing clients and sales pipeline, in order to offer a hyper-personalised experience to students, administrators and alumni at US higher-education institutions. At this point there remains significant uncertainty around the timing and quantum of revenue that can be generated. Subsequently, we have not provided forecasts or a valuation for LNU, and as such we recommend LNU on a Spec. BUY basis.**
- LNU noted that its SaaS platform – Linus Video Services (LVS) – became commercially live during the period. Over the long-term, LNU expects LVS to be a significant portion of its business. The “cloud” is now mainstream, with c.96% of organisations using it in one way or another. LVS is a multi-cloud platform, well positioned to capitalise on this trend. It also allows inventors, entrepreneurs and businesses of all sizes to innovate with virtual video.
- LNU has recently demonstrated that it can protect ownership rights of digital assets through its virtual video engine (VVE) technology. It has proven that actual video data can be played out only after the content owners’ rules have been satisfied. Current methodologies are considered challenging due to the size of video files. The standard internet format of MP4 is too large, whereas virtual videos are fractions of a percent of the size of current videos, making them ideally suited to dealing with digital assets. LNU is now engaging with several organisations as commercial pilot partners.
- LNU has c.\$5.1m in cash and c.62m options expiring in September 2019.

No forecasts are available at this stage, given the premature nature of the business.

1 March 2019		
12mth Rating	SPEC BUY	
Price	A\$	0.031
Target Price	A\$	na
12mth Total Return	%	na
RIC: LNU.AX		BBG: LNU.AU
Shares o/s	m	938.1
Free Float	%	83.1
Market Cap.	A\$m	32.8
Net Debt (Cash)	A\$m	0.0
Net Debt/Equity	%	0.0
3mth Av. D. T'over	A\$m	0.251
52wk High/Low	A\$	0.125 / 0.03
2yr adj. beta		1.01
Valuation:		
Methodology		na
Value per share	A\$	na
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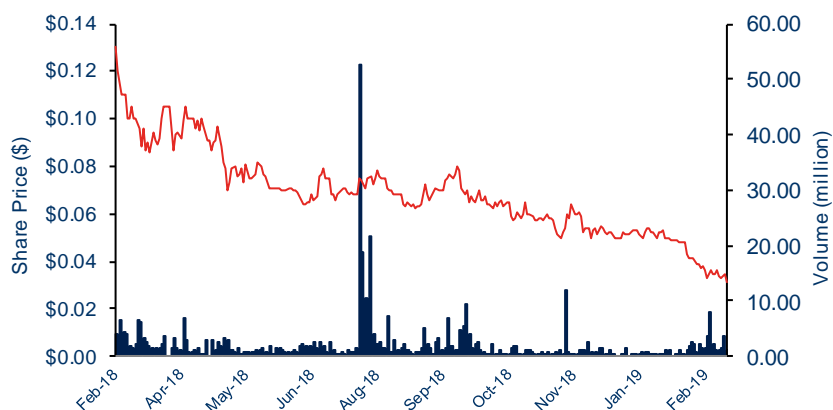
Disclosure-The analyst owns shares in LNU

12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	-36.7	-51.5	-76.1
Rel. S&P/ASX 300	-41.3	-59.3	-78.5

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