



ASX Announcement

30 April 2019

Linus Quarterly Activities Report – Period ending 31 March 2019

Highlights

- **\$3.5 Million Capital Raise to Fund Commercial Activities to 2020**
- **Accepted into Microsoft Co-Sell Program**
- **Third-Parties Begin Building Applications on Linus' Cloud SaaS Platform**
- **Completed Technology Trial with Warner Bros.**
- **Delivered Worlds-First Video on Blockchain Proof of Concept (POC)**

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 31 March 2019.

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

- Vision:** To make all of the worlds' 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:
- Industry specific divisions and solution sets built around VVE
 - Mass distribution through partners, such as IBM
 - Self-service to global markets through a Software-as-a-Service (SaaS) model

During the quarter Linus has made significant inroads towards delivering on its strategy at scale, with the direct sales pipeline continuing to expand across a number of markets with clear value propositions.

Linus' activity remains largely focused on delivering hyper-personalized video experiences. These propositions are resonating well, as evidenced by third-party organizations beginning to develop hyper-personalized solutions on top of the Company's SaaS platform — Linus Video Services (LVS) — and by the admission of the Company into the global Microsoft Co-Sell Program.

Many of the world's leading technology companies have business strategies centered on personalization — Facebook, Google, and Amazon, to name a few. But, until now, this has proven impossible with video. Linus has provided and demonstrated the answer, and is perfectly positioned to deliver the next evolution of TV and video viewership across many markets.

The key markets being targeted are:

- Sports** – Deliver subscription-based hyper-personalized sports channels
- News** – Develop new revenue models with hyper-personalized news
- Education** – Unleash the value of video across learning, teaching, research and business functions
- Corporate Communications** – 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 Technologies Limited (ASX: LNU)

ABN 84 149 796 332

Suite 0313, Level 3, 299 Toorak Road, South Yarra VIC 3141 Australia

t: +61 3 8672 7186 / e: info@linus.com

The Company remains committed to its commercial strategy and has established 3 paths to growth:

1. Linius Video Services (LVS)

LVS is a self-service platform allowing clients to deliver their own solutions with no involvement from Linius personnel. It is the technical core of the business. It is fully functional and following the successful beta release in the quarter, mass marketing commenced in February 2019ⁱ. All direct sales and partner sales are being delivered on LVS.

LVS is a mechanism to quickly make virtual video available to the huge global addressable market. The company will continue to work with partners to introduce new capabilities onto LVS.

2. Channel Partners

The Company has established a strong partner network and continues to invest in these relationships. The Company has continued to build out its network of resellers and partners during the quarter. These partners are actively developing their own products on LVS, and building their sales pipelines.

The Company also launched the new Linius Partner Program, designed to attract and enable best-of-breed partners – from resellers, distributors, and system integrators, to referral and technology partners. Developed in consultation with existing partners, the program offers the right tools, support and incentives to accelerate the ongoing commercialization of Linius’ video hyper-personalization technology via the channel.

3. Direct Sales

The company has a small direct sales team. Direct sales of commercial deals and POCs are intended to commercially validate the technology and provide case studies in specific target markets, ahead of a mass market roll-out through partners and LVS.

Operational Highlights

\$3.5 Million Capital Raising to Fund Commercial Activities — subsequent to the close of the quarter, the company closed on a \$2.5 million capital raising via a placement to professional and sophisticated investorsⁱⁱ. A further \$1 million investment from Linius directors, pending shareholder approval, is expected to be received in the June 2019 quarter. 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. During the quarter, the Company communicated that non-recurring costs associated with special projects and POCs are expected to reduce as those initiatives complete. With the lower burn rate, and the conclusion of this raise, the Company believes it is in a good position to drive revenue and execute its strategy into calendar 2020.

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

Third-Party Applications on LVS — LVS 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. During the quarter, the first such third-party products were announced, with leading internet software development company and systems integrator, Hemisphere (based in Auckland, New Zealand), announcing two products being built on LVS: A personalized advertising solution, and a ‘search and assembly’ application.

1. The personalized advertising solution aims to generate much higher revenues for advertisers by enabling them to target individuals with individual ads, dynamically insert individual ads at any point in time within a video stream, deliver ad blocker immune advertising, and provide rich analytics^{iv}.
2. The search and assembly application will deliver a set of simple instructions and code snippets that clients can embed on their websites or mobile applications, in as little as an hour, to leverage the full Linius video hyper-personalization capability – with no development or Linius resources required^v.

Completion of Warner Bros. Technology Trial — In February 2018, Linius and Warner Bros. entered into a collaboration agreement to enable testers to rent films for a limited period of time for viewing through a Transactional Video On Demand (TVOD) model, utilizing the Linius VVE to stream those films as virtual videos. The trial was executed by leading independent testing company Qualtrics, from November 2018 to February 2019^{vi}. The test involved the streaming of selected Warner Bros. movies over a TVOD OTT (over the top) platform. The video streams were protected by industry standard DRM (Digital Rights Management). The testing criteria included a range of quantitative data (machine collected performance data), such as video load times and buffering, and qualitative data based on perceptions of the quality of the experience. The trial verified that high and standard definition movies will stream virtually on demand and met standard industry quality metrics.

Blockchain Proof of Concept — The promise of blockchain is to have a transformative impact on the management of digital assets; particularly across borders. However, this promise has yet to be realized in any significant way for traditional digital assets. The Company has long believed that its virtual video technology could be the enabling factor to make a video blockchain possible^{vii}. To date, the Company has made *de minimis* investment in blockchain research and development. In March 2019, Linius demonstrated to the world that the combination of blockchain technology and virtual video makes it possible to store digital video assets on the blockchain and control those assets via ‘smart contracts’ — an industry term for a set of rules (a contract) running on a blockchain^{viii}. The Company is currently working with commercial pilot partners to accelerate the move from prototype to a commercially viable product and to further develop the commercial models.

Appendix 4C Quarterly Report and Statement of Cash Flows

The ASX Appendix 4C Quarterly Report for March 2019 is attached to and lodged with this report. The Appendix 4C Quarterly Report covers the 3-month period to 31 March 2019, reflecting the net cash outflows incurred by the Company while pursuing its technology development, marketing and commercialization activities. The cash balance at 31 March 2019 was \$2.7 million, prior to the additional cash from the \$3.5m capital raising in April 2019.

Net operating cash outflows for the quarter were \$2.6m. This represents a \$170k decrease in quarterly spend due to a reduced, but more targeted, sales and marketing spend and a reduction in travel costs. This more targeted approach is continuing in the current quarter with outflows reducing further to an estimated \$2.35m for the June 2019 quarter.

Management continues to direct funds to the business activities most relevant to the achievement of the Company’s business goals.

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^{ix}. It is arguably the biggest battle on the internet, given that video accounts for nearly 80 percent of internet traffic^x.

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’ VVE-powered [Video Hyper-Personalization and Search Solution](#) enables anyone to instantly search the data within video, from across an infinite number of sources, and automatically assemble the results in a single stream on-the-fly. No human hands required.

Linius is revolutionizing the way organizations and individuals across the globe produce, deliver and consume video, enabling previously impossible hyper-personalized video experiences

It’s a breakthrough set to disrupt entire multi-billion-dollar industries. Linius is initially focused on delivering its Video Hyper-Personalization and Search Solution to six core markets: News and Media, Sports Broadcasters and Rights Holders, Education, Corporate Communications, Security and Defense, and Sports Betting.

For more on Linius Technologies, visit www.linus.com

For more information please contact:

Chris Richardson, Chief Executive Officer

Linius Technologies Limited

www.linus.com / T: +61 3 8672 7186

Press and Media: pr@linus.com

Investor Enquiries: ir@linus.com

General info@linus.com

ⁱ Linius Technologies Limited, *Linius launches global marketing campaign to promote Linius Video Services*, <https://www.linus.com/linus-launches-global-marketing-campaign-to-promote-linus-video-services/>

ⁱⁱ Linius Technologies Limited, *Linius Raises \$3.5 Million*, <https://www.linus.com/linus-raises-3-5-million/>

ⁱⁱⁱ Linius Technologies Limited, *Linius boosts global reach with admission to Microsoft Co-Sell Program*, <https://www.linus.com/linus-boosts-global-reach-with-admission-to-microsoft-co-sell-program/>

^{iv} Linius Technologies Limited, *Hemisphere to build personalized advertising technology on Linius SaaS platform*, <https://www.linus.com/hemisphere-to-build-personalized-advertising-technology-on-linus-saas-platform/>

^v Linius Technologies Limited, *Hemisphere to further invest in building technology on Linius Video Services*, <https://www.linus.com/hemisphere-to-further-invest-in-building-technology-on-linus-video-services/>

^{vi} Linius Technologies Limited, *Linius completes technology trial with Warner Bros.*, <https://www.asx.com.au/asxpdf/20190329/pdf/443w9w52438b0v.pdf>

^{vii} Linius Technologies Limited, *Linius successfully tests world’s first virtual-video blockchain*, <https://www.linus.com/linus-successfully-tests-worlds-first-virtual-video-blockchain/>

^{viii} Linius Technologies Limited, *Linius releases recording of video blockchain webinar*, <https://www.linus.com/linus-releases-recording-of-video-blockchain-webinar/>

^{ix} RS Components, *The Race for AI*, <https://uk.rs-online.com/web/generalDisplay.html?id=i/race-for-ai>

^x Cisco, *Cisco Visual Networking Index*, <https://www.cisco.com/c/en/us/solutions/service-provider/visual-networking-index-vni/index.html>

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")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(1,324)	(3,327)
(b) operating costs	(325)	(1,099)
(c) advertising and marketing	(133)	(452)
(d) leased assets	-	-
(e) staff and consultant costs	(669)	(2,232)
- recruitment fees	(90)	(443)
(f) administration, travel and corporate costs	(86)	(584)
1.3 Dividends received (see note 3)		
1.4 Interest received	25	97
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	36	36
1.8 Other – legal & patent costs	(35)	(147)
1.9 Net cash from / (used in) operating activities	(2,601)	(8,149)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	50	50
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	50	50

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	5,218	10,766
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,601)	(8,149)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	50	50

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,667	2,667

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	149	523
5.2	Call deposits	1,468	1,083
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	1,050	3,612
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,667	5,218

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
132
-

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.		

--

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	975
9.2 Operating costs	175
9.3 Advertising and marketing	125
9.4 Leased assets	-
9.5 Staff and consultant costs	740
Recruitment fees	35
9.6 Administration, travel and corporate costs	250
9.7 Other – legal & patent costs	45
9.8 Total estimated cash outflows	2,345

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: 30 April 2019

Print name: Stephen Kerr

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.