



ASX Announcement

30 April 2021

Linus Quarterly Activities Report – Period ending 31 March 2021

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 2021.

Highlights:

- Linus Whizzard in the education sector
 - Executing a plan to achieve mass adoption in the Australian Higher Education sector
 - Appointment of consultant Kerrie Campbell, ex CIO of Flinders University and key influencer in the Australian EduTech marketplace, to bring in the expertise and connections to fast track sales.
 - Early engagement converting to trials in line with internal targets.
 - Linus Whizzard product being very well received.
 - Trial underway with leading University.
- Linus Whizzard in the enterprise sector
 - The Company is wholly focussed on the \$15billion Video Conferencing marketplace.
 - Linus Whizzard product being well received.
 - Early engagement converting into trials.
- Linus Sports
 - Linus Sports Solution for the Australian National Basketball League went live.
 - Swanbay deployed to English Premier League club, Wolverhampton Wanderers, generating new revenues for Linus and the first revenues generated by independent partners investing and building upon Linus Video Services ('LVS').
 - Racing.com viewer engagement continues to grow.
 - Amazon Web Services commit to publish independent white paper on Racing.com success.
 - Sportshero, the Company awaits the commencement of the Indonesian football league.
 - Appointment of David Nortier (UK), experienced early-stage growth executive, as Chief Revenue Officer, EMEA, to focus on repeat commercial sales of the Linus Sports product.
- LVS, Linus' SaaS platform and the associated products above, invited into Amazon Web Services Independent Software Vendor ('ISV') program for likely roll out in August.

The March quarter saw the Company develop, deliver and commercialise its solutions in each of its target sectors, generating new recurring revenues. Underlying revenue in the quarter was in excess of the quarter ended 31 December 2020. Cash receipts during the period are lower due to timing of cash receipts.

The Company believes that the patented Linus video virtualisation technology can disrupt many, if not all, segments of the video ecosystem.

By 2022, online videos will make up more than 82% of all consumer internet traffic — 15 times higher than it was in 2017.¹

¹ Source: Forbes *The State Of Online Video For 2020*
<https://www.forbes.com/sites/tjmccue/2020/02/05/looking-deep-into-the-state-of-online-video-for-2020/?sh=56d6d5e82eac>

Linus' LVS Platform transforms cumbersome, static video files into dynamic virtual files that can be easily manipulated on-the-fly, delivering new efficiency, security and revenue opportunities for content creators, distributors and consumers. Linus' mission is to make the world's video available as data.

The Company's near-term strategy is to prove that virtualisation makes a difference, creating value across the video ecosystem and to build value into the core patents.

To this end the Company is focused on its patented search and assembly solutions, delivering personalised video solutions in the Sports, Education and Enterprise sectors, with extensions into Blockchain and future use cases in planning phases.

The company has a unique capability in the market to search for relevant content and generate data driven assembly of video content on the fly.

Personalised content experiences are generating increased viewer engagement for our clients, and therefore generating the desired increased monetisation opportunities.

With recent client wins and deployments, Linus now has delivered and commercially validated easily repeatable solutions into very large addressable markets. All the initiatives create the capacity to deliver repeatable solutions, at scale, which are quick to deploy and have predictable commercial outcomes.

Linus' management believes that having these solutions in market, visibly driving clients' businesses and delivering on the promise of personalised TV, will set the Company up well for faster recurring revenue growth.

Commercial Activity

Linus' commercial activity is focussed on generating new recurring revenues from the repeat sales of its commercial products with a specific focus on Whizzard solutions and its Sports Solution.

During the quarter, the Company organised commercial operations around three target market segments for these products, providing the focus and expertise required to penetrate each successfully.

1. Linus for Education, with Linus Whizzard

In Nov 2020, the Company launched Linus Whizzard and in the March quarter invested aggressively developing the product for the education market sector, achieving market readiness at the end of the quarter.

The higher education market is moving strongly to a student-centric service with remote learning and micro-learning being key drivers, with Covid accelerating this shift. Early client engagement in the quarter confirmed that:

- Linus Whizzard answers the core market need of providing efficiency and learning through personalized content for educators and students alike;
- Linus Whizzard is unique in the sector, allowing students and educators to search within their expansive video archives, instantly assembling relevant segments of video, to facilitate better learning.

During the quarter, the Company progressed with its near-term strategy of targeting the Australian higher education sector, to achieve validation and significant revenues in the Australian market, prior to launching into international markets.

The Company brought on consultant, Kerrie Campbell, who is deeply connected to commercial decision makers across the market. Kerrie has worked in the IT industry for 35+ years both nationally and Internationally across various sectors including banking, utilities, federal government, and the higher education sector. Kerrie has worked as the CIO of Flinders University and The University of Adelaide and is a sought-after board member and a regular speaker at national and international conferences. Kerrie was also named in the Top 50 CIOs for 2019 and again in 2020 and won the 2020 Telstra Academia & Public Service award and was announced as the 2020 Telstra Business Woman of the Year.

Australian Higher Education market stats²:

- 11,609,798 students enrolled in 43 Universities (inc. the Tafe sector);
- 49,149 full-time equivalent (FTE) teaching staff;
- The sector employs 166,859 FTE's with 40% being Academic teaching staff; and
- Total IT spend of \$2.3bn in 2019, growing 8%.

Globally there are 19,800 Higher Education Institutions across 196 countries with student numbers expected to double to 262 million in 2025.³ The Company has continued development of its SaaS platform with the target of making Linus Whizzard readily available to the global market.

During the quarter Linus developed its EduTech pricing model, broadly summarised as:

- \$4 per calendar month – Educator
- \$1 per calendar month – Student
- Data packs facilitating the AI based enrichment of the video content
- Typical software support fees
- Integration charges were required*

*The Company identified target learning management systems for integration with Linus Whizzard and commenced development of these connectors. It is expected that these connectors will generate additional sources of revenue in future deployments.

During the quarter, the Company:

- commenced executing a plan to achieve rapid penetration of the Australian Higher Education sector;
- selected 20 initial universities representing 769,000 EFLS students and 40,000 teaching staff;
 - selections based on a range of criteria including existing relationship with the CIO, early adoption behavior, available budget, and simplicity of required technology integrations;
- achieved early engagement with target university CIO's; and
- converted early engagement to trials in line with Company objectives, with initial trials expected to complete in the June quarter.

2. Linus for Business, with Linus Whizzard

During the quarter Linus invested and aggressively developed the Linus Whizzard product for the enterprise marketplace, focusing in the near term on the video conferencing marketplace as the source of content.

The video conferencing market is booming, with more people than ever before using platforms such as Zoom, Webex Meetings and Microsoft Teams for remote working and learning, and a significant portion of these video conference calls are being recorded.

During the quarter, early client engagement confirmed that:

- Linus Whizzard meets market needs to easily surface lost and forgotten information in these video calls, and to share this information through a wide range of collaboration tools; and
- it delivers value through efficiency, productivity and compliance use cases.

Video conferencing market stats:

- The Video Conferencing Market size surpassed USD 14 billion in 2019 and is anticipated to grow at over 19% between 2020-2026, as 74% of companies now plan to permanently shift to more remote work.⁴

2 Source: Australian Bureau of Statistics: *Schools*

<https://www.abs.gov.au/statistics/people/education/schools/latest-release>

3 Source: United Nations: *Higher Learning Institutions and Global Citizen Education*

<https://www.un.org/en/chronicle/article/higher-learning-institutions-and-global-citizen-education>

4 Source: Global market insights: *Video Conferencing Market Size By Component (Hardware [Multipoint Control Unit (MCU), Codecs, Peripheral Devices], Software [On-premise, Cloud], Service [Professional, Managed]), By Type (Room-Based, Telepresence, Desktop), By Application (Corporate Enterprise, Education, Government, Healthcare), Industry Analysis Report, Regional Outlook, Growth Potential, Competitive Market Share & Forecast, 2020 – 2026*
<https://www.gminsights.com/industry-analysis/video-conferencing-market>

- Zoom, Webex and Microsoft Teams account for 80% of the video conferencing market.⁵
- Microsoft has grown its Microsoft Teams userbase from 2 million in November 2017, to 115 million in November 2020.⁶

During the quarter Linius developed its video conferencing pricing model, broadly summarised as:

- \$4 per calendar month per user;
- data packs facilitating the AI based enrichment of the video content; and
- integration charges where required.

During the quarter

- The Company engaged non-material clients to test our deployment processes and product features.
- Executing a plan to achieve mass adoption in the Global Enterprise market.
- Continued its integration planning into Livetiles products.
- Continued working towards integration into selected video-conference platform and cloud provider marketplaces.

3. Linus Sports Solution

Linus' Sports Solution has now been deployed to NBL, Racing.com, English Premier League club Wolverhampton Wanderers, and Sportshero. Sportshero's go-live date remains dependent on the recommencement of the Indonesian soccer league. During the quarter Linius focused on engagement in basketball and soccer markets, focussing on repeat sales of the existing solutions, particularly in digital environments.

Sports Broadcasting Market Stats

- The global value of sports media rights was USD 44.6 billion in 2020 a drop of 12% from pre-Covid levels in 2019.⁷
- Growth for Sports technology companies within the sector expected to be 4.5% over the next 3–5 years.⁸

During the quarter Linius introduced greater flexibility to its pricing structure,

- continuing to sell LVS services on a utilisation basis; and
- introducing a new cost-per-subscriber and revenue share model.

During the quarter

- Linus achieved a key milestone as partner Swanbay won and deployed to its first English Premier League club, Wolverhampton Wanderers, generating new revenues for Linus. This is a critical factor in Linus' go to market plans, whereby a third-party company independently chose to invest and build their own business on LVS platform and successfully commercialised their own solution.
- Swanbay developed a partnership with IMG, the world's largest sports rights and management company and commenced development of personalised sports products across a wide range of sporting codes.
- Linus believe that as the Company generates more momentum, the marketing of LVS to third parties such as application developers, clients and video technology providers will become a key factor in the Company's success.
- Linus generated significant user data, demonstrating uplifts in viewer engagement to be utilised alongside client testimonials in future marketing activity.

5 Source: Datanyze: *Web conferencing*

<https://www.datanyze.com/market-share/web-conferencing--52>

6 Source: Business of Apps: *Microsoft Teams Revenue and Usage Statistics (2021) (10 March 2021)*

<https://www.businessofapps.com/data/microsoft-teams-statistics/>

7 Source: SportBusiness: *GLOBAL MEDIA REPORT 2020*

<https://www.sportbusiness.com/global-media-report-2020/>

8 Source: PwC: *Sports Survey 2020*

<https://www.pwc.com.au/industry/sports/pwc-sports-survey-2020.pdf>

- Amazon Web Services increased their commitment to Linius:
 - Commenced production of a case-study testimonial on the methods and success of the Racing.com deployment, expected for release in the June quarter.
 - Invited Linius to join their global Independent Software Vendor (ISV) program in order to promote Linius' products globally, likely to commence in Aug 2021.
 - Committed to funding a marketing campaign in the June quarter.

Also, during the quarter Linius appointed David Nortier as Chief Revenue Office for EMEA, based in the UK. Over the last 25 years, David has managed five early-stage US-based media companies, and established EMEA sales and general business operations, which resulted in 3 exits totalling close to a \$1 billion.

His previous roles include:

- Sony PSE Sales Director
- Signiant Sales Director
- AppiQ Sales Director
- Trellissoft Sales Director
- Highground Sales Director

Linius believe David is perfectly placed to expand the Company's commercial efforts into new geographies having previously sold technology to companies that are high on Linius' target list in the UK. David starts with Linius mid May 2021.

Additional paths to market:

Patents

During the quarter, the Company undertook a strategic review of future target markets for virtual video. As a result, and with an eye to the future, commenced development of a raft of new patent applications.

The Company recently secured its content blockchain patent, which covers the concept of a new blockchain protocol which, when combined with virtual video or audio, allows storage of virtual videos in a blockchain.

The core patent is for video virtualization; specifically, the segmentation of MP4 wrapped video data (regardless of encoding) independent of the headers, the construction of MP4 headers that point to external data blocks, and the reassembly of the MP4 headers and the data in the player. It is granted in all major jurisdictions and is supported by four continuation patents.

News

Grafa soft-launched to the market in December. Linius will continue to support Grafa as it develops its business upon LVS with deeper functionality across their app including the personalisation of video ahead of its hard launch.

Blockchain – BVS

While still in early stages, Linius remains bullish over the prospects for BVS. The Company believes that the combination of its core patented technology with the additional patent it has received for blockchain technology could provide a compelling B2C or B2B2C solution for content creators spanning the gamut of pro-streamers to traditional studios. In addition, such a solution could add substantial value to derivative products in the non-fungible-token (NFT) domain (NFTs are a mechanism for providing ownership of provenance in digital art, including video). BVS has been formed as a wholly-owned subsidiary of Linius, in order to allow it to establish the different management and engineering practices required for a B2C company without distracting from Linius' core B2B mission. BVS is currently discussing both investment, and support from the artistic community, particularly indie-movie producers, whose participation may be beneficial in the launch of any future offering.

1. Outlook

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

The Company is focussed on two objectives:

- i. Generating significant near-term revenue growth through direct sales from Linius' proven technology solutions:
 - o Whizzard Solutions for the education and video conferencing markets.
 - o Sports Solution, with Racing.com expanding utilisation, NBL as a 'gold standard' personalised channels deployment and Sportshero ready to launch as their season starts.
- ii. Roll out and repeat these established and commercially validated solutions with other similar organisations and work with Partners such as AWS and Swanbay who are actively introducing these Linius solutions to their clients.

2. Summary of expenditure for the quarter and related party payments

Details of the business activities of the Company for the quarter are set out below. Expenditure was incurred in respect of:

- Research and development \$615,000 – continued development of the LVS SaaS platform, including deploying productised solutions in the video conferencing and sports broadcasting markets. As stated above we have continued to invest in product development, inline with our go-to-market opportunities.
- Operating costs \$291,000 – 3rd party costs incurred in operating the SaaS platform, and delivering LVS solutions to existing clients.
- Staff and consultant costs including director fees \$392,000 – includes staff costs associated with marketing, presales and sales engineering staff, finance and management of the company plus recruitment expenditure of \$67,000 during the quarter.
- Administration, travel and corporate costs \$52,000 – ongoing corporate Company costs, including ASIC, ASX, share registry costs and costs related to sales activities.

In accordance with ASX Listing Rule 4.7C.3, payments to related parties and their associates outlined in the Company's Appendix 4C for the quarter relate to fees and salaries paid to directors.

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

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Appendix 4C

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

Name of entity

Linius Technologies Limited

ABN

84 149 796 332

Quarter ended ("current quarter")

31 March 2021

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	34	96
1.2 Payments for		
(a) research and development	(615)	(1,427)
(b) operating costs	(291)	(428)
(c) advertising and marketing	(56)	(100)
(d) leased assets	-	-
(e) staff and consultant costs	(392)	(1,316)
- recruitment fees	(67)	(67)
(f) administration, travel and corporate costs	(52)	(151)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
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)	(23)	(111)
1.9 Net cash from / (used in) operating activities	(1,462)	(3,504)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(3)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) 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)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities* (excluding convertible debt securities)	-	4,992
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	-	4,992

*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	4,544	1,597
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,462)	(3,504)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(3)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	4,992
4.5	Effect of movement in exchange rates on cash held		-
4.6	Cash and cash equivalents at end of period	3,082	3,082

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	3,031	4,493
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	51	51
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,082	4,544

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
Director fees and CEO remuneration
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
116
-

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. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	-	-
	-	-
	-	-
	-	-

- 7.5 **Unused financing facilities available at quarter end**

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- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,462)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,082
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	3,082
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.108

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

-

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

-

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

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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.

Date: 30 April 2021

Authorised by: By the board