



ASX Announcement

31 July 2020

Linus Quarterly Activities Report – Period ending 30 June 2020

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 2020.

Highlights:

- Launch of the Linus' AI Meeting Solution with a first integration in to the Livetiles platform expected to generate revenue in September / early October 2020.
- Rollout of the Linus personalised news service to new client Grafa which is expected to commence operations in the September quarter.
- Continued success of Racing.com's "Replay Hub" sets Linus sporting solution for Global Rollout.
- Following commercial success in sports, news and meetings, with partners such as Amazon Web Services ("AWS") now actively introducing their clients to these Linus solutions.
- Continued testing of the Linus security capability by European security agency.

Against the backdrop of the COVID 19 pandemic the Company stuck to its stated strategy and focussed on near term revenue generation with notable success in the Livetiles and Grafa deals. Market conditions are arguably advantageous to driving revenue from rolling out these solutions.

Linus' core strategy of providing personalised TV solutions remains unchanged, as does the strategy of commercially validating solutions then leveraging partners such as AWS and Microsoft to sell more of them.

Linus CEO Chris Richardson:

In late 2019, early 2020 management felt that we had commercially validated the business with multiple wins in the sports sector, only for them to be delayed by the COVID 19 pandemic. But be assured, our technology is deployed and ready to go live as the sports open up once more.

More recent wins with our Video Conferencing solution for Livetiles and our News solution for Grafa are insulated from these market conditions.

This is the turning point for Linus. We will stay on strategy with our focus being the generation of significant near term revenue and, to sell more of these commercially validated solutions to similar clients.

For example, the video conferencing market is booming. Our unique AI meeting solution is applicable and readily deployable to any and all providers.

Importantly, our partners such as AWS now see us as commercially validated. AWS are now actively introducing our solutions to their clients considering Linus's revenue growth will in turn generate significant new traffic for AWS.

1. New business:

Livetiles

On April 15th Linius and Livetiles announced that Linius' technology would be integrated into the Livetiles platform. The parties were introduced by Microsoft and the solution draws video content from Microsoft Teams and Microsoft Stream with the solution developed likely to be integrated into other global video conferencing platforms.

The June quarter was spent deploying the technology, assisting Livetiles with its go to market planning and enabling the Livetiles sales teams.

Sales activities, to primarily Livetiles clients, has now commenced around the first iteration of the product. As indicated in our July investor up-date we expect the first revenue from this deal to be received late in the September / early October 2020.

Linus' AI Meeting Solution instantly searches the data within the recordings of meetings within selected time-frames, leverages AI including voice recognition, facial detection, transcripts, character recognition, labels, key frames, shot detection and objects recognition (e.g. pages from the actual documents presented in the meeting), and intelligently connects these knowledge assets to deliver them in personalized videos to employees.

The video conferencing sector is booming:

- Microsoft Teams now has 75 million daily active users, adding 31 million in just over a month. <https://www.businessinsider.com/microsoft-teams-hits-75-million-daily-active-users-2020-4>
- Zoom reported a 50% surge in use of the online meeting application in April 2020, up from 200 million to 300 million daily meeting participants. <https://www.bloomberg.com/news/articles/2020-04-22/zoom-daily-users-surge-to-300-million-despite-privacy-woes>

Linus go to market strategy is to deploy, validate and repeat. Considering Linus' video conferencing play is commercially validated, our partners are actively introducing Linus into their video conferencing clients.

Grafa

On May 6th Linus announced new client Grafa.

Grafa will provide news, charting and market intelligence to its subscribers.

Linus technology enables Grafa subscribers to personalize finance and business video content based on their interests. Users will input their preferences encompassing economic data, stock markets, forex and cryptocurrencies to effectively build their own bespoke business news channel, tailored specifically to them.

Grafa are building their own platform, leveraging Linus Video Services ('LVS') API's and are expected to deploy in late August/early September 2020 with revenue flowing within 30 days.

2. Capital raise

On April 24th, Linus announced it had received commitments from professional and sophisticated investors to raise A\$1.7million (before costs). The Placement includes a \$250,000 commitment from Linus Chairman Gerard Bongiorno and will result in the issue of 154,545,450 fully paid ordinary shares at \$0.011 per share. The Placement was settled on May 4th 2020, resulting in the cash receipt of \$1,450,000 before costs. The Company is required to obtain shareholder approval for the issue of shares to directors. The EGM is set for 6th August 2020.

The Company will use the proceeds of the placement to drive revenue growth.

3. Client Deployments

Linus' clients in the sports sector continue to deal with a great deal of uncertainty, including a lack of live sports and distressed commercial models. In addition to a number of active POC's, Linus has deployed solutions for a number of clients and is confident that when live sports re-commence the previously expected revenues will commence.

- Racing.com continues to see great and growing success from Replay hub. The client is expected to continue to grow and provides a valuable case study for the power of personalised video. Linus partners are now introducing Linus into further similar clients.
- Sportshero is deployed and ready to go live. The go live date and commencement of revenue is dependent on the recommencement of Indonesian football league.
- NBL is deployed and ready to go live with the parties taking the opportunity to explore further enhancements.
- A European security agency continues to pilot the technology in counter-terrorism related activity with live trials expected imminently.

4. Operational Expenditure

On March 17th, the Company provided an update to the market that included significant cost reductions.

Over recent quarters the Company has significantly reduced costs. The Company's June 2020 4C operating cash outflows were \$1,058,000 or \$353,000 per month, below the forecast expenditure of \$1.2m and a reduction of \$254,000 per month from the prior quarter equating to a reduction of \$3,590,000 year on year.

The company will maintain its cost discipline, notwithstanding the completion of 4 month pay cuts from 1st August 2020, and expects that its cost base will remain significantly reduced from previous quarters, until such a time that expected significant revenues flow through.

5. 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 \$389,000 – continued development of the LVS SaaS platform, including improvements in the functionality of the product as part of the Grafa and LiveTiles deployments.
- Operating costs \$154,000 – external costs 3rd party costs incurred in operating the SaaS platform, delivering LVS solutions to existing clients and occupancy related costs.
- Staff and consultant costs including director fees \$398,000 – includes staff costs associated marketing, presales and sales engineering staff, finance and management of the company.
- Administration, travel and corporate costs \$45,000 – ongoing corporate Company costs, including ASIC, ASX, share registry costs & auditors half year fee and costs related to sales activities.

Payments made to related parties during the quarter were as follows:

Related Party ⁽¹⁾	Director's fees & consultancy fees \$	Other \$	Total \$
Gerard Bongiorno	13,500	-	13,500
Christopher W Richardson	32,600	-	32,600
Stephen McGovern	13,500	-	13,500
	59,600	-	59,600

Notes:

1. These individuals are related parties of the Company as they are Directors.

The above payments include GST where applicable.

6. Outlook

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

The company is focussed on two things:

1. Generating significant near term revenue growth from Linus's proven technology solutions:

- Video conferencing solution, with Livetiles,
- Sports personalisation, with Racing.com and other existing sports clients such as Sportshero and NBL as their markets re-open
- Personalised Finance News product, with Grafa

2. Roll out and repeat these established and commercially validated solutions with other similar organisations

- Close Partners such as AWS and Microsoft are actively introducing these Linus solutions to their clients

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

For more information please contact:

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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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	18	58
1.2 Payments for		
(a) research and development	(389)	(3,226)
(b) operating costs	(154)	(708)
(c) advertising and marketing	(19)	(288)
(d) leased assets	-	-
(e) staff and consultant costs	(398)	(2,380)
- recruitment fees	(10)	(80)
(f) administration, travel and corporate costs	(45)	(410)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	7
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)	(62)	(197)
1.9 Net cash from / (used in) operating activities	(1,058)	(7,224)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(30)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	-	(30)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities* (excluding convertible debt securities)	1,299	6,553
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	1,299	6,553

*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	1,356	2,298
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,058)	(7,224)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(30)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,299	6,553
4.5	Effect of movement in exchange rates on cash held		-
4.6	Cash and cash equivalents at end of period	1,597	1,597

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	1,546	1,305
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)	1,597	1,356

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**

60

-

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**

-

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)

(1,058)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

1,597

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

1,597

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

1.592

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?

No, we expect the net operating cash outflows to be approximately \$1.2m per quarter.

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?

Yes,

- Subject to shareholder approval of director contributions at the EGM on 6th August 2020, the company expects to receive an additional \$250,000 in cash.
- The Company is considering financing options available to it including the issue of additional securities to current and new investors.

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

Yes – based on the above, the Company fully expects to be able to continue its operations and meet its business objectives.

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: 31 July 2020

Authorised by: By the board