



ASX Announcement | 30 July 2021

Quarterly Activities Report & Appendix 4C – Period ending 30 June 2021

New products well received; successfully completes Linus Whizzard trials with leading University

Highlights:

- Linus Whizzard gains traction in the global education sector
 - Successful completion of trials with a leading University, with the Whizzard product being well received by the sector.
 - Development and deployment of significant new product enhancements.
 - A sharper focus on converting successful trials to sales, with Linus undertaking more trials with new University prospects, including new use cases with universities holding vast archives (potentially opening the way for higher revenue per client).
 - Progressing strategy to achieve mass adoption in the Australian Higher Education sector followed by international expansion.
 - A number of additional Universities to trial the technology in the September quarter.
 - Expansion of partner ecosystem to facilitate acceleration of commercial activity as the first Universities adopt the product.
- Linus Sports
 - Linus Sports Solution is validated in the market with multiple clients.
 - Newly appointed Chief Revenue Officer, EMEA, David Nortier drives new business activity, with an emphasis on repeat commercial sales of the Linus Sports product.
 - The Linus SaaS platform LVS and associated Linus products are invited into Amazon Web Services Independent Software Vendor ('ISV') program for launch in Q1 FY 2022.
 - Guided by lessons learnt from existing deployments, Linus Invested in the development of a 'client deployable' sports solution that will be promoted globally in Q1 FY2022, accelerating recurring revenues.
- Linus Whizzard in the enterprise sector
 - The Company is investing in the \$15 billion Video Conferencing marketplace.
 - Linus Whizzard product has been well received in the sector.
 - Building the sales pipeline and preparing for the global launch on AWS and Zoom marketplaces Q1 FY22.
- Linus further progresses the development of the LVS SaaS platform, including deploying productised solutions in the video conferencing and sports broadcasting markets. The Company also continued to invest in product development, in line with its go-to-market opportunities.

Linus Technologies Limited (ASX: LNU) (**Company** or **Linus**) is pleased to provide its Quarterly Activities Report and Appendix 4C for the quarter ending 30 June 2021, along with the following financial and operational update.

Commercial activity ramps up, accompanied by continued investment

The June quarter saw Linus develop, deliver and commercialise its solutions in each of its target sectors. The Company successfully undertook a trial, with a leading University, of the Whizzard product during the quarter. It also made continued investments in product development over this period.

Linus was laser-focused on generating new recurring revenues from the repeat sales of its commercial products. Specific emphasis was placed on converting the Company's pipeline for Whizzard solutions and its Sports Solution in their respective large markets.

The Company's commercial operations are now prioritising three target market segments for these products, namely Education, Sports and Business. Both the resources and expertise required to penetrate each successfully are now in place.

1. Linus Whizzard gains traction in Education sector

In Nov 2020, Linus launched Linus Whizzard. Since then it has invested aggressively in developing the product for the Education sector, achieving market readiness in the June quarter. The product has been well received during the June quarter, with a leading University trialling the technology, and many more to trial Whizzard in Q1 FY2022. With the trials undertaken to date highly successful, the Company is now focussed on converting these trials to sales.

During the quarter, and with the confidence of positive market reaction and successfully completed trials, the Company is now expanding its sales team in this sector and accelerating plans for international expansion.

Linus to benefit from emerging trends in the global Education sector

The higher education market is moving strongly to a student-centric service with remote learning and micro-learning being key drivers, with COVID-19 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.
- A number of new use cases for Linus Whizzard exist, including within universities' vast archives providing the company higher revenue opportunities per client.

Some Australian Higher Education market stats¹ that work in Linus' favour follow

- 1,054,202 students enrolled in 41 Universities;
- These Universities employ 138,041 FTE staff; and
- Universities had total IT spend of \$2.3bn in 2019, growing 8% in that year.

Globally, there are 19,800 Higher Education Institutions across 196 countries with student numbers expected to double to 262 million in 2025.² The Company has continued development of its SaaS platform with the target of making Linus Whizzard readily available to the global market.

¹ Source: Council of Australasian University Directors of Information Technology: 2019 metrics

<https://www.caudit.edu.au/2019-metrics>

2019 Benchmarking snapshot

www.caudit.edu.au/2019-benchmarking-snapshot

² Source: United Nations: *Higher Learning Institutions and Global Citizen Education*

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

The Linus EduTech pricing model can be 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 where required

Linus has 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.

The Company has also expanded our partner ecosystem, to facilitate the acceleration of commercial activity, including the following highlights during the quarter:

- AWS ISV Accelerate Program on track for launch in the September Quarter.
- New partners engaged to enable deeper integration with Learning Management Platforms such as Blackboard and Echo 365.
- Engaging with VCMS platforms such as Brightcove.
- Continued integration planning with Livetiles Reach.

2. Linus Sports Solution growing its client book

Linus Sports Solution is validated in the market with multiple clients:

- The Australian National Basketball League went live in Q4 FY21.
- UK based partner 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.
- Sportshero, whose go-live date remains dependent on the recommencement of the Indonesian soccer league.

During the quarter, Linus targeted other potential clients in the basketball and soccer markets, focussing on repeat sales of the existing solutions, particularly in digital environments. A self-deployable Sports product has also been in development focusing on digital rights holders, with the Company looking to deploy mass marketing in the coming quarter. Newly appointed Chief Revenue Officer, EMEA, David Nortier is driving new business activity, with an emphasis on repeat commercial sales of the Linus Sports product.

Sports Broadcasting Market has been impacted by COVID-19 but will eventually recover

The Sports Broadcasting Market has been impacted by the pandemic, but the consensus view is this will be transitory:

- The global value of sports media rights was USD 44.6 billion in 2020 a drop of 12% from pre-COVID=19 levels in 2019.³
- Growth for Sports technology companies within the sector expected to be 4.5% over the next 3–5 years.⁴

In another positive development for the Company's push into the Sports segment, Linus has been invited into Amazon Web Services Independent Software Vendor ('ISV') program for launch in Q1 FY 2022, which will see Linus Products listed in the AWS marketplace and AWS sales staff receiving commission for sales of Linus products.

³ Source: SportBusiness: *GLOBAL MEDIA REPORT 2020*
<https://www.sportbusiness.com/global-media-report-2020/>

⁴ Source: PwC: *Sports Survey 2020*
<https://www.pwc.com.au/industry/sports/pwc-sports-survey-2020.pdf>

3. Linius closes in on launch date for Linius Whizzard for Business product

The June quarter saw Linius lay the groundwork for a global launch of the Whizzard product into the business sector in the coming months. The Company directed resources for near term direct sales, along with building the broader sales pipeline ahead of releasing the product on the AWS and Zoom marketplaces, also expected in the coming quarter.

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:

- Linius 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.
- it delivers value through efficiency, productivity and compliance use cases.
- new use cases for Linius Whizzard within the corporate event market exist.

Video conferencing market stats point to a huge untapped Business market

The following stats point to the large potential addressable Business market Linius technology could tap:

- 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. ⁵
- Zoom account for 49% of the video conferencing market, up from 26% in 2020. ⁶
- Microsoft has grown its Microsoft Teams userbase from 2 million in November 2017, to 145 million in Q2 2021. ⁷

Additional paths to market:

Linius progresses its patent applications

Following its strategic review in the March quarter, the Company is continuing to develop new patent applications for its technology, focusing on both current and future use cases.

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.

User of Linius' LVS moves towards hard launch

Grafa soft-launched to the market in December. Linius continues to support Grafa as it develops its business upon the Linius SaaS platform LVS with deeper functionality across their app including the personalisation of video ahead of its hard launch. The client advises that they are currently undertaking a rebuild of their technology and will further engage to develop deeper personalised video experiences in the coming months.

5 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>

6 Source: Digital Information World: *Zoom vs Google Meet vs Microsoft Teams: New data reveals the WORLD'S most POPULAR video calling platform*
<https://www.digitalinformationworld.com/2021/04/top-video-call-platform-by-market-share.html>

7 Source: Business of Apps: *Microsoft Teams Revenue and Usage Statistics (2021) (5 May2021)*
<https://www.businessofapps.com/data/microsoft-teams-statistics/>

Blockchain – BVS subsidiary developments

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 Linus, in order to allow it to establish the different management and engineering practices required for a B2C company without distracting from Linus' 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.

Outlook

Linus' near term strategy of providing personalised TV solutions remains unchanged and has advanced significantly in the latest quarter.

The Company is focussed on two objectives:

1. Generate significant near-term revenue growth through direct sales from Linus' proven technology solutions:
 - a. Whizzard Solutions for the education and video conferencing markets.
 - b. Sports Solution, by developing and releasing repeatable sports products targeting digital sports rights holders seeking to drive their viewer engagement by providing personalised sports viewing.
2. 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 Linus solutions to their clients.

Summary of expenditure for the June 2021 quarter and related party payments

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

- Research and development \$637,000 – 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, in line with our go-to-market opportunities.
- Operating costs \$177,000 – 3rd party costs incurred in operating the SaaS platform, and delivering LVS solutions to existing clients.
- Staff and consultant costs including director fees \$460,000 – includes staff costs associated with marketing, presales and sales engineering staff, finance and management of the Company plus recruitment expenditure of \$139,000 during the quarter.
- Administration, travel and corporate costs \$19,000 – 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.

Linus Technologies CEO Chris Richardson said "This past quarter has seen the Company make pleasing progress towards commercialisation of the growing suite of Linus products servicing the Education, Sports and Business market segments. This takes Linus much nearer to its goal of gaining material traction in the huge addressable markets these segments offer. Our R&D efforts saw the continued evolution of the LVS SaaS platform. At the same time, we also made further strides towards protecting our intellectual property with our patent applications. Linus' near term strategy of providing personalised TV solutions remains unchanged and we look forward to informing the market of developments on this front over coming months."

Ends

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")

30 June 2021

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	22	118
1.2 Payments for		
(a) research and development	(637)	(2,064)
(b) operating costs	(177)	(605)
(c) advertising and marketing	(26)	(126)
(d) leased assets	-	-
(e) staff and consultant costs	(460)	(1,776)
- recruitment fees	(139)	(206)
(f) administration, travel and corporate costs	(19)	(170)
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)	(53)	(164)
1.9 Net cash from / (used in) operating activities	(1,489)	(4,993)
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	-	-

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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	-	(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	3,082	1,597
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,489)	(4,993)
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 (12 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	1,593	1,593

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	1,542	3,031
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)	1,593	3,082

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**

122

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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.

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8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,489)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,593
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,593
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.07

- 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?

Yes

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?

As at the date of this report the company is in the process of completing a capital raise.

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, on the basis of the cash raised above.

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 30 July 2021

Authorised by: By the board