

# Linus Technologies

## Commercial roll-out is accelerating

We recently spoke with Linus' Chris Richardson about the company's recent deal with MediaAMP. Additionally, following a period of successful beta testing of LNU's online solution, the platform is now live in a commercial Software-as-a-Service (SaaS) model.

Watch the full interview with Chris Richardson below

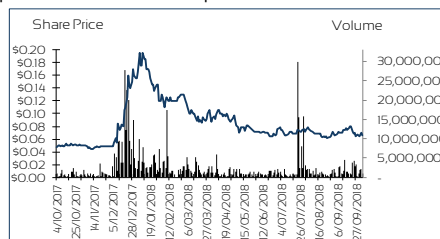


### Rolling out video Search through MediaAMP

MediaAMP sells a digital media platform, which customers can use to catalogue, archive and share digital media, such as video. MediaAMP will be integrating LNU's Video Virtualization Engine™ (VVE) into this platform, thereby adding cognitive video search to its product offering. MediaAMP users will be able to do much more than just search videos via titles and basic tags. University staff, students and researchers will be able to programmatically search for any video objects, across multiple videos and video sources, in order to compile a customized video of desired results on-the-fly.

MediaAMP has a strong position in the US education sector, which comprises ~4,700 universities and colleges. Therefore, a key application area for LNU's technology will likely be search within the vast video libraries of these universities and colleges, for instance to compile specific clips from recorded lectures. LNU will be generating revenues from this partnership in a typical reseller setup, i.e. MediaAMP resells LNU's technology to its customers and prospects at a markup.

Number of shares (m)	938
Number of shares FD (m)	1,167.3
Market capitalisation (A\$)	61.9
Market cap fully dil. (A\$ m)	77.0
12 month high/low A\$	0.195 / 0.036
Average daily volume (lr)	2,440



## Linus Technologies

ASX:LNU

Software & IT Services

Australia

Risk: High

Linus Technologies Ltd. (LNU) provides a patented enterprise grade software technology that virtualizes video files and exposes the data within video content. This enables the manipulation and smart insertion of AI and tagging, which in turn enables hyper-granular video search for any object across multiple video sources. LNU is currently focusing on delivering its Search solution to the News, Sports, Education and Corporate Communications industries.

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**BUY**

Share price: A\$ 0.066

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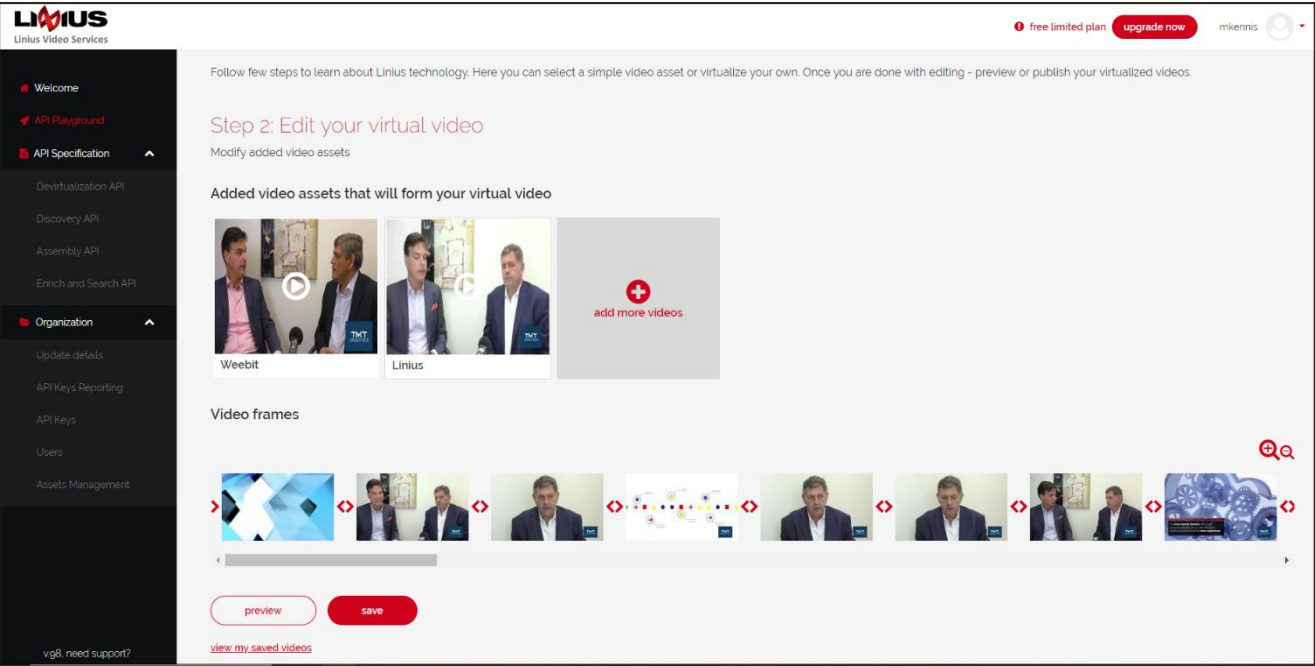
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### LNU’s SaaS platform provides ultimate scalability

On 3 October LNU announced the launch of Linus Video Services (LVS), a cloud-based platform that makes LNU’s video virtualization and cognitive video search technology available in a SaaS model.

Through this online self-serve platform, users can now independently take LNU’s technology and apply it to their specific use cases. For example, businesses can virtualize corporate video assets, making them immediately available for cognitive search within the organization using Linus’ embeddable Search Widget. Developers can also use Linus’ APIs and development kits to build entirely new solutions through the LVS platform. We can see a vast range of application areas in various video-rich industries, including digital marketing, news and media, sports broadcasting and education. For instance, creating a free developer account on [vs.linus.com](https://vs.linus.com) TMT Analytics was able to virtualize and manipulate its accompanying video interview with Linus CEO Chris Richardson (Figure 1).

Figure 1: Linus Video Services screen shot

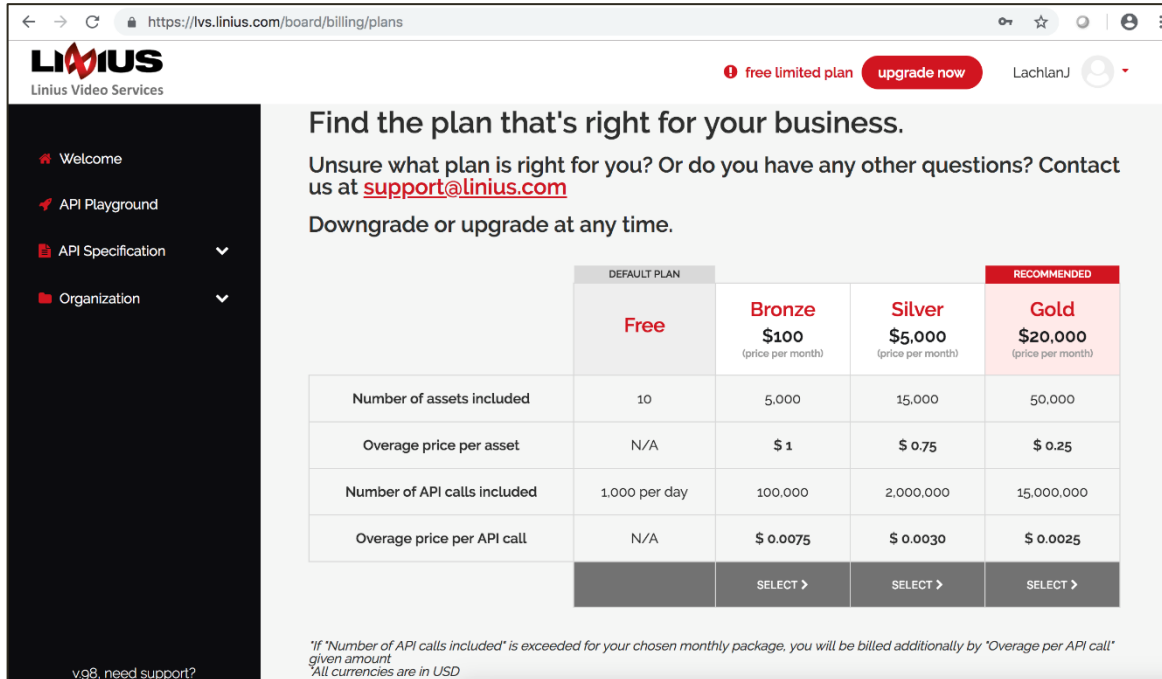


Source: Linus, TMT Analytics

Companies and software developers pay for use of the service in a typical SaaS model. That is, each LVS account pays for use of the software, not for ownership of the software. Each LVS account will be charged monthly via credit card in USD, based on the number of videos virtualized, and API calls made for video assembly and search. While the fee for use may be relatively small, i.e. fractions of cents, cents or a few dollars (Figure 2), the financial upside for LNU can be found in the number of times its technology will be used and its extreme scalability.

*As an example, a news agency might integrate LVS into its workflow and pay LNU five cents for each video it virtualizes and five cents each time someone in the organization searches the company’s video database. In this instance, we can see a scenario in which even a relatively small library of 500,000 video assets, with 20 editors each searching the video database 50 times per day, can generate revenues for LNU of up to US\$ 50k*

Figure 2: LVS pricing schedule



Source: Linius, TMT Analytics

Twilio pioneered the growth-through-developer business model

While LNU’s revenues from the news agency in the example above are fairly modest, the key driver of LNU’s revenues under the LVS SaaS model is the number of developers and companies taking-up LVS and integrating the technology into their workflows.

US-based Twilio (NYSE:TWLO) was founded in 2008 and allows software developers to programmatically make and receive phone calls, send and receive text messages and perform other communication functions using its web service APIs. The company pioneered this growth-through-developers model, which eliminates the need for an expensive internal sales organisation.

In May 2016, Twilio reached the milestone of one million developers who use the company’s technology in their own organizations. In our view, this makes Twilio one of the most successful companies to use this business model and provides a blueprint for LNU to follow.

Commercial roll-out is accelerating: Buy rating reiterated

We believe LNU’s commercialization has only just begun and is showing very promising results, especially regarding its video search solution. We expect the company will be able to continue the acceleration of this commercial roll-out going forward with a growing number of channel partnerships and direct sales wins.

LNU’s deal with Newstag, which was announced on 13 July 2018, is a good example of a channel partnership that we expect will help LNU substantially expand its reach into one of its target markets for Search, i.e. news. Through its exposure to leading news producers such as AP, AFP, CNN and Bloomberg, Newstag gives LNU the desired reach into this vertical without LNU having to deploy substantial resources to capture this vertical.

We believe this sort of scalability is one of LNU’s key attractions for investors. We reiterate our Buy recommendation. Using a DCF model we calculated a fair value of A\$ 0.23 per share.

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