

Linius Technologies Ltd.

Strategic investment by Kirby family further validates disruptive potential of the technology

LNU announced that the Kirby Family Trust has made a strategic investment of A\$ 500,000 (10M shares at A\$ 0.05) into LNU. Given Robert Kirby's position as CEO and Chairman of Village Roadshow (ASX.VRL), we believe this investment provides further validation of LNU's disruptive video virtualization technology, following LNU's recent commercial deal with major Set-Top-Box software provider DigiSoft.

Village Roadshow will "get" LNU's highly disruptive nature

Through various operating companies, VRL is active in film production and distribution, and will have extensive experience with video transcoding as well as video storage and distribution through Content Delivery Networks (CDN). In addition to movie theatres, VRL distributes video content to pay-TV and free-to-air TV channels as well as online. Consequently, we believe VRL is very well-positioned to appreciate the substantial value LNU's technology will have once commercially rolled out. Which is why we believe this personal investment by VRL's CEO and Chairman is so significant.

LNU should be able to leverage VRL's industry network

In addition to the cash injection by the Kirby family, we believe VRL's network will be of high value to LNU as well. VRL has working relationships with Foxtel, Channel Nine, Netflix, Warner Bros., the BBC etc, who almost by default should all have a keen interest in LNU's technology, especially the personalized TV advertising element. We would expect VRL to be in a position to introduce LNU and its technology to a number of players in video and TV broadcasting, expediting adoption of the technology.

Upcoming IBC showcase a near term share price catalyst

LNU will be demonstrating the ad personalization feature of its technology during the upcoming International Broadcasting Conference (IBC) in Amsterdam, which starts on 8 September. This event provides a good opportunity for LNU to meet with key broadcasting industry executives and introduce them to the technology that facilitates personalized ads in TV broadcasts. It will give investors a better idea of the potential value as well.

BUY rating reiterated

We view the investment by the Kirby family as highly positive, especially because of the potential to leverage VRL's network. LNU should be able to announce more show case partners and resellers on the back of this news. We reiterate our Buy recommendation for LNU.

LNU.ASX	A\$ M		FY16A	FY17E	FY18E	FY19E
Number of shares (m)	562.2	Revenues	0.0	5.6	14.6	25.5
Number of shares FD (m)	738.2	EBITDA	-3.4	0.1	4.3	10.0
Market capitalisation (A\$ m)	39.9	NPAT	-5.4	-0.2	2.8	6.7
Market cap fully dil (A\$ m)	52.4	EPS FD	-0.01	0.00	0.004	0.01
12 month high/low A\$	0,094 / 0,055	EV/EBITDA	N/A	N/M	9.4	3.5
Average daily volume (k)	929	EV/Sales	N/M	7.5	2.8	1.4

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LNU.ASX

Software & IT Services

Australia

Risk: High

LNU provides a patented enterprise grade software technology that virtualizes video files. The process reduces the time required for content preparation and processing (ingestion, transcoding, storage etc) and can populate a catalog of thousands of video titles in minutes as opposed to months without the need for costly, large-scale hardware systems. Furthermore, the technology enables highly valuable personalized advertising in TV broadcasting.

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BUY

Share price: A\$ 0.071

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