

Linius Technologies Ltd.

LNU.ASX

Software & IT Services

Australia

Risk: High

Signs reseller agreement with DigiSoft

Linius Technologies Ltd. (LNU) announced it has signed its first reseller agreement for the company's video virtualization software. DigiSoft, which was already a development partner for LNU, will be the company's first commercial channel partner, selling LNU's ad personalisation software as part of DigiSoft's Set Top Box middleware for IPTV and Video on Demand (VOD). Following a successful demonstration of the integrated software at the International Broadcasting Conference in September, the products should become commercially available towards the end of 2016.

Major validation of LNU's technology

DigiSoft is one of the world's largest providers of enterprise software for video playout including software for Set Top Boxes, such as the ones Foxtel deploys with TV customers. Additionally, DigiSoft provides software that enables a range of different video playout methods, including IPTV and other Over-The-Top video offerings, such as Video On Demand (VOD). In our view, this commercial agreement with DigiSoft is a major validation of, and endorsement for, LNU's technology. Additionally, this first reseller agreement addresses, what TMT Analytics believes to be, LNU's largest market opportunity.

First revenues expected in March '17 quarter

In our recent research report on LNU, we conservatively assumed that end customers, such as broadcasters and cable companies, would pay a license fee of 15% of the value added by LNU's ad personalization technology, i.e. the additional revenues from advertising that LNU's technology generates. Furthermore, we assumed that LNU would share these revenues with a reseller partner, such as DigiSoft, on a 50/50 basis. While information around these metrics hasn't been disclosed by LNU, we feel comfortable with these assumptions at this time. We anticipate first revenues from this agreement in the course of 3Q17 (March 17 quarter).

We reiterate our BUY rating

LNU is on track to roll out software products for the three verticals the company aims to address initially, i.e. ads personalization, transcoding and CDN (Content Distribution Networks). We expect LNU to be able to announce additional show case partners and resellers for its technology in the near term and to commercially roll out into the three verticals by late 2016 or early 2017. For these reasons, we reiterate our Buy recommendation for LNU.

LNU.ASX	A\$ M	FY16E	FY17E	FY18E	FY19E	
Number of shares (m)	562.2	Revenues	0	5.6	14.6	25.5
Number of shares FD (m)	738.2	EBITDA	-2.0	0.1	4.3	10.0
Market capitalisation (A\$ m)	38.2	NPAT	-1.9	-0.2	2.8	6.7
Market cap fully dil (A\$ m)	50.2	EPS FD	-0.003	0.00	0.004	0.01
12 month high/low A\$	0,094 / 0,055	EV/EBITDA	N/A	N/M	8.1	3.0
Average daily volume (k)	1,080	EV/Sales	N/A	6.6	2.4	1.2

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BUY

Current price: A\$ 0.068

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Analyst: Marc Kennis

marc.kennis@tmt-analytics.com.au

+61 (0)4 3483 8134



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