

 Route1[®]



Fiscal Year 2016 Corporate Update

April 17, 2017

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Company Snapshot

Route1 technologies enable a more productive and flexible workforce without compromising system access, data-at-rest or data-in-use.

Overview

Route1's suite of patented enterprise security solutions combines best-in-class authentication, data security and secure communications with streamlined administration tools, running on a proven, trusted infrastructure.

From mobile access to business continuity to best-in-class full system encryption, Route1 is the most effective, affordable way to secure the digital fortress, while meeting or exceeding the highest standards for government and industry.

Route1 has authority to operate from the U.S. Department of Defense, the U.S. Department of the Navy, the U.S. Department of the Interior and other government agencies. Route1 is also trusted by enterprise security teams in the health care, banking, legal and education sectors.

Key Metrics as at March 31, 2017

Stock Price	CAD \$0.03
52 Week High / Low	CAD \$0.03-\$0.06
Common Shares Outstanding	348.2 MM
Market Capitalization	CAD \$10.4 MM
Fiscal Year End	December 31
Headquarters	Toronto, Canada
TSXV Ticker OTCQB	ROI ROIUF



Annual Operating Performance

In 000s of CAD Dollars	FY 16 A	FY 15 A	FY 14 A	FY 13 A
Revenue	7,447	6,397	6,078	5,433
Services Revenue	7,080	6,218	5,470	4,948
<i>Year Over Year Services Revenue Gr</i>	13.9%	13.7%	10.5%	1.8%
Gross Margin	5,973	5,233	4,932	4,296
Operating Income	742	718	535	(189)
EBITDA	1,204	1,152	901	72
Net Income	330	728	637	(343)

2016 Year in Review

- Grew the MobiKEY user base
 - 10% user growth; 16,286 paid, active users to 17,883
- Received a purchase order from a component of the U.S. Department of Defense for 2,000 MobiKEY Fusion3 devices
- Released two new technologies:
 - **MobiENCRYPT: data-at-rest technology (full disk encryption)**
 - **DerivID: derived credential offering for the USG**
- Continued to evolve the MobiKEY technology
- Researched and advanced patent infringement complaint against AirWatch
- Appointed Peter Chodos as Executive Vice President and Chief Financial Officer
- Listed on the OTC

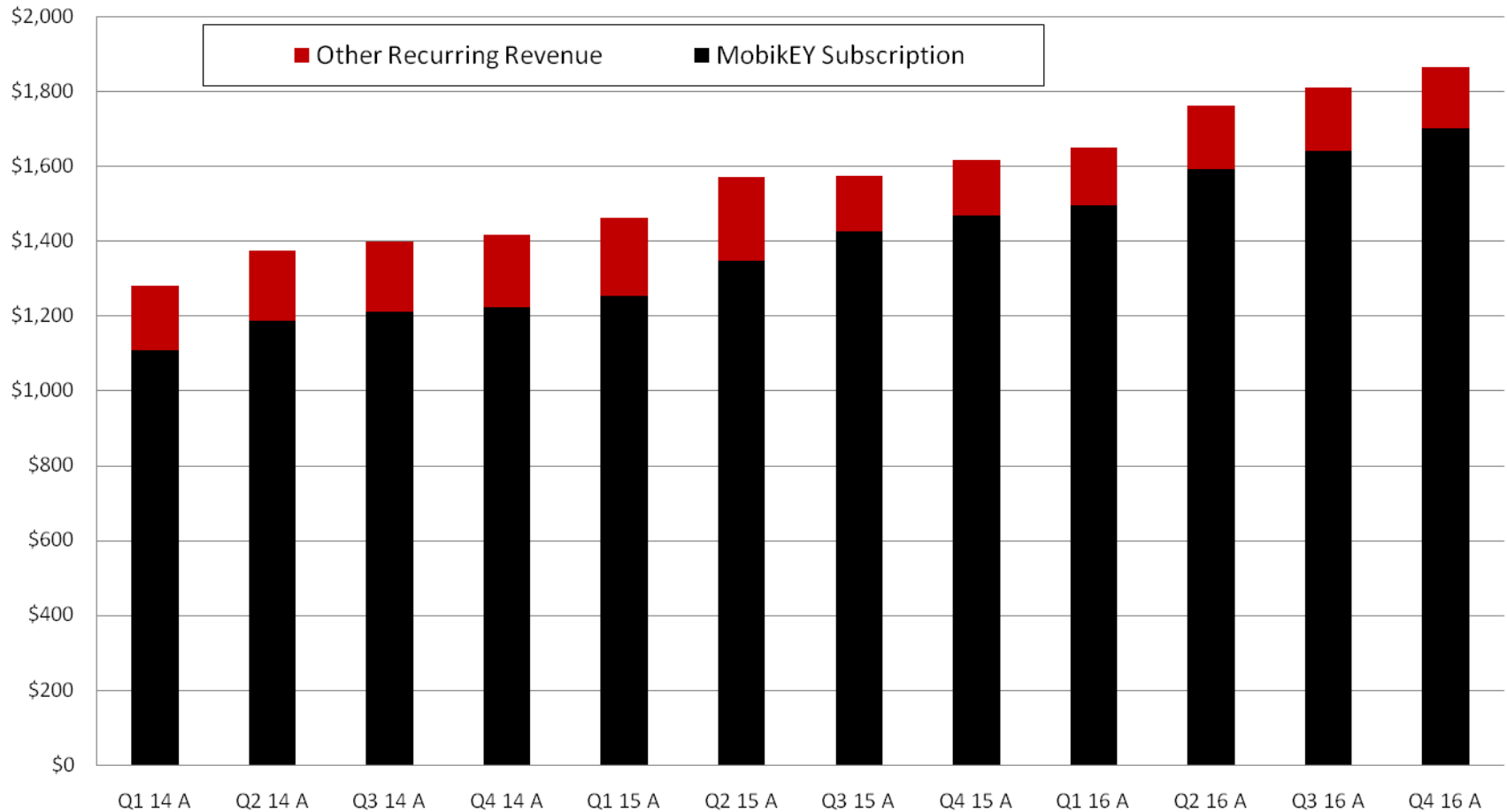
Q4 16 Objectives

- ✓ Released DerivID Phase I – Android OS support
 - iOS support to come in Q2 2017
- ✓ Listed on the OTC exchange
- ✓ Grew the US DOI user base - US FWS paid, user base increased from 550 to 1,000
- ✓ Started the renewal process for the JSP ATO for MobiKEY
 - ATO issued in February 2017
- ✓ Advanced the MobiKEY accreditation process with USMC
 - ATO issued in January 2017

Rolled into 2017

- MobiKEY 5.2
- MobiKEY for Android 5.1 and MobiKEY A2T for Android 5.1
- US Army Approval to use MobiKEY

Tracking Recurring Revenue in CAD 000s



MobiKEY Paid, Active Users in CAD Dollars

Quarter	Q4	Q3	Q2	Q1	Q4	Q3
Fiscal Year	2016			2015		
Total Recurring Revenue (in thousands)	\$1,865	\$1,808	\$1,760	\$1,648	\$1,616	\$1,572
MobiKEY Subscription Revenue (in thousands)	\$1,702	\$1,639	\$1,591	\$1,496	\$1,467	\$1,424
Closing No. of MobiKEY Subscribers	17,883	17,344	16,800	16,490	16,286	15,989
MobiKEY Revenue per Subscriber	\$388	\$383	\$383	\$367	\$361	\$362
Adjusted EBITDA ⁽¹⁾ (in thousands)	\$307	\$441	\$278	\$171	\$279	\$242
Outstanding Debt	\$0	\$0	\$0	\$0	\$0	\$0
Common Shares O/S (in millions)	348.2	351.1	353.1	360.9	362.7	365.1

(1) Route1 uses the term Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, stock-based compensation, restructuring and other costs). Accordingly, the Adjusted EBITDA should not be considered in isolation nor as a substitute for analyses of Route1's financial information reported under IFRS. For more information on Route1's use of the term Adjusted EBITDA please see Route1's FY 2016 MD&A - www.route1.com/investors/financial-releases.html.

Quarterly Operating Performance

In 000s of CAD Dollars	Q4 A 2016	Q3 A 2016	Q2 A 2016	Q1 A 2016	Q4 A 2015	Q3 A 2015	Q2 A 2015	Q1 A 2015
Revenue	1,886	2,031	1,812	1,718	1,625	1,614	1,620	1,538
Services	1,865	1,808	1,760	1,648	1,616	1,572	1,569	1,461
Devices, Appliances and Other	21	223	52	70	9	42	51	77
Gross Margin	1,548	1,583	1,471	1,370	1,341	1,294	1,326	1,272
Expenses	1,356	1,243	1,299	1,332	1,189	1,170	1,198	958
Operating Income	192	340	172	38	152	124	128	314
EBITDA	307	447	278	172	279	242	227	404
Net Income (Loss)	91	306	199	(266)	377	102	(344)	594

Balance Sheet

In 000s of CAD Dollars	Dec 31 2016 A	Sep 30 2016 A	Jun 30 2016 A	Mar 31 2016 A	Dec 31 2015 A	Sep 30 2015 A	Jun 30 2015 A
Cash	1,946	2,898	3,735	407	1,251	2,433	3,468
Total current assets	2,910	3,938	4,765	3,880	2,112	3,161	4,166
Total current liabilities	2,500	3,555	4,719	3,814	1,948	3,155	4,351
Deferred revenue (included in current liabilities)	2,155	3,312	4,506	3,531	1,657	2,950	4,138
Net working capital	410	383	46	66	164	6	(185)
Fixed and intangible assets	537	550	609	674	801	877	900
Total assets	4,190	5,230	6,116	5,296	3,656	4,466	5,494
Bank debt	0	0	0	0	0	0	0
Total liabilities	2,590	3,656	4,820	3,919	2,059	3,256	4,453
Shareholders' Equity	1,600	1,574	1,296	1,377	1,597	1,210	1,041

FY 2017

2017 Plan

Initiative	Outcome	Driver
1. IP Realization	<ul style="list-style-type: none"> • Payment/license • Sale of the IP • Strategic sales arrangement 	<ul style="list-style-type: none"> • Infringement lawsuit against VMware/AirWatch
2. MobiKEY Organic Growth	<ul style="list-style-type: none"> • Expect material growth in MobiKEY users 	<ul style="list-style-type: none"> • DoD accounts • New account groups
3. Match Expense to Revenue Profile	<ul style="list-style-type: none"> • Cash flow positive, and growing 	<ul style="list-style-type: none"> • Loss of CBP MobiKEY account
4. Merger or Acquisition	<ul style="list-style-type: none"> • Deal dependent 	<ul style="list-style-type: none"> • Technology, client vertical diversification • Critical mass
5. New Sales – DerivID	<ul style="list-style-type: none"> • Sales in 2018 and beyond 	<ul style="list-style-type: none"> • Derived credential push by DISA and NIST
6. New Technology – Universal Method for Authenticating a User	<ul style="list-style-type: none"> • Introduction and sales in 2018 	<ul style="list-style-type: none"> • Market assessment • Consumer, SME

Surfacing the Value Embedded in our IP

Specific Patent Infringement – the 216 Patent

- Commenced analysis of possible infringement by AirWatch in Q2 2016
- AirWatch is a wholly-owned subsidiary of VMware, Inc. (NYSE: VMW)
- Retained counsel in fall 2106 to provide legal analysis of infringement
- Analysis completed in early 2017
- Entered into hybrid fee arrangement with patent litigation counsel - Vorys, Sater , Seymour and Pease LLP
 - Legal services provided at discount to normal rates in return for a participation in the award/recovery
 - Route1 will pay third party costs
- Filed complaint against AirWatch in Delaware court March 2017
- Route1 has the financial capacity to see the complaint through trial based on cash on hand and expected future cash flow generated by operations

U.S. Patent No. 7,814,216

- Route1's U.S. Patent No. 7,814,216 (216 Patent), "System And Method For Accessing Host Computer Via Remote Computer", was issued by the United States Patent and Trademark Office on October 12, 2010 and expires on March 3, 2025.
 - Route1 is the owner by assignment of the entire right, title and interest in the 216 patent, including the sole and undivided right to sue for infringement.
- The 216 Patent is generally directed to using a controller to enable secure communication between a remote device, such as a smartphone or a portable computer, and a host computer.
 - The controller, remote and host are in different locations; the host is usually part of a customer's computer system.

Surfacing the Value Embedded in our IP

- We have reached out to VMware and other parties that we believe have an interest in talking to us about our 216 Patent and more broadly, Route1's intellectual property (patent portfolio)
 - The VMware complaint initiation is the first step in the process
 - We are having commercial discussions to see where they take us re **actualizing on the value of our IP** - we are not excluding potential options at this point in time

2017 Business Development Plan

The 2017 business development strategy can be summarized into three main components:

1. Protect major accounts to ensure well positioned for 2018 renewals and contract re-competes:
 - JSP
 - Navy - NGEN
2. Drive organic growth from existing accounts that are positioned for growth:
 - U.S. Navy
 - U.S. Marine Corps
 - U.S. Navy Bureau of Medicine and Surgery
 - Department of Interior
3. Addition of new accounts and/or opportunities
 - U.S. Army

Market Take Aways

1. The market continues to act “bipolar”; expectation of data security but enterprises / government valuing functionality over security.
2. Approach to supporting mobility relies on a less than secure technology – VPN.
3. No clear driver, i.e. legislation or economics, to encourage enterprise leadership to embrace data protection versus reactionary behaviour if there is a breach.
4. President Trump’s position on cybersecurity is very important to Route1. See side panel.

In President Trump’s Cybersecurity Executive Order we hope to see:

- Leadership held accountable for data breaches; not a technology issue.
- The full implementation of HSPD-12 across all civilian departments, thus ensuring PIV cards are used for user authentication while accessing data remotely.
- Reassessment of the risk vectors associated with the deployment of VPN-based technologies for accessing data while a user is mobile.
- Investment in technologies that take away the “human” risk factor - human’s cannot be trained to be perfect in the use of any technology.
- Demand from technology vendors that improved cybersecurity will also generate true cost savings.
- Delivering functionality and convenience at the expense of cybersecurity to no longer be an acceptable practice.
- Requirement for full and complete audit trails of how and when government data was accessed and/or used.
- Reassessment of vulnerabilities related to certain currently approved approaches used to deliver derived credentials.

MobiKEY Technology

MobiKEY is a complete desktop, secure remote access technology that integrates multi-factor authentication and identity management in a mobile computing environment.



We didn't follow the technology trends - we architected a better and more secure solution - **MobiKEY.**

Technology Differentiators:

- CAC/PIV card-based multi-factor authentication in compliance with HSPD-12 mandate.
- Your data stays within your network's perimeter. No DAR. No risk of data leakage.
- Remote device operating system agnostic. No software required on remote asset.
- Not a browser-based technology. Not vulnerable to Man-in-the-Browser attack vectors.
- Not a VPN. No open inbound ports. Mitigates risk of penetration attacks.
- No external nodes on your network. Mitigates risk of malware introduction.
- **Built with security as its first priority.**

How We Market

Target Markets

- U.S. Government –DOD and Federal (civilian) focused.
- Canadian Government on an opportunistic basis.
 - Attending a NATO conference at the end of April to expand our government focus beyond North America.
- Certain segments of the enterprise vertical are responsive to our messaging: critical infrastructure, financial services, professional services, healthcare and SMBs.

Promotion

- Direct sales supported by client conferences and industry/vendor events.
 - High value placed on relationships with decision makers.
- Leveraging Route1 Board members, strategic partners and resellers to assist in warm introductions to key decision makers.
- Invested in a sales intelligence tool, to assist is shortening the prospecting cycle for non-government initiatives in Canada.
- Using social media to push broader market themes; opportunistic commentary based on market events, i.e. data breaches.

Pending MobiKEY Releases

Release	Attributes	Timing
MobiKEY for Android 5.1 – Soft App and A2T	<ul style="list-style-type: none">• Support for Android 5.x and 6.x• Knox support	Q2 2017
MobiKEY 5.2	<ul style="list-style-type: none">• An updated version of the remote control mechanism using a new version of our protocol (v2)• Multiple monitors on the Remote Asset are now supported; users will have the option to use additional monitors to fully utilize the Remote Assets hardware capabilities• Improved screen size and resolution negotiation between Remote and Host Assets• Remote Assets running Mac OS Sierra (version 10.12) are now supported• Bidirectional audio now supported• Improved security for Host Assets while in a data session• Performance optimizations• Miscellaneous bug fixes	Q2 2017
DerivID 1.1	<ul style="list-style-type: none">• iOS support	Q2 2017

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