

 Route1®



Authentication & Identity Management | Data Security & Secure Communications



Group Mobile Acquisition
March 26 2018

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Acquisition of Group Mobile



- On March 22, 2018, Route1 closed the acquisition of Group Mobile Int'l, LLC (Group Mobile) from XpresSpa Group, Inc. (XpresSpa Group).
 - Route1 announced the signing of the definitive agreement to acquire Group Mobile (the “Agreement”) on March 8, 2018.
- **Group Mobile** based in Chattanooga, TN and Chandler, AZ, supplies rugged mobile technology solutions to leading automotive manufacturing companies and suppliers, other leading manufacturing and distribution companies, as well as local and state governments in the southeastern and southwestern United States



Group Mobile



- **Group Mobile Background:**

- Deployed over 1.5 million rugged mobile devices.
- <https://groupmobile.com/>.
- Based on historical results, quarterly revenue of USD \$3.4 million to USD \$4.5 million, gross profit margin of 16% to 22% and positive EBITDA.
- Increased margins driven by services offerings.
- Rapidly growing recurring revenue *Technology as a Service* model.
- Hardware supplier relationships with the leaders in rugged and warehouse focused technology equipment manufacturers – Getac and Zebra.
- Strong distributor relationships including Ingram Micro, ScanSource and Synnex.

2017 Plan (as first presented April 2017)

Initiative	Outcome	Driver
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
MobiKEY Organic Growth	<ul style="list-style-type: none"> • Adjusting for the CBP user loss • Budgeting “push” growth of 4,595 new users 	<ul style="list-style-type: none"> • DON – 1,122 • DOI – 1,100 • USMC – 950 • DoD DEFIMNET Accounts – 934
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
Merger or Acquisition	<ul style="list-style-type: none"> • Deal dependent 	<ul style="list-style-type: none"> • Technology, client vertical diversification • Critical mass • Increased share price
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
New Technology	<ul style="list-style-type: none"> • Introduction and sales in 2018 	<ul style="list-style-type: none"> • Market assessment • Consumer, SME

Acquisition of Group Mobile



- **Transaction Rationale.** Route1 is acquiring Group Mobile to:
 - A. Expand Route1's service and product offerings;
 - B. Strengthen outside and inside sales;
 - C. Diversify revenue, customers, and verticals;
 - D. Expand the use of Route1's core technologies into the manufacturing, distribution, local and state governments and respective suppliers; and
 - E. Leverage Group Mobile's current and future placement of rugged mobile devices to sell Route1's core technologies as an integrated offering.
- Push ActionPLAN *Powered by MobiNET* push

Acquisition Deal Terms



- **Fixed Consideration.** Under the terms of the Agreement, Route1 issued to XpresSpa Group:
 - 25 million common shares, and
 - 30 million, three-year common share purchase warrants with an exercise price of CAD 5 cents per common share.
- XpresSpa Group now owns approximately 7% of Route1's undiluted common shares. The issued Route1 common shares will not be tradable until a date no earlier than 12 months after the closing date:
 - 50% or 12.5 million common shares tradeable after 12 months, plus
 - 2,083,333 common shares tradeable each month until 18 months after the date of closing, subject to a change of control provision.

Acquisition Deal Terms



- **Contingent Consideration.** There may also be one or more payments made to XpresSpa Group based on the actual gross profit of Group Mobile meeting a minimum threshold in each 12-month period during the first three years post-closing or for the three years in aggregate post-closing. Specifically:
 - **An annual earn-out** if the gross profit of Group Mobile is in excess of USD \$3,750,000 per 12-month period, then XpresSpa Group will receive 27.5% of the actual gross profit amount greater than USD \$3,750,000. If the gross profit target is missed in the first or second year, no subsequent annual earn-out payment(s) will be made; and
 - **A cumulative earn-out** that is equal to 27.5% of the Group Mobile gross profit for the first 36 months post-closing that is in excess of \$11,250,000 less any annual earn-out amounts previously made. Payments pursuant to the annual or cumulative earn-out will be made in cash, 90 days after the respective period end.

Acquisition Deal Terms



- **Additional Deal Terms.**

- No assumption of indebtedness (other than trade payables or accruals incurred in the ordinary course of business).
- A minimum working capital balance.
- An XpresSpa Group non-compete and non-solicitation for a period of three years.
- A voting agreement whereby, if XpresSpa Group owns in excess of 3% of the outstanding shares of Route1, all common shares issued as part of the acquisition are subject to a voting agreement with Route1 for the term of the earn-out.

AirWatch Litigation - To Date

Route1 filed a **complaint against AirWatch LLC (“AirWatch”)** in Delaware court on March 27, 2017. The complaint was served on AirWatch on June 1, 2017. The civil action number is 1:17-cv-00331-RGA and was assigned to the Honorable Richard G. Andrews.

March 27, 2017	Route1 complaint filed
June 1, 2017	Route1 complaint served
August 28, 2017	Scheduling Order was issued
September 15, 2017	Initial Disclosures were made
September 22, 2017	AirWatch filed an Inter Partes Review (“IPR”) petition with the US Patent and Trademark Office (“USPTO”)
September 27, 2017	AirWatch and Route1 disclosures made re Default Standard of Discovery
September 27, 2017	Route1 identified the accused products and produced a file history for the its patent(s)
October 6, 2017	AirWatch petition for an IPR certified as received by the USPTO
October 17, 2017	AirWatch filed a Motion to Stay pending the IPR
October 24, 2017	AirWatch’s Motion to Stay filed on October 17, 2017 was denied
November 10, 2017	AirWatch produced technical documentation related to the accused products
December 11, 2017	Route1 produced its initial infringement contentions relating to the accused products to asserted claims
December 22, 2017	Route1 filed its response to AirWatch’s IPR petition
January 9, 2018	AirWatch produced its initial invalidity contentions
January 16, 2018	Parties exchanged proposed claim constructions
January 23, 2018	Joint claim construction chart filed
February 16, 2018	Route1 served opening Claim Construction Brief
March 19, 2018	AirWatch served answering Claim Construction Brief
March 20, 2018	Patent Trial and Appeal Board (“PTAB”) denies institution of an IPR on the Route1 patent

AirWatch Litigation - Upcoming Dates

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April 16, 2018	Route1 serves reply brief to AirWatch’s answering Claim Construction Brief
May 16, 2018	AirWatch serves sur-Reply Brief
May 23, 2018	Joint Claim Construction Brief filed
June 29, 2018	Deadline for all motions to join other parties and amend or supplement pleadings
July 2, 2018	Claim Construction Hearing (the “Markman Hearing”)
30 days after the Court’s Markman Order	Deadline for final infringement contentions
60 days after the Court’s Markman Order	Deadline for final invalidity contentions
September 14, 2018	Document production substantially complete
December 14, 2018	Deadline for completion of fact discovery
January 7, 2019	Opening expert reports due: Route1 infringement and damages; AirWatch invalidity
February 7, 2019	Expert reports rebutting opening expert reports due
February 21, 2019	Reply expert reports in support of opening expert reports due
March 21, 2019	Deadline for expert depositions
April 18, 2019	Deadline for objections to expert testimony
April 18, 2019	Deadline for case dispositive motions-motion for summary judgment
August 27, 2019	Joint proposed final pretrial order-process for how the case will be tried
August 30, 2019	Pretrial conference
September 9-13, 2019	Jury trial

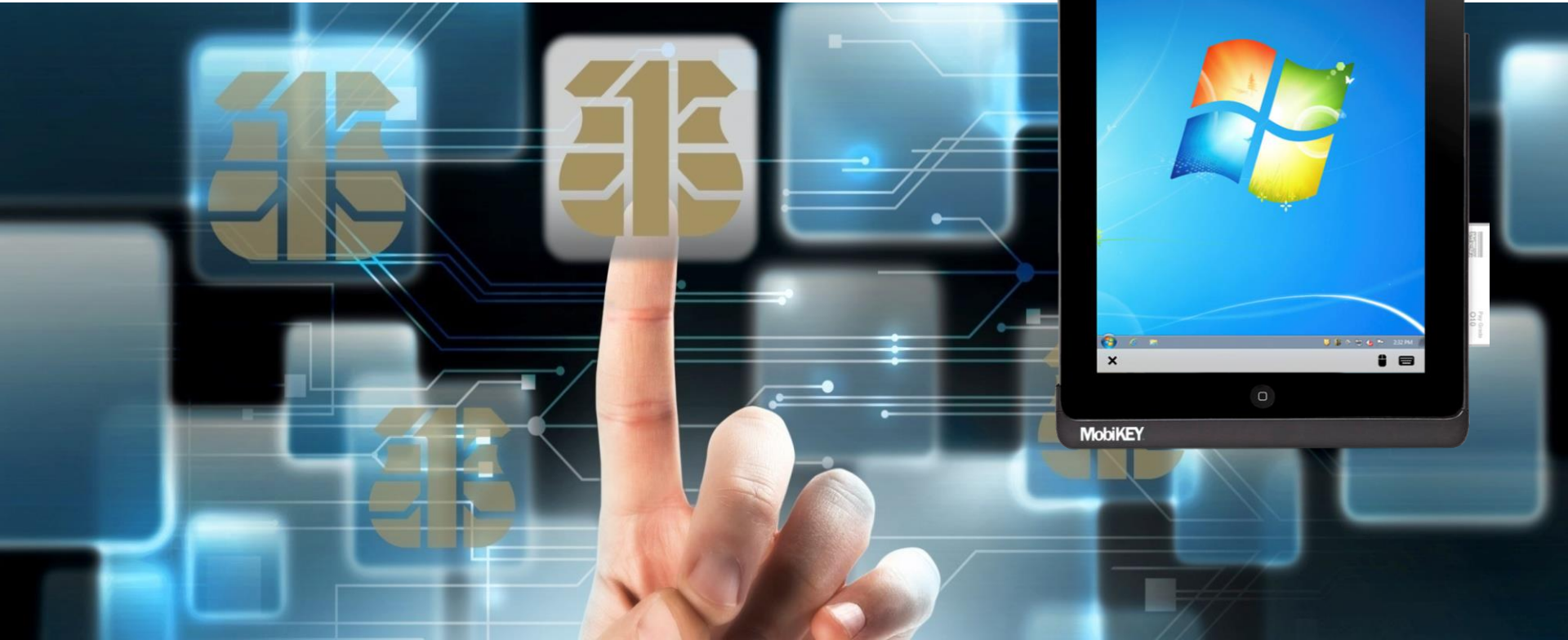
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What does the PTAB ruling mean for Route1?

- The PTAB issued its decision determining that AirWatch had not demonstrated a reasonable likelihood that it would prevail in establishing that any claims of the ‘216 patent are invalid and, accordingly, denied the IPR petition; AirWatch has 30 days to file a motion for reconsideration.
- Stay on track for a court date in September 2019, when we can focus on proving infringement and the quantum of damages

 **Route1**[®]



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