



Q1 2018 Results

May 29, 2018



GROUPMOBILE
ADVANCED MOBILE TECHNOLOGY

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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).
- **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 – DT Research, Durabooks, Getac and Zebra.
- Strong distributor relationships including Ingram Micro, ScanSource and Synnex.



Acquisition of Group Mobile



- **Transaction Rationale.** Route1 acquired 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, and local and state governments; and
 - E. Leverage Group Mobile's current and future placement of rugged mobile devices to sell Route1's ActionPLAN *Powered by MobiNET* and other core technologies as an integrated offering.



Group Mobile Acquisition Equation

As at March 22, 2018

Assets Acquired (in Millions of US Dollars)

Cash and cash equivalents	\$0.2
Trade and other receivables	\$1.2
Inventory	\$0.6
Prepaid expenses	\$0.0
Current assets	<u>\$2.1</u>
Furniture and fixtures (net)	\$0.0
TaaS assets (net)	<u>\$0.9</u>
Fixed assets	<u>\$0.9</u>
Total assets	<u>\$3.0</u>

Liabilities Assumed (in Millions of US Dollars)

Trade and other payables	\$1.7
Employee liabilities	\$0.1
Sales tax payable	\$0.1
Contract liability	\$0.1
Total liabilities	<u>\$1.9</u>
Fair value of net assets acquired (US Dollars)	<u><u>\$1.0</u></u>

Fair value of net assets acquired in Canadian Dollars

	\$1.3
Less: Consideration paid	<u>\$1.0</u>
Gain on acquisition	\$0.3
Less: Acquisition costs	<u>\$0.2</u>
Net purchase gain on acquisition	<u><u>\$0.1</u></u>

Our Value

Is. A leading innovator in secure data technologies and mobility solutions which enable data services, provide secure communications and create efficiencies in Government and the Enterprise sector.

Does. Facilitates the collection, analysis, delivery and access of data in a secure environment by engineering complete solutions using patented technologies, enterprise devices, services and support.

Means. Government and enterprise industries have access to a **Technology Solutions Partner** who understands how to increase their efficiencies and effectivity by securely enabling a mobile workforce, capturing, analyzing and delivering crucial data, and providing solution support and services.

2018 Plan

- A. EBITDA generation from acquisition
- B. Company integration – name, branding, positioning, organization
 - Leveraging our Group Mobile channel partners and clients to introduce traditional Route1 software applications
 - Expand channel partnerships
- C. Organic growth from MobiKEY and ActionPLAN *Powered by MobiNET*
 - Government vertical for MobiKEY
 - Advanced automation and automotive for ActionPLAN *Powered by MobiNET*
- D. IP realization
- E. Next software application
- F. Further expansion
 - Expand productive sales force
 - Invest in next software applications
 - Acquisition opportunities

Market Highlights

US Government

- Budget was fully funded on March 23, 2018.
- Restructuring, reorganization, amalgamation and role elimination has become the new norm within the USG.

Cloud and Web-enablement of Applications

- Cloud has proven to be a viable and cost effective model for optimizing computing resources.
 - Public, private and hybrid models are being endorsed by enterprises and encouraged by the government policy makers.
- Traditional desktop productivity software are being replaced by online versions.

Market Highlights

Internet of Things and Identity Management

- We are at the brink of a time when majority of electrical “things” will become interconnected.
- They will communicate with us – or amongst themselves, they will have online user interfaces that can be controlled from any device.
- This trend will bring an unprecedented level of cybersecurity risk.
- The Identity Management players are broadening their offerings to expand beyond individuals and systems, positioning themselves to manage authentication for any device (Internet of Things), we see these two spaces merging in the future.
 - We expect to see significant growth in this segment of the market in the coming years.
 - This is a good fit for our *ActionPLAN Powered by MobiNET* technology and will create new opportunities to evolve *ActionPLAN Powered by MobiNET* to additional verticals, industries and service offerings.

Quarterly Operating Performance

In 000s of CAD Dollars	Q1 A 2018	Q4 A 2017	Q3 A 2017	Q2 A 2017	Q1 A 2017
Revenue	1,684	1,420	1,338	1,371	1,941
Subscription Revenue and Services	1,264	1,263	1,177	1,347	1,911
Devices, Appliances and Other	420	157	161	24	30
Gross Margin	1,100	1,089	976	1,073	1,606
Expenses	1,136	1,164	1,132	1,151	1,289
Operating Income	(36)	(75)	(155)	(78)	317
EBITDA	46	24	(46)	16	406
Net Income (Loss)	(60)	(245)	(338)	(235)	208

Note: Group Mobile results were included for the nine days from March 23, 2018.

Annual Operating Performance

In 000s of CAD Dollars	FY 17 A	FY 16 A	FY 15 A	FY 14 A	FY 13 A
Revenue	6,070	7,447	6,397	6,078	5,433
Subscription Revenue and Services	5,698	7,080	6,218	5,470	4,948
Gross Margin	4,745	5,973	5,233	4,932	4,296
Operating Income	9	742	718	535	(189)
EBITDA	401	1,203	1,152	901	72
Gain on Acquisition	0	0	0	0	0
AirWatch Litigation	(270)	(56)	0	0	0
Net (Loss) Income	(610)	330	728	637	(343)

Subscription Revenue and Services

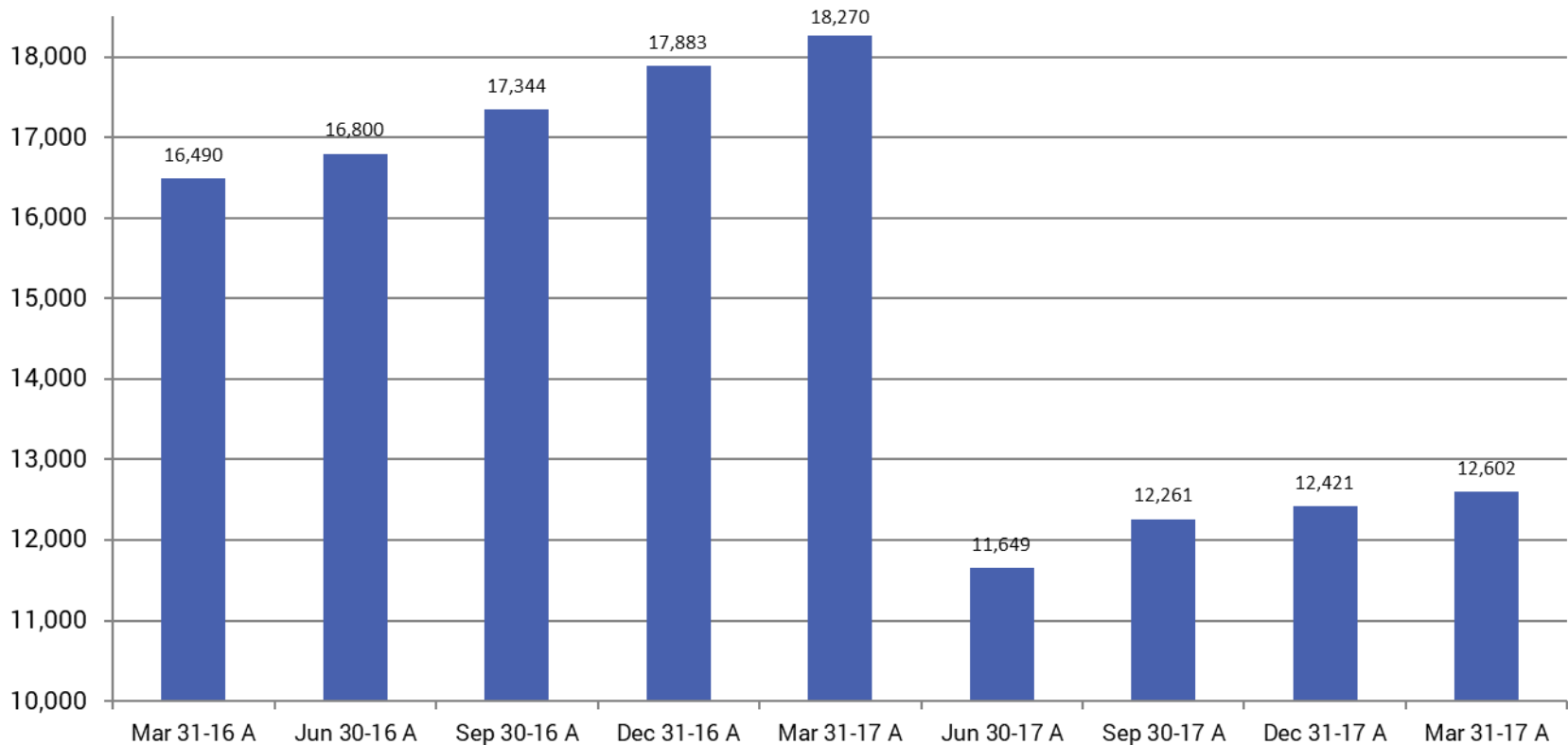
In 000s of CAD Dollars	Q1 A 2018	Q4 A 2017	Q3 A 2017	Q2 A 2017	Q1 A 2017
Application Software	1,260	1,263	1,177	1,347	1,759
Appliance Licensing or Yearly Maintenance	-	-	-	-	152
Technology as a Service	-	-	-	-	-
Other Services	4	-	-	-	-
Total	1,264	1,263	1,177	1,347	1,911

Note: Group Mobile results were included from March 23, 2018.

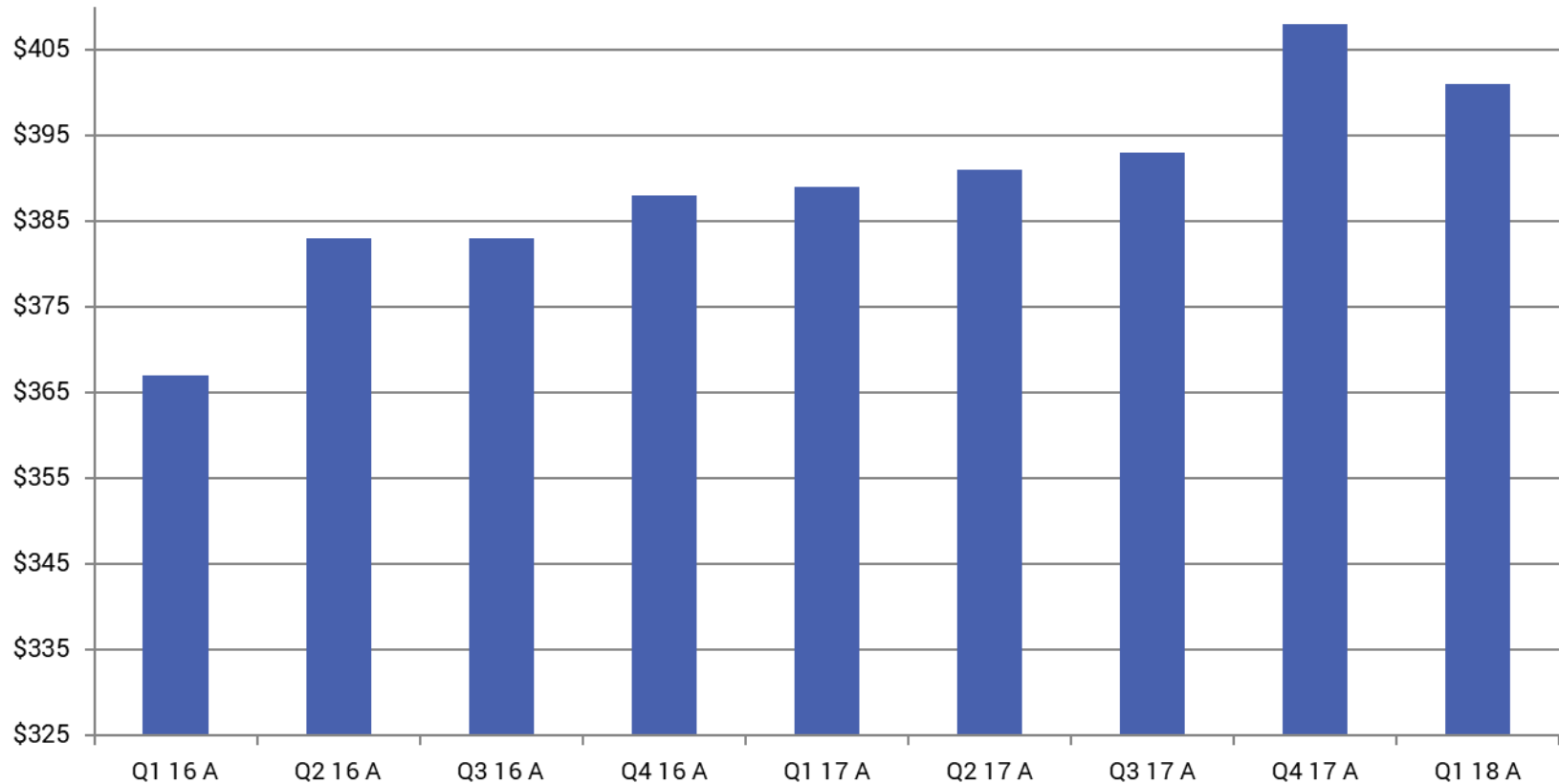
TaaS Model

- **Example** Group Mobile client in US dollars
- Revenue of \$60,000 per month
 - \$900,000 of invested capital
- We purchase the assets and "rent" them out to the client
- We depreciate the assets over the life of the agreement, typically 36 months, with no residual value at the end of the contract
 - Nominal dollar cash flow payback after 15-17 months
- Customers often continue to use the equipment after the term of the contract and pay the monthly rental
 - With no depreciation, the TaaS revenue is highly profitable

MobiKEY Paid, Active Users - No.



MobiKEY Paid, Active Users - ARPU



Balance Sheet

In 000s of CAD Dollars	Mar 31 2018 A	Dec 31 2017 A	Sep 30 2017 A	Jun 30 2017 A	Mar 31 2017 A	Dec 31 2016 A
Cash	600	1,037	1,408	2,080	704	1,946
Total current assets	6,292	2,035	2,856	2,924	1,890	2,910
Total current liabilities	6,292	1,829	2,534	2,396	1,113	2,500
Deferred Revenue (incl. in current liabilities)	2,644	1,495	2,280	2,084	777	2,155
Net working capital	0	206	322	528	777	410
Fixed and intangible assets	1,612	168	483	547	481	537
Total assets	8,646	3,171	4,081	4,213	3,114	4,190
Bank debt	0	0	0	0	0	0
Total liabilities	6,390	1,935	2,649	2,494	1,210	2,590
Shareholders' Equity	2,256	1,236	1,432	1,720	1,904	1,600

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 - Continued

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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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