



North America's most advanced provider of ultra-secure mobile workforce, user authentication and data intelligence solutions.

Q4 and FY 2018 Shareholder Update

April 26, 2019

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How and What We Do For Our Customers

We empower organizations with the **data-centric solutions** and insights necessary to streamline operations, minimize costs and gain competitive advantages while maintaining the highest level of cyber security.

A common thread underscores “**the end goal**”: process optimization, operational efficiency, mission accomplishment or regulatory compliance

Security is the backbone of everything we do.

We are **experts in cybersecurity**: security is core to all our product and service offerings, we are the leader in identity and authentication, accredited by the US Government, public key infrastructure (PKI) in place

The Business Premise – Our White Space

Operational efficiencies and a competitive advantage, whether in a manufacturing plant or in theater, are gained through **real-time secure delivery of actionable intelligence** to decision makers.

THE END-TO-END SOLUTION ENCOMPASSES:

1. Data Security (Information Assurance) and User Authentication

- Security: MobiNET, CryptoPath (ActionPLAN), MobiENCRYPT
- Authentication: MobiNET, MobiKEY, DerivID

2. Data Analytics and Data Acquisition

- Analytics: MobiNET, ActionPLAN
- Acquisition: Rugged barcode scanners, RFID tagging, wireless and mobility enablement services, DCDs

3. Data Visualization

- Rugged computers and tablets, DPCs (ActionPLAN), MobiKEY

4. Data Services

**“It’s all about
the data”**



2018: The year that was for Route1

March 20, 2018

- AirWatch IPR motion denied.

March 22, 2018

- Acquired Group Mobile Int'l.

June 18, 2018:

- Bench Walk Advisors makes a US \$1,000,000 non-recourse investment directly into Route1's lawsuit against AirWatch LLC.

July 5, 2018

- MobiKEY technology now works with Samsung DeX.

2018: The year that was for Route1

July 12, 2018

- Received a purchase order valued at approximately US \$5.9 million from an integrated energy company engaged to provide the client with ruggedized devices.

July 25, 2018

- Honorable Richard G. Andrews issued a Memorandum Opinion, his decision, on the claim construction hearing that was held in Wilmington, Delaware on July 2, 2018 (the “Markman Hearing”).

2018: The year that was for Route1

July 31, 2018

- Announced a new trade name - GroupMobile, *"Its All About the Data"*, recognized an expanded value proposition

Is

North America's most advanced provider of ultra-secure mobile workforce, user authentication, and **data intelligence** solutions.

Does

Gives organizations the durable tools and real time industrial-grade **intelligence** they need to create efficiencies while maintaining military-grade **data security**.

Means

Your organization has the tools and the fact-based insights it needs to create efficiencies, including streamlining operations and cutting costs, while keeping your data secure

- Received a purchase order valued at approximately US \$1.9 million from a municipality in the US Pacific Northwest to provide the client with ruggedized devices.

August 7, 2018

- AirWatch request of PTAB for their IPR motion rehearing was denied.

2018: The year that was for Route1

September 17, 2018

- Renewed a normal course issuer bid (NCIB). During the 12-month period commencing September 27, 2018 and ending September 26, 2019, Route1 can purchase on the TSX Venture Exchange up to 18,405,350 common shares in total, being approximately 5% of the outstanding common shares.

October 2, 2018

- Named retired Major General (ret.) Edward Reeder as a Board director, replacing Rear Admiral (ret.) Mark Boensel

December 19, 2018

- Filed a complaint, Court File No. T-2149-18, against VMware and its wholly owned subsidiary AirWatch in the Federal Court of Canada for infringement of Route1's Canadian Patent No. 2,578,053, seeking financial compensation for infringement, legal fees and an injunction.

Annual Operating Performance

| In 000s of CAD Dollars | FY 18 A | FY 17 A | FY 16 A | FY 15 A | FY 14 A | FY 13 A |
|-----------------------------------|--------------|------------|--------------|--------------|------------|------------|
| Revenue | 26,231 | 6,070 | 7,447 | 6,397 | 6,078 | 5,433 |
| Subscription Revenue and Services | 6,209 | 5,698 | 7,080 | 6,218 | 5,470 | 4,948 |
| Gross Margin | 7,499 | 4,745 | 5,973 | 5,233 | 4,932 | 4,296 |
| Expenses | 6,892 | 4,736 | 5,231 | 4,515 | 4,397 | 4,485 |
| Operating Income | 607 | 9 | 742 | 718 | 535 | (189) |
| EBITDA | 1,275 | 401 | 1,203 | 1,152 | 901 | 72 |
| AirWatch Litigation ¹ | (841) | (270) | (56) | 0 | 0 | 0 |
| Net (Loss) Income | (434) | (610) | 330 | 728 | 637 | (343) |

¹ During the year, Route1 adjusted its accounting for the reimbursement of litigation expenses to conform to the year-end presentation. This change resulted in additional litigation expenses of \$393,022 recorded in the quarters ended June 30, 2018 and September 30, 2018. Previously, the Company had recorded the litigation expense reimbursements from Bench Walk as a reduction in patent litigation expense.

Quarterly Operating Performance

| In 000s of CAD Dollars | FY A 2018 | Q4 A 2018 | Q3 A 2018 | Q2 A 2018 | Q1 A 2018 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 26,231 | 4,074 | 14,895 | 5,577 | 1,684 |
| Subscription Revenue and Services | 6,209 | 1,628 | 1,684 | 1,632 | 1,264 |
| Devices, Appliances and Other | 20,021 | 2,446 | 13,210 | 3,943 | 420 |
| Gross Margin | 7,499 | 1,858 | 2,584 | 1,957 | 1,099 |
| Expenses | 6,892 | 1,714 | 2,150 | 1,891 | 1,135 |
| Operating Income | 607 | 144 | 434 | 65 | (36) |
| EBITDA | 1,275 | 330 | 627 | 272 | 46 |
| Net Income (Loss) | (434) | (355) | 242 | 209 | (150) |
| Revised Net Income (Loss) | | | 188 | 13 | (280) |

Subscription Revenue and Services

| In 000s of CAD Dollars | Q4 A 2018 | Q3 A 2018 | Q2 A 2018 | Q1 A 2018 |
|---|--------------|--------------|--------------|--------------|
| Application Software | 1,169 | 1,193 | 1,181 | 1,260 |
| Appliance Licensing or Yearly Maintenance | - | - | - | - |
| Technology as a Service | 329 | 288 | 266 | - |
| Other Services | 130 | 203 | 186 | 4 |
| Total | 1,628 | 1,684 | 1,633 | 1,264 |

Balance Sheet

| In 000s of CAD Dollars | Dec 31 2018 A | Sep 30 2018 A | Jun 30 2018 A | Mar 31 2018 A | Dec 31 2017 A | Dec 31 2016 A |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash | 1,073 | 2,289 | 1,084 | 600 | 1,037 | 1,946 |
| Total current assets | 3,664 | 6,074 | 4,988 | 6,292 | 2,035 | 2,910 |
| Total current liabilities | 4,034 | 5,559 | 4,863 | 6,292 | 1,829 | 2,500 |
| Contract liability (incl. in current liabilities) | 1,540 | 2,279 | 2,641 | 2,644 | 1,495 | 2,155 |
| Net working capital | (370) | 515 | 125 | - | 206 | 410 |
| Fixed and intangible assets | 2,267 | 1,457 | 1,626 | 1,612 | 394 | 537 |
| Total assets | 6,673 | 8,273 | 7,892 | 9,179 | 3,171 | 4,190 |
| Bank debt | - | - | - | - | - | - |
| Total liabilities ² | 5,208 | 5,795 | 5,034 | 6,390 | 1,935 | 2,590 |
| Shareholders' Equity ² | 1,465 | 2,178 | 2,085 | 1,931 | 1,236 | 1,600 |

² The reimbursements of \$393,022 received from Bench Walk in FY 2018 pursuant to its investment have been accounted for as a long-term non-monetary liability within the consolidated financial statements. All such amounts are non-recourse to the Company. In connection with the terms of the agreement, the Company does not have a present obligation to pay any amounts until such time as the litigation has been settled or an event of default has occurred. In the event of an award or settlement of the litigation, the Company will be obligated to pay Bench Walk the greater of 10% of such award or settlement and \$2,000,000 or \$3,000,000 if the litigation proceeds to trial.

Final Acquisition Equation

As at March 22, 2018

| | <u>US Dollars</u> | <u>Canadian Dollars</u> |
|--|--------------------|-------------------------|
| Assets Acquired | | |
| Cash and cash equivalents | \$246,268 | \$317,883 |
| Trade and other receivables | 1,238,839 | 1,599,094 |
| Inventory | 491,241 | 634,094 |
| Prepaid expenses | 3,037 | 3,920 |
| Current Assets | <u>1,979,385</u> | <u>2,554,991</u> |
| Furniture and fixtures | 46,885 | 60,519 |
| TaaS assets | 741,716 | 957,406 |
| Intangible assets | 266,000 | 343,353 |
| Goodwill | 357,832 | 461,889 |
| Non-Current Assets | <u>1,412,432</u> | <u>1,823,167</u> |
| Total assets | <u>\$3,391,817</u> | <u>\$4,378,158</u> |
| | | |
| Liabilities Assumed | | |
| Trade and other payables | \$2,108,564 | \$2,721,734 |
| Employee liabilities | 226,117 | 291,872 |
| Sales tax payable | 56,117 | 72,436 |
| Contract liability | 271,241 | 350,118 |
| Total Liabilities | <u>\$2,662,038</u> | <u>\$3,436,159</u> |
| Fair value of net assets acquired | <u>\$729,780</u> | <u>\$942,000</u> |
| | | |
| Net consideration issued | <u>\$729,780</u> | <u>\$942,000</u> |

Capital Expenditures

| In 000s of CAD Dollars | FY A 2018 | Q4 A 2018 | Q3 A 2018 | Q2 A 2018 | Q1 A 2018 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Leasehold Improvements | 43 | 43 | - | - | - |
| Furniture and Equipment | 16 | 7 | 4 | 5 | - |
| Computer Hardware (including TaaS) | 558 | 209 | 8 | 211 | 130 |
| Computer Software | 7 | 7 | - | - | - |
| Intangibles | 94 | 77 | 12 | 5 | - |
| Total | 718 | 343 | 24 | 221 | 130 |

Capitalization Table

| Securities as at April 25, 2019 | Strike Price | Number |
|----------------------------------|-----------------------|-------------|
| Common Stock | | 364,092,000 |
| Stock Options Granted | CAD \$0.050 - \$0.070 | 24,650,700 |
| Warrants (expire March 22, 2021) | CAD \$0.050 | 30,000,000 |

2019 Plan

Operational execution

- A. EBITDA consolidation and growth
- B. Company integration – leverage accounts
- C. IP monetization

Acquisition growth

- A. Build sales depth and geographic coverage
- B. Build out the Data Services team
- C. Invest in Data Analytics

Sales Update: MobiKEY

The 2019 business development strategy is focused on the following:

- Protect major accounts to ensure MobiKEY is entrenched into their organizations, minimize impact of account cleanups while positioning for contract renewals (JSP and DOI)
- Deliver a new DEFIMNET platform to the DON
- Focus on enterprise license opportunities
- Organic growth from existing accounts
- Addition of new accounts and opportunities
 - USAF
 - SEO initiative to push www.route1.com; specifically MobiKEY
- Pursue opportunities based on MobiKEY support of DISA's Purebred AND OR derived credential opportunities with our DerivID technology

Sales Update: MobiKEY

Major Account: NAVY

- Tech refresh of the DON DEFIMNET infrastructure is moving forward
 - Perspecta received task order from PMW 205 in Oct-18
 - Statement of work between Route1 and Perspecta signed also in Oct-18
 - Route1 is building a new DEFIMNET free of charge
 - Updated accreditation (July 2019) for the infrastructure and MobiKEY – two MSAs will be part of the platform, improving user experience
 - Expect to be installed in early Q3 2019
 - Separate task order to be issued to Perspecta from the DON for installation

Sales Update: MobiKEY

Major Account: JSP / DISA

- JSP currently has a 4,000 subscription base
 - Renewal March 31, 2019; 2nd and last option year on 2017 award
 - PO issued, payment over the next month
- We have provided them an enterprise license for the entire organization at NO additional cost
 - The additional 15,000 subscription increase brings them to 19,000 available users
- We need to bring DISA onside with the MobiKEY technology

Sales Update: Hardware Resale

The 2019 business development strategy is focused on the following:

- Offering all our capabilities to core GroupMobile clients
- More deeply penetrate acquired clients – expanded gross profit
- Open up Canada with Getac and Zebra
- SEO initiative to push www.shopgetac.com
- Improve OEM relationships to drive sales leads and rep development

Data Services: Moving Forward

The objective is to build a robust Data Services Group

- Materially contributes to GroupMobile's revenue and profitability
- Strengthens relationships and retention with existing customers
- Exposes GroupMobile's competencies to new large opportunities

The approach can be broken down into three principal areas of focus

1. Software development
2. Managed services
3. Break and fix (enhancement of the legacy business)

Other services as a client's "pain point" dictates including IT services

Data Services Model Examples

- We expect to discuss publicly the results of the following client driven development projects shortly:
 - Encrypting private egress traffic amongst local devices with no impact to existing applications or services and with no impactful network latency being introduced
 - Masking a screen on a device mounted in a truck when a certain parameter is met and then unmasked when a certain parameter is no longer met; all in less than one second
 - Custom RFID tag solution that withstands the criteria defined by an automotive OEM, throughout the entire production lifecycle
- We expect new technology will be commercial in Q2 or Q3 2019 resulting in additional revenue and gross profit

What do four legs on our stool add up to?

- We don't push an OEM or any particular product; we push a solution to a problem
 - We are problem solvers
 - We ask what a client's pain points are
 - We are **NOT** a value added reseller
 - We address ALL of our clients needs to secure, acquire, analyze and visualize their data – whether that data is in transit, in use or at rest
 - We always push our capabilities first; access the tools and talent surrounding you
- We don't say we can't; we do say we can
- **We are a unique and beautiful beast!**

AirWatch Litigation Update

US Action

- Mediation Mar 18-19 in Delaware – not successful
- Summary judgement motions filed Apr 18-19 for non-infringement, invalidity and dismissal of damages experts
 - Ruling expected late August 2019
- New judge appointed Mar 29-19: Kent A. Jordan
- Received 216 Patent Rejection Notice from the USPTO on Feb 6-19
 - Patent counsel confident of upholding the patent
 - Provided written response on Mar 25-19
 - Expect a response within 2 to 3 months – prior to September 2019 trial date

CAD Action

- Route1 filed a claim against VMWare Inc., AirWatch LLC and AirWatch Canada on Dec 21-18
 - Filing our response to VMWare defence Apr 25-19



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