



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

**Shareholder Update**

June 17, 2019

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# Route1 to Acquire PCS Mobile

- [www.pcsmobile.com](http://www.pcsmobile.com)
- Route1 entered into a share purchase agreement on June 14, 2019 to acquire PCS Mobile
  - Expected closing date of June 28, 2019
- PCS Mobile is a computer reseller with expertise in mobile data applications, including wireless products for in-vehicle use
  - The company offers guidance and state-of-the-art mobile devices for a wide range of applications including utilities, telecommunications, field services, insurance, healthcare, Fire/EMT, police and public safety - as well as state and local government
- Based in Denver, Colorado, PCS Mobile services customers primarily located in the Southwestern and Rocky Mountain regions of the U.S.
  - Rugged devices and applications include but are not limited to Panasonic Toughbook mobile computers, Xplore and Getac rugged tablets, Genetec license plate recognition solutions, and accessories from Gamber-Johnson and Havis



# PCS Mobile Company Specifics

- Based on prior year's results, Route1 expects PCS Mobile to add annualized revenue of approximately US \$15 million with a gross margin of 14% to 16%
  - The EBITDA contribution from PCS Mobile is expected to be consistent with current Route1 results
- PCS Mobile currently has 19 employees or full-time equivalents
  - Most of the company's employees are based in the Denver, CO office.
  - Locations in which PCS Mobile has employees include Denver (CO), Oxnard and Los Angeles (CA), Detroit (MI), Omaha (NA) and Bridgeport (TX)
- The retained team will be 15, including Kathy Pakkebier (President and CEO) and Martin Murphy (Vice President) under three-year employment agreements
  - **Post-closing, Ms. Pakkebier and Mr. Murphy will sit on Route1's steering committee and each act in a sales / business development capacity**



# Deal Terms

- On closing, Route1 will pay Kathy Pakkebieer US \$2.5 million in the following consideration:
  - US \$1,030,000 in cash.
  - US \$500,000 in Route1 common shares.
    - 11.2 million common shares
  - US \$250,000 in an unsecured note, Note A.
    - Principal amortization annually in arrears with amortization of \$80,000 in years one and two, and \$90,000 in year three.
    - The annual interest rate is 3% paid annually in arrears.
  - US \$720,000 in an unsecured note, Note B.
    - Amortization monthly in arrears with a straight line amount of \$20,000.00.
    - The annual interest rate is 2.37% paid monthly in arrears.
    - A condition of payment is the continued employment of each of Ms. Pakkebieer and Mr. Murphy, who are married.
- Additional transaction terms include: no assumption of indebtedness, a minimum cash balance of \$200,000, a working capital balance that is reflective of the time of year and the nature of business, and a key employee non-compete and non-solicitation for a period equivalent to the term of employment plus two years.



# 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

- Software development, managed services, and hardware break and fix

**“It is all about the Data”**



# Why PCS Mobile?

1. Bring the “new” GroupMobile business model to the Southwestern US - **geographic expansion**
2. Add to the size and quality of the GroupMobile **sales team**
3. Leverage their current and future placement of rugged mobile devices and license plate recognition technology - creating significant opportunities to **sell our data security and analytics software applications and capabilities** to PCS Mobile customers



# License Plate Recognition (LPR) Technology

Source: WhatIs.com

**Automated License Plate Recognition or ALPR** is a technology that uses optical character recognition to automatically read license plate characters.

- There are two types of ALPR: (a) stationary, which uses infrared cameras at high fixed points, and (b) mobile, which uses vehicle-mounted IR cameras
- Mobile ALPR software suites use multiple cameras mounted on a vehicle. As the vehicle moves, it photographs license plates and transmits plate data to a database. The database may be a national database or it may be created at the local level and downloaded into the vehicle's onboard computer at the beginning of each shift. If the system detects a match, the officer receives an alert on his computer. A mobile ALPR can read up to 1,000 plates per hour and cover two or more lanes of traffic at once
- Automated License Plate Recognition has many uses including:
  - Recovering stolen cars
  - Identifying drivers with an open warrant for arrest
  - Catching speeders by comparing the average time it takes to get from stationary camera A to stationary camera B
  - Determining what cars do and do not belong in a parking garage
  - Expediting parking by eliminating the need for human confirmation of parking passes



# LPR and Genetec

- According to Grand View Research, Inc. the North American smart parking market is expected to reach US \$4.11 billion by 2025, developing better solutions, to avoid traffic congestion and for systematic positioning of vehicles across the cities are the key factors driving the market growth
  - Off-street systems are also anticipated to gain traction due to the increasing traffic congestion in urban environments. This market segment is expected to witness considerable growth over the forecast period from 2017 to 2025 and was valued at US \$672.6 million in 2016
- The addition of Genetec's LPR solutions enhances Route1's data security and data analytics portfolio of application software owned or resold with application enhancements
  - Genetec is a provider of IP video surveillance, access control and LPR solutions unified in a single platform; the company is known for providing license plate reading technology to law enforcement
    - [www.genetec.com](http://www.genetec.com)
  - Genetec's AutoVu™ ALPR system automates license plate reading and identification, making it easier for law enforcement and for municipal and commercial organizations to locate vehicles of interest and enforce parking restrictions
  - PCS Mobile is the leading supplier in the Mid-West U.S. for AutoVu

# 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!**



# Q1 2019 Results

# Quarterly Operating Performance

In 000s of CAD Dollars	Q1 A 2019	Q1 A 2019 <sup>1</sup>	Q4 A 2018	Q3 A 2018	Q2 A 2018	Q1 A 2018
Revenue	3,462	3,462	4,074	14,895	5,577	1,684
Subscription Revenue and Services	1,576	1,576	1,628	1,684	1,632	1,264
Devices, Appliances and Other	1,886	1,886	2,446	13,210	3,943	420
Gross Margin	1,762	1,762	1,858	2,584	1,957	1,099
Expenses	1,693	1,713	1,714	2,150	1,891	1,135
Operating Income	69	49	144	434	65	(36)
<b>EBITDA</b>	<b>322</b>	<b>235</b>	<b>330</b>	<b>627</b>	<b>272</b>	<b>46</b>
Net Income (Loss)	(513)		(355)	188	13	(280)

<sup>1</sup> Does not include the impact of adopting IFRS 16. The company was required to adopted IFRS 16 in 2019.

# 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)
<b>EBITDA</b>	<b>1,275</b>	<b>401</b>	<b>1,203</b>	<b>1,152</b>	<b>901</b>	<b>72</b>
AirWatch Litigation <sup>1</sup>	(841)	(270)	(56)	0	0	0
Net (Loss) Income	(434)	(610)	330	728	637	(343)

<sup>1</sup> 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.

# Subscription Revenue and Services

In 000s of CAD Dollars	Q1 A 2019	Q4 A 2018	Q3 A 2018	Q2 A 2018	Q1 A 2018
Application Software	1,186	1,169	1,193	1,181	1,260
Appliance Licensing or Yearly Maintenance	-	-	-	-	-
Technology as a Service	307	329	288	266	-
Other Services	83	130	203	186	4
<b>Total</b>	<b>1,576</b>	<b>1,628</b>	<b>1,684</b>	<b>1,633</b>	<b>1,264</b>

# Balance Sheet

In 000s of CAD Dollars	Mar 31 2019 A	Mar 31 2019 A <sup>2</sup>	Dec 31 2018 A	Sep 30 2018 A	Jun 30 2018 A	Mar 31 2018 A
Cash	367	367	1,073	2,289	1,084	600
Total current assets	5,106	5,100	3,664	6,074	4,988	6,292
Total current liabilities	6,033	5,689	4,034	5,559	4,863	6,292
Net working capital	(927)	(589)	(370)	515	125	-
Total assets	8,803	8,136	6,673	8,273	7,892	9,179
Bank debt	-	-	-	-	-	-
Total liabilities <sup>1</sup>	7,943	7,142	5,208	5,795	5,034	6,390
Shareholders' Equity <sup>1</sup>	860	994	1,465	2,178	2,085	1,931

<sup>1</sup> 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.

<sup>2</sup> Does not include the impact of adopting IFRS 16. The company was required to adopted IFRS 16 in 2019.

# Liability Breakdown

In 000s of CAD Dollars	Mar 31 2019 A	Mar 31 2019 A <sup>1</sup>	Dec 31 2018 A
<b>Current Liabilities</b>			
Accounts Payable and Accrued Liabilities	2,998	3,063	2,494
Contract Liability (Deferred Revenue)	2,626	2,626	1,540
Lease Liabilities	408	-	-
<b>Total</b>	<b>6,033</b>	<b>5,689</b>	<b>4,034</b>
<b>Non-Current Liabilities</b>			
Contract Liability (Deferred Revenue)	155	155	147
Lease Liabilities	544	-	-
Litigation Funding Liabilities	658	658	393
Other Non-current Liabilities	554	639	634
<b>Total</b>	<b>1,910</b>	<b>1,452</b>	<b>1,174</b>

<sup>1</sup> Does not include the impact of adopting IFRS 16. The company was required to adopted IFRS 16 in 2019.



# Capitalization Table

<b>Securities as at June 14, 2019</b>	<b>Strike Price</b>	<b>Number</b>
Common Stock		363,458,000
Stock Options Granted	CAD \$0.050 - \$0.070	34,776,300
Warrants (expire March 22, 2021)	CAD \$0.050	30,000,000

# AirWatch Litigation Update

## US Action

- New judge appointed Mar 29-19: Kent A. Jordan
- Summary judgment motions filed Apr 18-19 for non-infringement, invalidity and dismissal of damages experts
  - Motions to be heard Jun 26-19
  - Rulings expected late summer 2019
- Received second non-final 216 Patent Rejection Notice from the USPTO on May 15-19
  - Patent counsel confident of upholding the patent
  - Provide written response by Jun 28-19
  - Expect a response within 2 months from submission

## CAD Action

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

# 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



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