



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

# Q2 2019 Shareholder Call

September 3, 2019

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# Route1 Public Market Snapshot

Incorporation Year	2004
Stock Price	CAD \$0.40 as at August 19, 2019
52 Week High / Low	CAD \$0.30 to \$0.80
Fully Diluted Common Shares Outstanding	36.7 million
Market Capitalization	CAD \$14.7 million
Employees	54
Annual Revenue	CAD \$26 million
Fiscal Year End	December 31
Offices	Toronto, Canada    Denver, CO    Washington, DC Boca Raton, FL    Chattanooga, TN    Chandler, AZ
Ticker	TSXV: ROI OTCQB: ROIUD

Route1, operating under the trade names **GroupMobile** and **PCS Mobile**, is an advanced North American provider of industrial-grade data intelligence, user authentication, and ultra-secure mobile workforce solutions. Route1 helps all manner of organizations, from government and military to the private sector, to make intelligent use of devices and data for immediate process improvements while maintaining the highest level of cyber security. Route1 is listed on the OTCQB in the United States under the symbol ROIUD and in Canada on the TSX Venture Exchange under the symbol ROI. For more information, visit: [www.route1.com](http://www.route1.com).

# The Sales Pivot



# Commodity

commodity

noun

Definition of *commodity*.

**1:** an economic good such as: **a.** a product of agriculture or mining agricultural *commodities* like grain and corn, **b.** an article of commerce especially when delivered for shipment, or **c.** a mass-produced unspecialized product

**2:** a good or service whose wide availability typically leads to smaller profit margins and diminishes the importance of factors (such as brand name) other than price

**3:** one that is subject to ready exchange or exploitation within a market... stars as individuals and as commodities of the film industry

# Solution

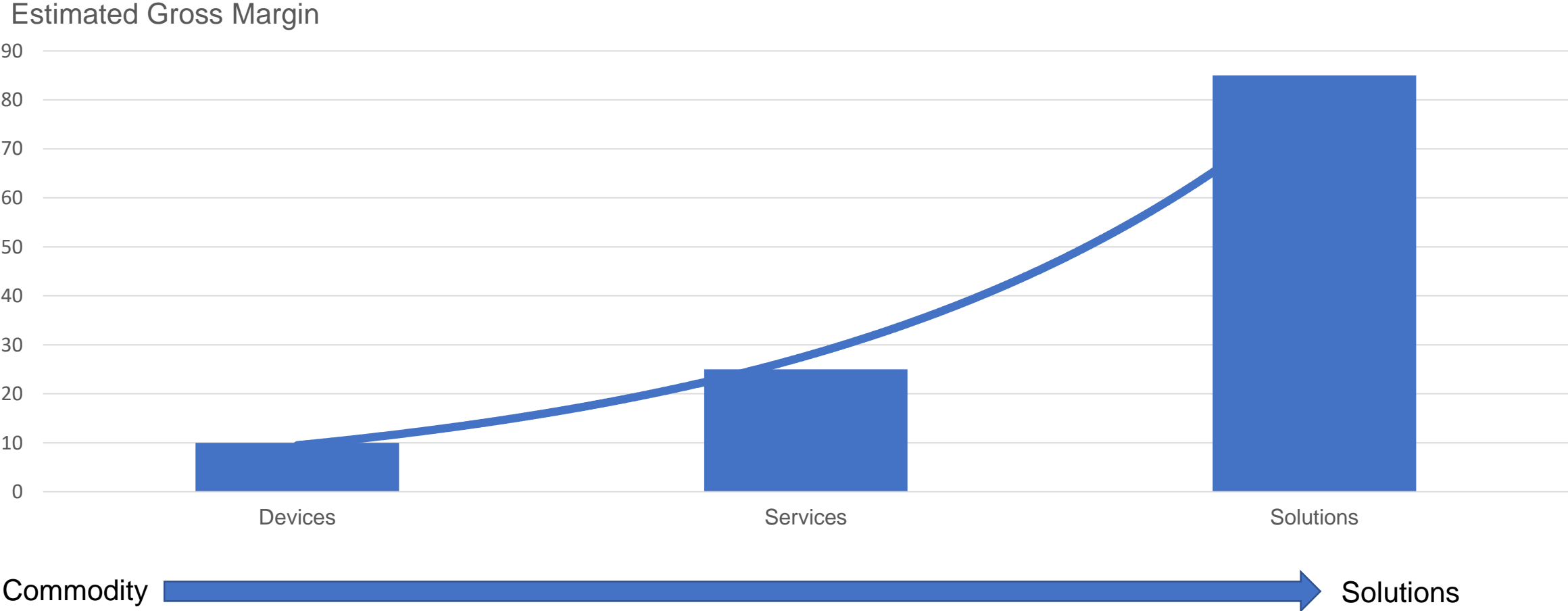
solution

noun

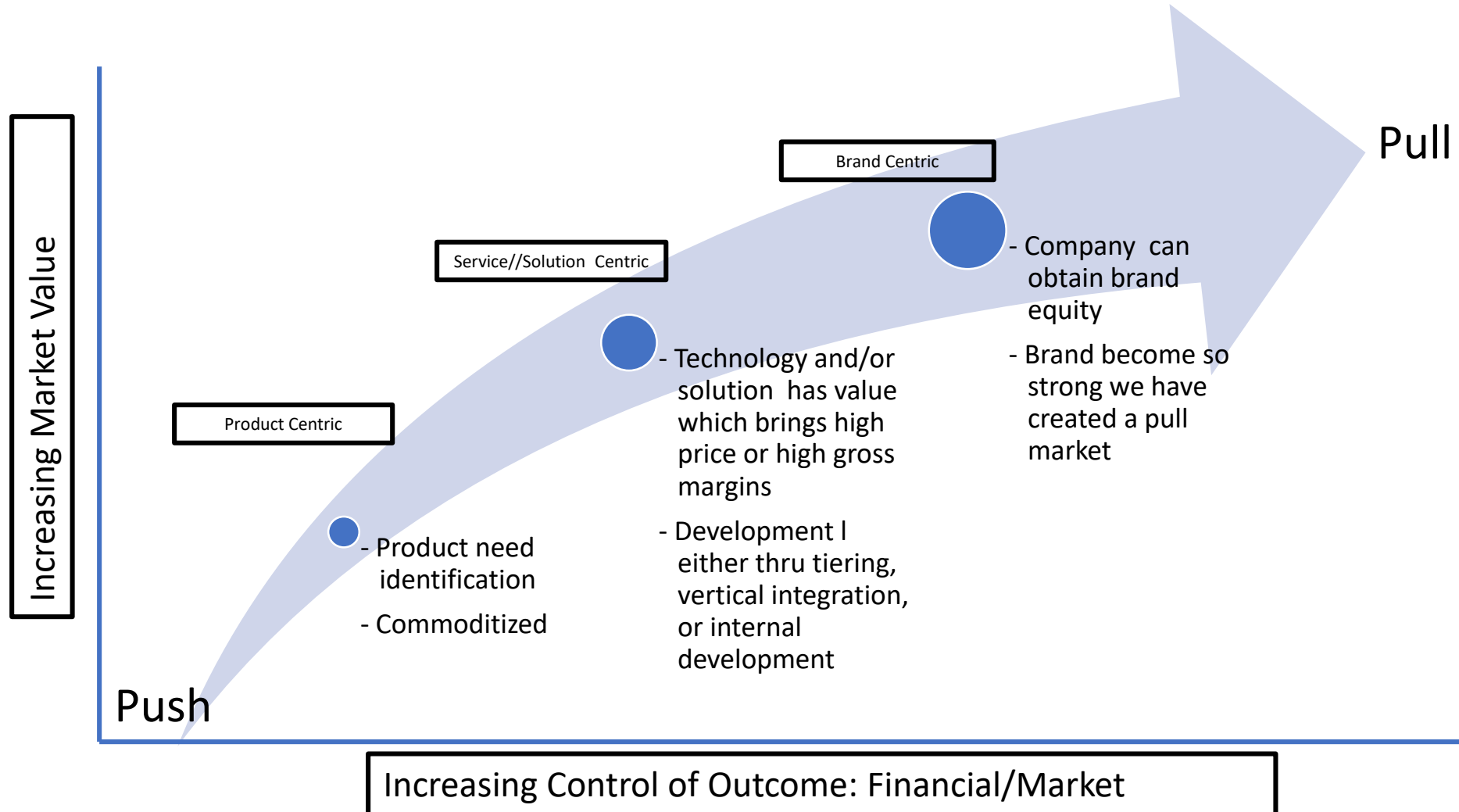
**Definition of *solution***

- 1a.** an action or process of solving a problem, **b.** an answer to a problem: *specifically* a set of values of the variables that satisfies an equation
- 2a.** an act or the process by which a solid, liquid, or gaseous substance is homogeneously mixed with a liquid or sometimes a gas or solid, **b.** a homogeneous mixture formed by this process *especially*: a single-phase liquid system, or **c.** the condition of being dissolved
- 3.** a bringing or coming to an end or into a state of discontinuity

# Gross Margin Development

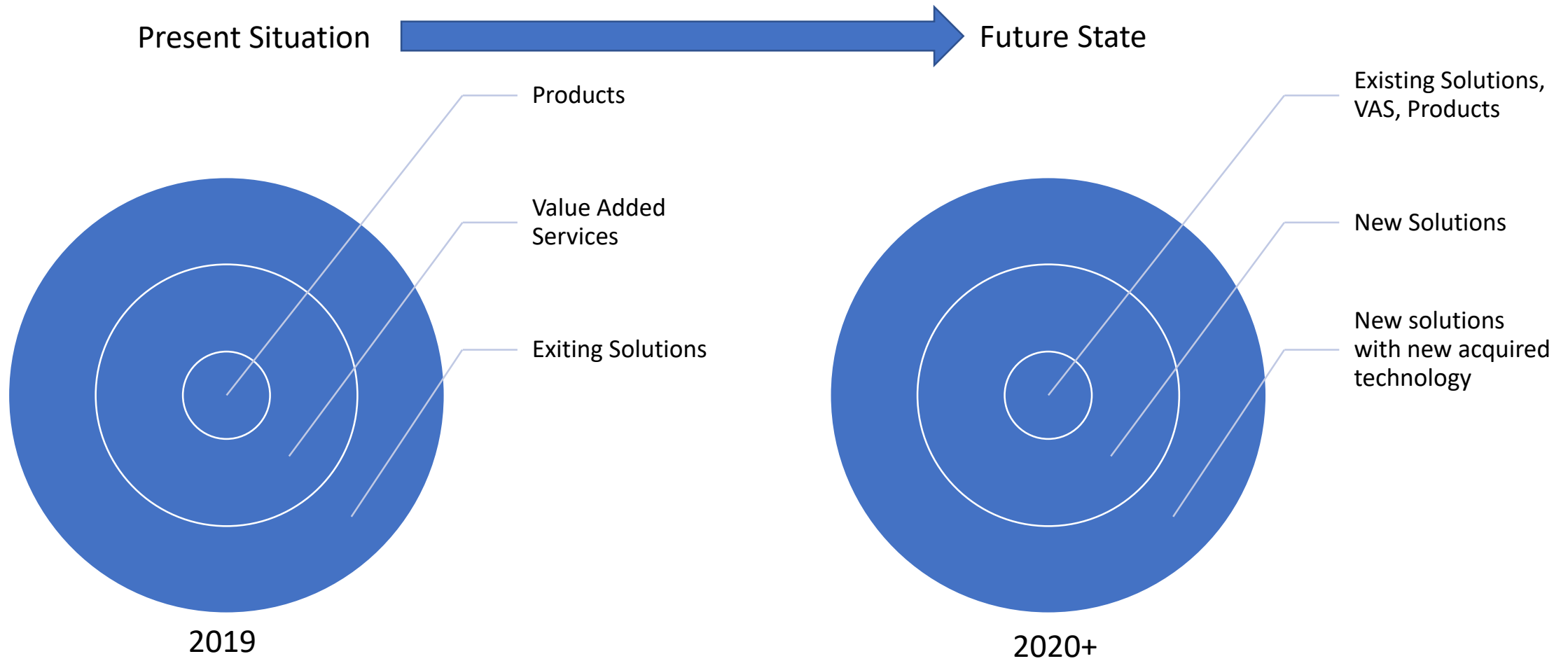


# Evolution to Solution and Brand Centric Company





# Movement



The evolution from a “P” company to a “S” company

# 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

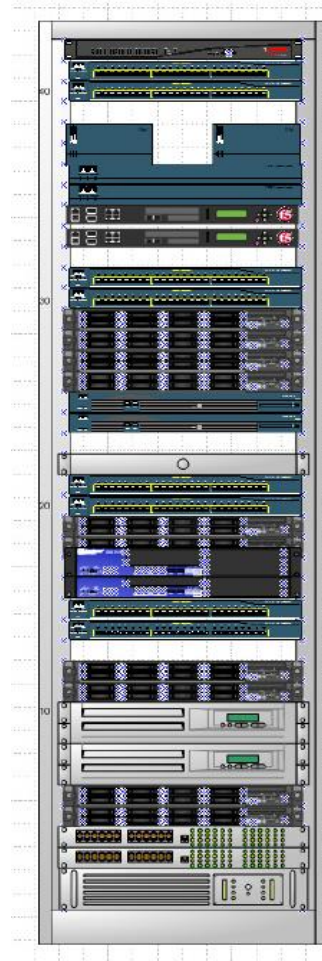
**“It is all about the Data”**



# MobiNET, our Service Delivery Platform

## What is MobiNET?

- **Multi-Tenant (MobiNET) or Single Tenant (DEFIMNET)**
- **Secure Cloud:** Best in class implementation of a system and networking framework
- **Identity – Authentication – Authorization:** Public Key Infrastructure
- **PKI:** Certificate Authority Hierarchy
- **Control and Signaling:** Enabling the Applications
- **Provisioning and Administration:** MAP
- **System Monitoring and Incident Response:** R1Scout
- **Auditing and Reporting**
- **Traversing Firewalls:** MobiNET Switching Arrays
- **Securing Connections:** CryptoPath



## DEFIMNET Facts

- High Availability
- Designed for scalability; unlimited granular horizontal scalability across all components
- Can be used for Route1 derived credential technology, DerivID
- Can be used for other solutions needing authentication services
- Not a single security breach in over a decade of field operations
- Authorities to Operate (ATOs) from: OSD, Department of the Navy, USMC and Department of the Interior



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## 2. Data Analytics and Data Acquisition

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

“It is all about the Data”



# ActionPLAN powered by MobiNET



24h 24 HOURS
LAST 7 DAYS
LAST MONTH
LOST PARTS
EFFICIENCY
DURATION

Search

Last Update: Tue Mar 20 2018 16:03:57 GMT-0400 (Eastern Daylight Time)

Kirchhoff : Kirchhoff Canada : Kirchhoff North York

Top Planned Runtime Events	
Inputs	Downtime
CD4 WC626 Rbt02 InTeachMode Input 1	3:51:46
CD4 WC628 Rbt02 InTeachMode Input 1	3:37:05
CD4 WC628 Fixture_03...V07 Input 3,4,5	3:30:54
Line 600 WC602 Machine PP Input 21	3:16:17
CD4 WC628 Fixture_04 PP Input 14	2:33:36
<b>Total</b>	<b>13:05:39</b>

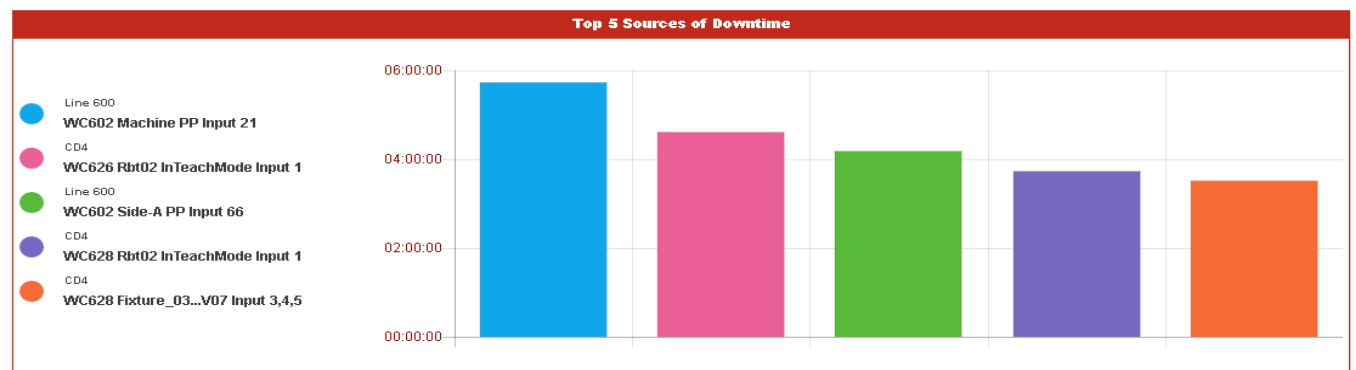
Top Sensor Major Events	
Inputs	Downtime
Line 600 WC602 Machine PP Input 21	5:09:01
Line 600 WC602 Side-A PP Input 66	2:47:40
Line 600 WC602 Side-A PP Input 117,118,119	2:15:32
CD4 WC628 Fixture_04 PP Input 14	2:15:07
Line 600 WC602 Side-A PP Input 86	2:11:53
<b>Total</b>	<b>64:22:01</b>

Top Robot Events	
Inputs	Downtime
CD4 WC626 Rbt02 InTeachMode Input 1	4:36:35
CD4 WC628 Rbt02 InTeachMode Input 1	3:44:16
CD4 WC627 Rbt03 InTeachMode Input 1	2:43:36
CD4 WC627 Rbt02 InTeachMode Input 1	2:34:00
CD4 WC626 Rbt01 InTeachMode Input 1	2:25:26
<b>Total</b>	<b>25:57:54</b>

Top Valve Major Events	
Inputs	Downtime
CD4 WC628 Fixture_03...V07 Input 3,4,5	3:19:37
CD4 WC625 Fixture_02 V01 Input 7	1:49:00
CD4 WC628 Fixture_07 V09 Input 3	1:30:52
CD4 WC626 Fixture_04 V09 Input 1,3	1:20:42
CD4 WC628 Fixture_03 V08 Input 5,6	1:20:07
<b>Total</b>	<b>38:59:50</b>

Safety Events	
Inputs	Downtime
<b>Total</b>	

Live Downtime Events				
Inputs	Downtime	Lost Parts	Efficiency Loss	Started At
CD4 WC628 Fixture_03 V09 Input 1	0:00:03	0.03	0.0003%	2018-03-20 16:00:20 EDT
CD4 WC625 Fixture_01 PP Input 15	0:00:06	0.06	0.0005%	2018-03-20 15:56:41 EDT
CD4 WC628 Fixture_03 V09 Input 1	0:00:16	0.14	0.0014%	2018-03-20 15:56:24 EDT
CD4 WC628 Rbt03 InTeachMode Input 1	0:03:00	1.61	0.0156%	2018-03-20 15:51:32 EDT
Line 600 WC602 Side-A PP Input 66	0:02:56	0.73	0.0153%	2018-03-20 15:50:30 EDT



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## 3. Data Visualization

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

**“It is all about the Data”**



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## 4. Data Services

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

“It is all about the Data”



# Data Services: Moving Forward

## We are building a robust Data Services Group

- Materially contributes to revenue and profitability
- Strengthens relationships and retention with existing customers
- Exposes 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***



# ScreenSTOP powered by MobiNET

## PREVENT OPERATOR DISTRACTION EASILY AND SAFELY.



ScreenSTOP is a patent-pending intelligent in-motion technology solution used for instant screen masking for vehicles in motion, eliminating the hazards associated with in-vehicle computer displays installed on lift trucks and other vehicles.

ScreenSTOP is more reliable and precise than Accelerometer or GPS-based systems; resulting in increases in productivity and efficiency.

OEM & AFTERMARKET MARKET COMPATIBLE



## AutoVu™

- Automatic license plate recognition (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
- Designed for both fixed and mobile installations
- Ideal for a variety of applications and entities, including law enforcement, municipal, and commercial organizations

# The Plan Going Forward

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 cybersecurity.

- We will expand our thought-leadership position.
- We will focus on growing our product and service offerings.
- **We will continue to emphasize Cybersecurity and Information Assurance to retain market differentiation.**
- We will look for acquisition targets that strengthen our core and fill technology gaps.
- We will emphasize end-to-end solutions in the sectors that we have penetration, from data acquisition to operational efficiency.

# What this means to us

## Organization

- Focus our people
- Add talent and expertise
- Organize around our strategy

## Incentive

- Incentives that drive our strategy

## Plan

- Tactics and metrics that measure the success of strategy
- Consistency in our actions and tactics to ensure strategic success

# Q2 2019 Financial Update

# Quarterly Operating Performance

In 000s of CAD Dollars	Q2 A 2019	Q1 A 2019	Q4 A 2018	Q3 A 2018	Q2 A 2018
Revenue	3,430	3,462	4,074	14,895	5,577
Subscription Revenue and Services	1,610	1,576	1,628	1,684	1,632
Devices, Appliances and Other	1,820	1,886	2,446	13,210	3,943
Gross Margin	1,758	1,762	1,858	2,584	1,957
Gross Margin %	51%	51%	46%	17%	35%
Expenses	1,824	1,693	1,714	2,150	1,891
Operating Income	(66)	69	144	434	65
EBITDA	200	322	330	627	272
Net Income (Loss)	(554)	(513)	(355)	188	13

# Q2 2019 Commentary

- Heavy human resource investment in PCS acquisition
- Certain GMI product sales were pushed into Q3 2019 impacting gross profit and EBITDA by approximately CAD \$40,000 as a result of OEMs missing shipping dates
- As compared to Q1 2019, increase in expenses related to hiring of a CSO, additional sales travel and increased R&D costs, approximately CAD \$140,000
- PCS Mobile one-time acquisition expense of \$74k

# Subscription Revenue and Services

In 000s of CAD Dollars	Q2 A 2019	Q1 A 2019	Q4 A 2018	Q3 A 2018	Q2 A 2018
Application Software	1,196	1,186	1,169	1,193	1,181
Appliance Licensing or Yearly Maintenance	-	-	-	-	-
Technology as a Service	311	306	329	288	266
Other Services	103	84	130	203	186
<b>Total</b>	<b>1,610</b>	<b>1,576</b>	<b>1,628</b>	<b>1,684</b>	<b>1,633</b>



# Operating Expenses

In 000s of CAD Dollars	Q2 A 2019	Q2 B 2019	Q1 A 2019	Q4 A 2018	Q3 A 2018	Q2 A 2018
General and Administration	1,015	1,123	997	942	1,350	1,090
Research and Development	147	181	85	164	166	193
Selling and Marketing	662	618	612	608	634	607
<b>Total</b>	<b>1,824</b>	<b>1,922</b>	<b>1,693</b>	<b>1,714</b>	<b>2,150</b>	<b>1,891</b>

# Balance Sheet

In 000s of CAD Dollars	Jun 31 2019 A	Mar 31 2019 A	Dec 31 2018 A	Sep 30 2018 A	Jun 30 2018 A	Dec 31 2017 A	Dec 31 2016 A
Cash	702	367	1,073	2,289	1,084	1,037	1,946
Total current assets	6,219	5,106	3,664	6,074	4,988	2,035	2,910
Total current liabilities	8,626	6,033	4,034	5,559	4,863	1,829	2,500
Contract liability (incl. in current liabilities)	2,258	2,626	1,540	2,279	2,641	1,495	2,155
Net working capital	(2,407)	(927)	(370)	515	125	206	410
Fixed and intangible assets	5,307	2,955	2,267	1,457	1,626	394	537
Total assets	12,268	8,803	6,673	8,273	7,892	3,171	4,190
Bank debt and seller notes	1,862	-	-	-	-	-	-
Total liabilities	11,415	7,943	5,208	5,795	5,034	1,935	2,590
Shareholders' Equity	854	860	1,465	2,178	2,085	1,236	1,600

# Acquisition: PCS Mobile

- **Opening Balance Sheet**

	US Dollars
<b>Assets Acquired</b>	
Cash and cash equivalents	\$ 198,029
Trade and other receivables	1,347,573
Inventory	725,600
Prepaid expenses	<u>24,062</u>
Current Assets	2,295,264
Furniture and fixtures	39,803
TaaS assets	16,477
Intangible assets	700,000
Goodwill	<u>1,081,049</u>
Non-current Assets	<u>1,837,328</u>
Total assets	<u>\$ 4,132,593</u>
<b>Liabilities Assumed</b>	
Trade and other payables	\$ 1,311,800
Employee liabilities	33,468
Sales tax payable	6,468
Customer deposits	252,950
Contract liability	<u>225,712</u>
Total liabilities	<u>\$ 1,830,398</u>
Fair value of net assets acquired	<u>\$ 2,302,195</u>
<b>Net Consideration Issued</b>	<u>\$ 2,302,195</u>

- **Purchase Consideration**

Item	USD
<b>Cash</b>	\$ 1,030,000
<b>Note A</b>	\$ 236,119
<b>Note B</b>	\$ 686,905
<b>Common Shares</b>	\$ 349,171
<b>Total</b>	<u>\$ 2,302,195</u>

# Route1 acquired PCS Mobile

- [www.pcsmobile.com](http://www.pcsmobile.com)
- Route1 closed on the acquisition PCS Mobile on 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 16% to 25%
  - The EBITDA contribution from PCS Mobile is expected to be consistent with current Route1 results
- Pre closing, PCS Mobile had 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 is 15, including Kathy Pakkebier (President and CEO) and Martin Murphy (Vice President) under three-year employment agreements
  - Post-closing, Ms. Pakkebier and Mr. Murphy sit on Route1's steering committee and each act in a sales / business development capacity



# GMI Acquisition Summary

- **Group Mobile Int'l ("GMI") Purchase Price:** CAD \$0.94 million (US \$0.73 million)
- **GMI Incremental Contribution:**
  - **First 12 Months (April 1, 2018 to March 31, 2019)**
    - EBITDA of US \$1.22 million
    - Operating Income of US \$0.88 million
    - Capital expenditures related to GMI during the period of \$0.08 million – principally TaaS
  - **First Quarter of Second 12 Months (April 1, 2019 to June 30, 2019)**
    - EBITDA of US \$0.21 million
    - Operating Income of US \$0.06 million
- **Payback period within nine months**

# AirWatch Litigation Update

## US Action

- Summary judgment order received August 7, 2019 granting AirWatch LLC summary judgment on non-infringement and denying on invalidity.
  - Aug 28-19: Filed a motion asking the Court for the following relief: (1) to permit Route1 to immediately appeal the summary judgment ruling to the U.S. Court of Appeals for the Federal Circuit; and (2) to either (a) dismiss AirWatch's counterclaim for invalidity of the '216 Patent without prejudice to AirWatch's right to re-assert that claim should Route1 prevail on its appeal, or (b) postpone the trial on AirWatch's counterclaim until after Route1's appeal of the summary judgment order is concluded.
    - Expect a ruling from the judge within 60 days
- Received Initial 216 Patent Rejection Notice from the USPTO on Feb 6-19
  - Received Second Non-Final Office Action from USPTO on May 15-19
  - Responded June 24-19
  - Patent counsel confident of upholding the patent
  - Awaiting response from USPTO

# Board Addition: Dr. Barry West

Dr. Barry West, is a career technologist and business leader with over 30 years in the information technology field with an emphasis on cybersecurity and cloud computing. Barry is currently the Founder and CEO of West Wing Advisory Services, LLC.



- Retired in May 2018 as the Senior Advisor and Senior Accountable Official for Risk Management at the U.S. Department of Homeland Security (“DHS”); the role included spearheading the Cybersecurity Executive Order.
- 28 years of U.S. Government service including being the CIO at six different U.S. Government agencies or organizations: FDIC, the Pension Benefit Guaranty Corporation, the Department of Commerce, FEMA during Hurricane Katrina, and the National Weather Service; briefly the Acting Deputy CIO at DHS prior to his retirement.
- Represented the U.S. Government information technology community at four different world-wide gatherings of NATO countries.
- Held prior positions in the private sector including President of MicroTech and Mason Harriman Group and Executive Vice President of SE Solutions.
- Past President of two of the largest IT associations in the U.S.: the American Council for Technology and the Association for Federal Information Resources Management (“AFFIRM”) where he was presented the AFFIRM President’s Award in Public Sector for 2017-2018.
- Emeritus member of the Government Business Executive Forum and the current Co-Chair for the Consumer Electronics Show (“CES”) Government 2020.





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