



## Route1 Announces Q2 2019 Financial Results

*Dr. Barry West joins the Board of Directors*

**Toronto, August 28, 2019** - [Route1 Inc.](#) (OTCQB: ROIUD and TSXV: ROI) (the “Company” or “Route1”), an advanced North American provider of industrial-grade data intelligence, user authentication and ultra-secure mobile workforce solutions, today announced its second quarter (Q2) financial results for the period ended June 30, 2019.

<b>Statement of operations</b>	<b>Q2</b>	Q1	Q4	Q3	Q2	Q1
<i>In 000s of CAD dollars</i>	<b>2019</b>	2019	2018	2018	2018	2018
Revenue						
Subscription and services	<b>1,610</b>	1,576	1,628	1,684	1,633	1,264
Devices and appliances	<b>1,819</b>	1,883	2,440	13,207	3,936	388
Other	<b>1</b>	3	6	4	7	32
Total revenue	<b>3,430</b>	3,462	4,074	14,895	5,577	1,684
Cost of revenue	<b>1,672</b>	1,700	2,216	12,311	3,620	585
Gross profit	<b>1,758</b>	1,762	1,858	2,584	1,957	1,099
Operating expenses	<b>1,824</b>	1,693	1,714	2,150	1,891	1,135
Operating profit (loss) <sup>1</sup>	<b>(66)</b>	69	144	434	65	(36)
Total other expenses <sup>2,3</sup>	<b>488</b>	581	499	246	52	244
Net income gain (loss)	<b>(554)</b>	(513)	(355)	188	13	(280)

<sup>1</sup> Before stock-based compensation

<sup>2</sup> Includes stock-based compensation, AirWatch litigation, gain on acquisition and foreign exchange

<sup>3</sup> The reimbursements received from Bench Walk pursuant to its investment have, based on advice of its auditors, been accounted for as a long-term non-monetary liability within the consolidated financial statements, not as a reduction to patent litigation expense. 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.

<b>Subscription revenue and services</b>	<b>Q2</b>	Q1	Q4	Q3	Q2	Q1
<i>in 000s of CAD dollars</i>	<b>2019</b>	2019	2018	2018	2018	2018
Application software	<b>1,196</b>	1,186	1,169	1,193	1,180	1,260
Technology as a service (TaaS)	<b>311</b>	307	329	289	266	-
Other services	<b>103</b>	83	130	203	186	4
<b>Total</b>	<b>1,610</b>	1,576	1,628	1,684	1,633	1,264

<b>Adjusted EBITDA</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
<i>in 000s of CAD dollars</i>	<b>2019</b>	<b>2019</b>	2018	2018	2018	2018
Gross Profit	<b>1,758</b>	<b>1,762</b>	1,858	2,584	1,957	1,099
Adjusted EBITDA <sup>4</sup>	<b>200</b>	<b>322</b>	331	627	272	46
Amortization	<b>266</b>	<b>253</b>	187	193	207	82
Operating profit (loss)	<b>(66)</b>	<b>69</b>	144	434	65	(36)

<sup>4</sup> Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation and amortization, stock-based compensation, patent litigation, restructuring and other costs. Adjusted EBITDA does not have any standardized meaning prescribed under IFRS and is therefore unlikely to be comparable to similar measures presented by other companies. Adjusted EBITDA allows Route1 to compare its operating performance over time on a consistent basis.

Route1 generated net cash flow from operating activities of approximately \$0.97 million during Q2 2019 compared with cash generated from operating activities of \$0.57 million in Q2 2018. Non-cash working capital generated was \$1.17 million in Q2 2019 compared to \$0.33 million of cash generated in the same period a year earlier. Net cash used by the day-to-day operations for the three months ended June 30, 2019 was \$0.21 million compared to cash generated of \$0.24 million in Q1 2018.

<b>Balance sheet extracts</b>	<b>Jun 30</b>	<b>Mar 31</b>	<b>Dec 31</b>	<b>Sep 30</b>	<b>Jun 30</b>	<b>Mar 31</b>
<i>In 000s of CAD dollars</i>	<b>2019</b>	<b>2019</b>	2018	2018	2018	2018
Cash	<b>702</b>	<b>367</b>	1,073	2,289	1,084	600
Total current assets	<b>6,219</b>	<b>5,106</b>	3,664	5,881	4,872	6,172
Total current liabilities	<b>8,626</b>	<b>6,033</b>	4,034	5,917	5,227	6,749
Net working capital	<b>(2,407)</b>	<b>(927)</b>	(370)	(36)	(355)	(577)
Total assets	<b>12,268</b>	<b>8,803</b>	6,673	8,733	7,892	9,179
Bank debt and seller notes	<b>1,862</b>	-	-	-	-	-
Total shareholders' equity <sup>3</sup>	<b>854</b>	<b>860</b>	1,465	1,928	1,888	1,931

### **PCS Mobile Acquisition**

On June 28, 2019, Route1 acquired Portable Computer Systems, Inc. ("PCS Mobile"). The Company completed the purchase of PCS Mobile for total consideration of US \$2.5 million. Consideration consisted of: (a) US \$1,030,000 in cash; (b) US \$500,000 by way of 11.2 million common shares of Route1 Inc.; (c) US \$250,000 in an unsecured note with principal amortization annually in arrears with amortization of \$80,000 in year one and two; and \$90,000 in the third year, and an annual interest rate of 3% paid annually in arrears, and (d) US \$720,000 in an unsecured note with amortization monthly in arrears with a straight line amount of \$20,000, an annual interest rate of 2.37% paid monthly in arrears, with a condition of payment that the continued employment of each of Ms. Pakkebier 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.

[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.

Based on prior year's results and short history as a Route1 company, 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.

#### ***Dr. Barry West joins the Board***

Earlier today, Dr. Barry West, a career technologist and business leader with over 30 years in the information technology field with an emphasis on cybersecurity and cloud computing, joined the Board of Directors of Route1.

Barry is currently the Founder and CEO of West Wing Advisory Services, LLC. Dr. West retired in May 2018 as the Senior Advisor and Senior Accountable Official for Risk Management at the U.S. Department of Homeland Security ("DHS"). This included spearheading the Cybersecurity Executive Order. In all, Barry has 28 years of U.S. Government service including being the Chief Information Officer at six different U.S. Government agencies or organizations: Federal Deposit Insurance Corporation, the Pension Benefit Guaranty Corporation, the Department of Commerce, Federal Emergency Management Agency during Hurricane Katrina, and the National Weather Service. He also was briefly the Acting Deputy CIO at DHS prior to his retirement.

Dr. West has represented the US Government information technology community at four different world-wide gatherings of NATO countries. Barry has held prior positions in the private sector including President of MicroTech, President of Mason Harriman Group and Executive Vice President of SE Solutions.



Barry is the past President of two of the largest IT associations in the United States: 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.

Dr. West completed his Executive Doctorate degree in Business from Georgia State University with a focus on Cloud Computing in 2014. Dr. West was appointed in 2017 by Georgia State University to be their Executive-In-Residence. He has published in IEEE Computer Society, IT Professional journal and the European Journal of Information Systems (EJIS) journal article where his research focusing on cloud computing was selected for publication. Dr. West received an Honorary Doctorate degree in Business from his alma mater Northern Michigan University in May 2015 where he also delivered the Commencement Speech for the Spring 2015 graduates.

Barry is also an Emeritus member of the Government Business Executive Forum and the current Co-Chair for the Consumer Electronics Show (“CES”) Government 2020.

### ***AirWatch Litigation Update***

On August 28, 2019, Route1 filed a motion related to the August 7, 2019 order that granted AirWatch’s motion for summary judgment of non-infringement of Route1’s U.S. Patent No. 7,814,216 (the “Order”). In the Order, Route1’s infringement claims were dismissed and AirWatch’s counterclaims for a declaration of invalidity of Route1’s U.S. Patent No. 7,814,216 (the “’216 Patent”) were left intact for trial commencing December 2, 2019. In its August 23, 2019 motion, Route1 is 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.

### ***Stock Option Grant***

Route1 today granted employee stock options in the aggregate amount of 400,000 with an exercise price of \$0.50 per share price. The stock options expire on August 27, 2024 and will vest thirty percent on the first anniversary, thirty percent on the second anniversary and the remainder on the third anniversary. Under the Company’s stock option plan, 10% of the issued capital is reserved for issuance or a total of 3,506,060 options. As of today’s date, including the above grant, a total of 3,462,500 options are currently outstanding under the stock option plan.

### ***Investor Conference Call and Webcast***



Route1 will hold a conference call and web cast to discuss the Company's financial results and provide a business update on Tuesday, September 3, 2019 at 4 p.m. eastern. Participants should dial Toll-Free: 1-800-289-0438 or Toll/International: 1-323-794-2423 at least 10 minutes prior to the conference, pass code 6063095. For those unable to attend the call, a replay will be available on Tuesday, September 3, 2019 after 7 p.m. at Toll-Free 1-844-512-2921 or Toll/International 1-412-317-6671, pass code 6063095 until 11:59 pm on Tuesday, September 17, 2019.

The webcast will be presented live at <http://public.viavid.com/index.php?id=135980>.

### **About Route1 Inc.**

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. The Company 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).

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