



Route1 Announces Q4 and Full Year 2019 Financial Results

Toronto, Canada, April 23, 2020 - [Route1 Inc.](#) (OTCQB: ROIUF and TSXV: ROI) (the “Company” or “Route1”), an advanced North American provider of data-centric business empowerment solutions, today reported its financial results for the three- and twelve-month periods ended December 31, 2019.

Q4 2019 Financial Results

Statement of operations <i>In 000s of CAD dollars</i>	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue						
Subscription and services	2,511	2,136	1,610	1,576	1,628	1,684
Devices and appliances	5,891	6,576	1,819	1,883	2,440	13,207
Other	1	2	1	3	6	4
Total revenue	8,403	8,714	3,430	3,462	4,074	14,895
Cost of revenue	5,653	5,953	1,672	1,700	2,216	12,311
Gross profit	2,750	2,761	1,758	1,762	1,858	2,584
Operating expenses	2,360	2,336	1,824	1,694	1,714	2,150
Operating profit (loss) ¹	390	425	(66)	68	144	434
Total other expenses ^{2,3}	(120)	424	487	580	499	246
Net income - (loss)	510	1	(553)	(512)	(355)	188

¹ Before stock-based compensation

² Includes stock-based compensation, AirWatch litigation, gain on acquisition and foreign exchange

³ The reimbursements received from Bench Walk pursuant to its investment have 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.

Subscription and services revenue <i>in 000s of CAD dollars</i>	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Application software	1,202	1,182	1,196	1,186	1,169	1,193
Technology as a service (TaaS)	353	322	311	307	329	289
Other services	956	632	103	83	130	203
Total	2,511	2,136	1,610	1,576	1,628	1,684

Adjusted EBITDA <i>in 000s of CAD dollars</i>	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Gross Profit	2,750	2,761	1,758	1,762	1,858	2,584
Adjusted EBITDA ⁴	676	743	200	322	331	627
Amortization	286	318	266	254	187	193
Operating profit (loss)	390	425	(66)	68	144	434

⁴ 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.

Balance sheet extracts <i>In 000s of CAD dollars</i>	Dec 31 2019	Sep 30 2019	Jun 30 2019	Mar 31 2019	Dec 31 2018	Sep 30 2018
Cash	126	320	702	367	1,073	2,289
Total current assets	6,206	6,106	6,219	5,106	3,664	5,881
Total current liabilities	9,035	8,749	8,626	6,033	4,034	5,917
Net working capital	(2,829)	(2,640)	(2,407)	(927)	(370)	(36)
Total assets	12,630	11,780	12,268	8,803	6,673	8,733
Bank debt and seller notes	2,415	2,294	1,862	-	-	-
Total shareholders' equity ³	980	473	854	860	1,465	1,928

Route1 generated net cash flow from operating activities of approximately \$0.33 million during FY 2019 compared with \$0.42 million in FY 2018. Non-cash working capital generated was \$0.28 million in FY 2019 compared to \$0.39 million in cash generated during the same period a year earlier. Net cash generated by the day-to-day operations for the twelve months ended December 31, 2019 was \$0.05 million compared to \$0.03 million in FY 2018.

Route1's net cash balance (including all bank debt) as of April 22, 2020 was approximately \$250,000 in contrast to a net debt balance of \$1.23 as at December 31, 2019.

Fiscal Year 2019

The Company's operating results in fiscal year 2019 with comparatives are as follows:

<i>In 000s of CAD dollars</i>	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Revenue					
Device	16,169	19,972	321	363	156
Services	7,834	6,209	5,698	7,080	6,218
Other	7	49	51	4	23
Total Revenue	24,010	26,231	6,070	7,447	6,397
Cost of revenue	14,978	18,732	1,325	1,475	1,164
Gross profit	9,032	7,499	4,745	5,972	5,233
Operating expenses	8,214	6,892	4,736	5,230	4,515
Operating profit ⁵	818	607	9	742	718
Patent litigation	1,289	841	270	56	0
Total other expenses	735	200	349	356	(10)
Net income (loss)	(554)	(434)	(610)	330	728

⁵ Before stock-based compensation and patent litigation

Use of the MobiKEY Technology During the COVID-19 Outbreak

There has been a significant increase in the demand for the Route1 [MobiKEY](#) technology – which includes the MobiKEY software and MobiKEY enabling devices, particularly the MobiKEY Fusion3 device. Sale and quote activity for both Department of Defense (“DoD”) and certain civilian agencies of the U.S. government as well as corporate America and Canada has dramatically increased as the working implications of COVID-19, particularly the requirement to work from home, have been mandated by most levels of government and business.

Over the last seven weeks Route1 has added a net 2,675 MobiKEY subscribers and sold 4,975 [MobiKEY Fusion3](#) and [MobiKEY Classic 3](#) devices.

	MobiKEY Subscriptions	Enabling Devices: MobiKEY Fusion3 or MC3
As at March 6, 2020	12,224	
From March 7 to April 22, 2020	3,834	4,978
As at April 22, 2020	16,058	

In mid-March 2020, Route1 placed an order for 6,000 MobiKEY Fusion3 devices. The Company currently has a purchase order backlog of 5,064 MobiKEY Fusion3 devices, with the majority of the backlog for clients with an enterprise license agreement; therefore, there is not a 1:1 relationship between device sales and new subscriptions.



The Company has also delivered many additional quotes. Some of these quotes were for a small number of users and/or enabling devices, while others were for user counts and/or enabling devices in the thousands.

The ability to execute on the larger quotes for United States government clients that includes MobiKEY Fusion3 devices is based on our clients accepting a 12 to 16-week shipping timetable for the devices. The current COVID-19 outbreak has and likely will continue to extend the shipping timetable for MobiKEY Fusion3 devices beyond the traditional 8 to 12-week period. In the interim, Route1 is offering certain of its clients innovative ways of bridging the time gap between their current requirements and the delivery of the Fusion3 devices.

The financial impact of the growth in MobiKEY subscribers can be best represented by the MobiKEY subscription revenue table provided below.

<i>in 000s of CAD dollars</i>	May 2020	April 2020	March 2020	February 2020
MobiKEY subscription revenue	593	551	427	405

The May and April 2020 values are based on sales already processed and assume for presentation purposes no additional MobiKEY subscriber growth during those months. The large jump in subscription revenue between March 2020 and May 2020 is attributable to the timing of the sale of MobiKEY subscriptions, which occurred late in the month of March 2020 and throughout the month of April 2020. The annualized revenue and gross profit change between May 2020 and March 2020 is approximately \$188,000 per month.

Stock Option Grant

The Company today granted independent board directors, officers and employees stock options in the aggregate amount of 1,325,000 with an exercise price equal to the closing share price on Thursday, April 23, 2020. The stock options will expire on April 22, 2025 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 for a total of 3,423,011 options. As of today's date, including the above grant, a total of 3,422,500 options are currently outstanding under the stock option plan.

Q4 and FY 2019 Financial Results Conference Call and Webcast

Participants should dial Toll-Free: 1-877-407-0782 or Toll/International: 1-201-689-8567 at least 10 minutes prior to the conference. For those unable to attend the call, a replay will be available on



Wednesday, April 22, 2020 after 12:00 p.m. eastern at Toll-Free 1-877-481-4010 or Toll/International 1-919-882-2331, pass code #33603 until 4:30 pm on Tuesday, May 5, 2020.

The webcast will be presented live at <https://www.webcaster4.com/Webcast/Page/2167/33603>.

About Route1 Inc.

Route1 Inc., also operating under the tradenames GroupMobile and PCS Mobile, is an advanced North American technology company that empowers their clients with data-centric solutions necessary to drive greater profitability, improve operational efficiency and gain sustainable competitive advantages, while always emphasizing a strong cybersecurity and information assurance posture. Route1 delivers exceptional client outcomes through real-time secure delivery of actionable intelligence to decision makers, whether it be in a manufacturing plant, in-theater or in a university parking lot. Route1 is listed on the OTCQB in the United States under the symbol ROIUF and in Canada on the TSX Venture Exchange under the symbol ROI. For more information, visit: www.route1.com.

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