



## Route1 Announces Q2 2020 Financial Results

Toronto, Canada, August 26, 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 six-month periods ended June 30, 2020.

Statement of operations <i>In 000s of CAD dollars</i>	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue						
Subscription and services	2,489	1,958	2,511	2,136	1,610	1,576
Devices and appliances	4,477	4,401	5,891	6,576	1,819	1,883
Other	3	4	1	2	1	3
Total revenue	6,969	6,363	8,403	8,714	3,430	3,462
Cost of revenue	4,188	3,997	5,653	5,953	1,672	1,700
Gross profit	2,781	2,366	2,750	2,761	1,758	1,762
Operating expenses	2,570	2,334	2,360	2,336	1,824	1,694
Operating profit (loss) <sup>1</sup>	211	32	390	425	(66)	68
Total other expenses <sup>2,3</sup>	271	215	(120)	424	487	580
Net income (loss)	(60)	(183)	510	1	(553)	(512)

<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 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>	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Application software	1,665	1,217	1,202	1,182	1,196	1,186
Technology as a service (TaaS)	315	321	353	322	311	307
Other services	509	420	956	632	103	83
Total	2,489	1,958	2,511	2,136	1,610	1,576



Adjusted EBITDA <i>in 000s of CAD dollars</i>	Q1 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Gross Profit	2,781	2,366	2,750	2,761	1,758	1,762
Adjusted EBITDA <sup>4</sup>	556	358	676	743	200	322
Amortization	346	326	286	318	266	254
Operating profit (loss)	211	32	390	425	(66)	68

<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.

Balance sheet extracts <i>In 000s of CAD dollars</i>	Jun 30 2020	Mar 31 2020	Dec 31 2019	Sep 30 2019	Jun 30 2019	Mar 31 2019
Cash	107	116	126	320	702	367
Total current assets	5,448	4,391	6,206	6,106	6,219	5,106
Total current liabilities	8,901	7,532	9,035	8,749	8,625	6,033
Net working capital	(3,453)	(3,141)	(2,829)	(2,643)	(2,406)	(927)
Total assets	12,283	11,501	12,630	11,780	12,268	8,803
Bank debt and seller notes	1,193	2,461	2,415	2,294	1,862	-
Total shareholders' equity <sup>3</sup>	778	950	980	473	854	860

Route1 generated net cash flow from operating activities of approximately \$1.77 million during Q1 2020 compared with cash used of \$0.62 million in Q1 2019. Non-cash working capital generated was \$0.20 million in Q1 2020 compared to \$0.39 million in cash used during the same period a year earlier. Net cash generated by the day-to-day operations for the three months ended March 31, 2020 was \$0.27 million compared to \$0.22 million used in Q1 2019.

Route1 generated by operating activities for the three months ended June 30, 2020 was \$1.77 million compared to cash generated of \$0.86 million in the same period in 2019. Non-cash working capital generated was \$1.35 million for the three months ended June 30, 2020 compared to \$1.07 generated in the same period a year earlier. Net cash generated by the day-to-day operations for the three months ended June 30, 2020 was \$0.43 million compared to \$0.21 million used in the same period in 2019.

### ***DoD Contract Award***

Route1 announced on August 24, 2020 that it had been awarded a purchase order to provide a one-year license with three one-year renewal options to an agency of the U.S. Department of Defense for 4,000 MobiKEY subscriptions.



The new client for Route1 has the ability to increase their user base in increments of 1,000 subscriptions. The annual software license for the 4,000 users is valued at approximately US \$1.5 million.

As a result of this order, using today's subscriber base and assuming flat subscription growth, on a pro forma basis Route1 expects as of today's date to generate for the balance of 2020 monthly MobiKEY subscription-based revenue of approximately CAD \$740,000. This is in contrast to Route1's MobiKEY application software monthly subscription revenue of approximately CAD \$405,000 in February 2020.

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

On August 25, 2020, the Company granted independent board directors and employees stock options in the aggregate amount of 400,000 with an exercise price equal to the closing share price on Thursday, August 27, 2020. The stock options will expire on August 26, 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 3,369,861 options. As of today's date, including the above grant, a total of 3,232,500 options are currently outstanding under the stock option plan.

### ***Business Update Conference Call and Webcast***

The Company will hold a conference call and web cast to provide a business update on Wednesday, August 26, 2020 at 9:00 am eastern.

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 August 26, 2020 after 4 pm eastern at Toll-Free 1-877-481-4010 or Toll/International 1-919-882-2331, pass code #36892 until 10 am on September 9, 2020.

The webcast will be presented live at <https://www.webcaster4.com/Webcast/Page/2167/36892>.

### **About Route1 Inc.**

Route1 Inc. 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](http://www.route1.com).

**For More Information, Contact:**

Tony Busseri

Chief Executive Officer

+1 480 578-0287

[tony.busseri@route1.com](mailto:tony.busseri@route1.com)

This news release, required by applicable Canadian laws, does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

© 2020 Route1 Inc. All rights reserved. No part of this document may be reproduced, transmitted or otherwise used in whole or in part or by any means without prior written consent of Route1 Inc. See <https://www.route1.com/terms-of-use/> for notice of Route1’s intellectual property.

This news release may contain statements that are not current or historical factual statements that may constitute forward-looking statements or future oriented financial information. These statements are based on certain factors and assumptions, including, price and liquidity of the common shares, expected financial performance, expected subscribers and subscription-based revenue, business prospects, technological developments, and development activities and like matters. While Route1 considers these factors and assumptions to be reasonable, based on information currently available, they may prove to be incorrect. These statements involve risks and uncertainties, including but not limited to the risk factors described in reporting documents filed by the Company. Actual results could differ materially from those projected as a result of these and other risks and should not be relied upon as a prediction of future events. The Company undertakes no obligation to update any forward-looking statement or future oriented financial information to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, except as required by law. Estimates used in this presentation are from Company sources. Past or forecasted performance is not a guarantee of future performance and readers should not rely on historical results or forward-looking statements or future oriented financial information as an assurance of future results.



###