



## Route1 Announces Q3 2020 Financial Results

*Posts Record Quarterly EBITDA*

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**Toronto, Canada, November 25, 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 nine-month periods ended September 30, 2020.

| Statement of operations<br><i>In 000s of CAD dollars</i> | Q3<br>2020 | Q2<br>2020 | Q1<br>2020 | Q4<br>2019 | Q3<br>2019 | Q2<br>2019 |
|--|------------|------------|------------|------------|------------|------------|
| Revenue  |            |            |            |            |            |            |
| Subscription and services                                | 2,599      | 2,489      | 1,958      | 2,511      | 2,136      | 1,610      |
| Devices and appliances                                   | 6,523      | 4,477      | 4,401      | 5,891      | 6,576      | 1,819      |
| Other  | 25         | 3          | 4          | 1          | 2          | 1          |
| Total revenue  | 9,147      | 6,969      | 6,363      | 8,403      | 8,714      | 3,430      |
| Cost of revenue  | 6,134      | 4,188      | 3,997      | 5,653      | 5,953      | 1,672      |
| Gross profit   | 3,013      | 2,781      | 2,366      | 2,750      | 2,761      | 1,758      |
| Operating expenses                                       | 2,562      | 2,570      | 2,334      | 2,360      | 2,336      | 1,824      |
| Operating profit (loss) <sup>1</sup>                     | 451        | 211        | 32         | 390        | 425        | (66)       |
| Total other expenses <sup>2, 3, 4</sup>                  | 979        | 271        | 215        | (120)      | 424        | 487        |
| Net income (loss)  | (528)      | (60)       | (183)      | 510        | 1          | (553)      |

<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.

<sup>4</sup> In the third quarter of 2020, the Company incurred Total Other Expenses of approximately \$1.0 million. The largest components are: (a) gain on settlement of litigation of \$0.2 million, (b) AirWatch litigation expenses and costs related to posting the fully cash-collateralized bond of \$0.4, and (c) a reserve for \$0.6 million related to the recovery of goods fraudulently taken from Route1. The Company was the victim of a fraud in the United States perpetrated by a group posing as legitimate customers with the goal of purchasing rugged devices. The Company



has paid its vendor of record the full amount and has no further financial obligations. The Company has been in contact with its insurers but there is no assurance the Company will receive any amount of compensation.

| Subscription and services revenue<br><i>in 000s of CAD dollars</i> | Q3<br>2020   | Q2<br>2020   | Q1<br>2020   | Q4<br>2019   | Q3<br>2019   | Q2<br>2019   |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Application software   | 1,923        | 1,665        | 1,217        | 1,202        | 1,182        | 1,196        |
| Technology as a service (TaaS)                                     | 241          | 315          | 321          | 353          | 322          | 311          |
| Other services   | 435          | 509          | 420          | 956          | 632          | 103          |
| <b>Total</b>   | <b>2,599</b> | <b>2,489</b> | <b>1,958</b> | <b>2,511</b> | <b>2,136</b> | <b>1,610</b> |

  

| Adjusted EBITDA<br><i>in 000s of CAD dollars</i> | Q3<br>2020 | Q2<br>2020 | Q1<br>2020 | Q4<br>2019 | Q3<br>2019 | Q2<br>2019  |
|--|------------|------------|------------|------------|------------|-------------|
| Gross Profit                                     | 3,013      | 2,781      | 2,366      | 2,750      | 2,761      | 1,758       |
| Adjusted EBITDA <sup>5</sup>                     | 778        | 556        | 358        | 676        | 743        | 200         |
| Amortization                                     | 327        | 346        | 326        | 286        | 318        | 266         |
| <b>Operating profit (loss)</b>                   | <b>451</b> | <b>211</b> | <b>32</b>  | <b>390</b> | <b>425</b> | <b>(66)</b> |

<sup>5</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<br><i>In 000s of CAD dollars</i> | Sep 30<br>2020 | Jun 30<br>2020 | Mar 31<br>2020 | Dec 31<br>2019 | Sep 30<br>2019 | Jun 30<br>2019 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash  | -              | 107            | 116            | 126            | 320            | 702            |
| Total current assets <sup>6</sup>                       | 8,836          | 5,448          | 4,391          | 6,206          | 6,106          | 6,219          |
| Total current liabilities                               | 13,385         | 8,901          | 7,532          | 9,035          | 8,749          | 8,625          |
| Net working capital                                     | (4,549)        | (3,453)        | (3,141)        | (2,829)        | (2,643)        | (2,406)        |
| Net working capital adjusted for contract liability     | 490            | 800            | (1,570)        | (1,078)        | (221)          | (149)          |
| Total assets  | 15,749         | 12,283         | 11,501         | 12,630         | 11,780         | 12,268         |
| Bank debt and seller notes                              | 2,609          | 1,193          | 2,461          | 2,415          | 2,294          | 1,862          |
| Total shareholders' equity <sup>3</sup>                 | 37             | 778            | 950            | 980            | 473            | 854            |

<sup>6</sup> Included as at September 30, 2020 is restricted cash of US\$1,669,840 (CAD \$2,226,065) that allowed Route1 to post a cash-collateralized bond with the court in the same amount in connection with the Company's appeal of the United States District Court for the District of Delaware partial granting of AirWatch's motion for attorney's fees in the matter of *Route1 Inc. v. AirWatch, LLC*.



| Net cash flow                                 | Q3    | Q2      | Q1    | Q4    | Q3    | Q2      |
|---|-------|---------|-------|-------|-------|---------|
| <i>In 000s of CAD dollars</i>                 | 2020  | 2020    | 2020  | 2019  | 2019  | 2019    |
| Cash generated in operating activities        | 1,523 | 1,773   | 472   | 64    | 20    | 965     |
| Cash used in investing activities             | (489) | (240)   | (633) | (174) | (154) | (1,303) |
| Cash generated (used) in financing activities | 1,092 | (1,543) | 165   | (28)  | (247) | 696     |
| Net cash inflow (outflow)                     | 2,126 | (10)    | 4     | (138) | (381) | 358     |

## Financing

The Company intends to raise up to \$2,500,000 by way of a non-brokered private placement (the "Offering") of Units ("Units") of the Company at a price of \$0.85 per Unit.

Each Unit will consist of one common share in the capital of Route1 (the "Common Share") and one Common Share Purchase Warrant (the "Warrant"). Each Warrant will be exercisable into one Common Share for a period of 18 months at a price of \$1.00 per share.

The completion of the private placement and payment of any commission and fees remains subject to the receipt of all necessary approvals, including the approval of the TSX Venture Exchange. The securities issued will be subject to a statutory hold period in Canada for a period of four months and one day from the Closing Date. Proceeds of the private placement will be used for growth and general corporate purposes.

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

The Company will hold a conference call and web cast to provide a business update on Wednesday, November 25, 2020 at 9:00 am eastern.

Participants should dial Toll-Free: 1-877-407-0781 or Toll/International: 1-201-689-8568 at least 10 minutes prior to the conference. For those unable to attend the call, a replay will be available on November 25, 2020 after 4 pm eastern at Toll-Free 1-877-481-4010 or Toll/International 1-919-882-2331, pass code #39006 until 10 am on Wednesday, December 2, 2020.

The webcast will be presented live at <https://www.webcaster4.com/Webcast/Page/2167/39006>.

## **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).

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