



## Route1 Announces Q2 2021 Financial Results

Toronto, Canada, August 25, 2021 - [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, 2021.

The Company’s operating results for Q2 2021 with comparatives are as follows:

<b>Statement of operations</b>	Q2	Q1	Q4	Q3	Q2	Q1
<i>In 000s of CAD dollars</i>	2021	2021	2020	2020	2020	2020
Revenue						
Subscription and services	2,671	2,758	2,528	2,599	2,489	1,958
Devices and appliances	3,663	3,786	4,637	6,523	4,477	4,401
Other	4	67	62	25	3	4
Total revenue	6,338	6,611	7,227	9,147	6,969	6,363
Cost of revenue	3,443	3,647	4,315	6,134	4,188	3,997
Gross profit	2,895	2,964	2,912	3,013	2,781	2,366
Operating expenses	2,451	2,542	2,469	2,562	2,570	2,334
Operating profit <sup>1</sup>	444	422	443	451	211	32
Patent litigation <sup>2</sup>	0	0	1,058	381	67	104
Total other expenses <sup>3</sup>	(17)	284	321	598	204	111
Net income (loss)	461	138	(936)	(528)	(60)	(183)

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

<sup>2</sup> For FY 2020, the Company incurred expenses for patent litigation net of the reversal of an accounting liability reflecting the funds the Company received from its litigation funding agreement. The Company has concluded the litigation with VMWare in both Canada and the United States and will incur no additional expense for this litigation.

<sup>3</sup> Includes gain on litigation, gain or loss on asset disposal, stock-based compensation expense, interest expense, income tax recovery, foreign exchange loss or gain, other expenses and acquisition expense.

<b>Subscription and services revenue</b>	Q2	Q1	Q4	Q3	Q2	Q1
<i>in 000s of CAD dollars</i>	2021	2021	2020	2020	2020	2020
Application software	1,724	1,977	2,015	1,923	1,665	1,217
Technology as a service (TaaS)	435	293	204	241	315	321
Other services	512	488	309	435	509	420
Total	2,671	2,758	2,528	2,599	2,489	1,958

<b>Adjusted EBITDA</b>	Q2	Q1	Q4	Q3	Q2	Q1
<i>in 000s of CAD dollars</i>	2021	2021	2020	2020	2020	2020
Gross Profit	2,895	2,964	2,912	3,013	2,781	2,366
Adjusted EBITDA <sup>4</sup>	760	764	768	778	556	358
Amortization	316	342	325	327	346	326
Operating profit (loss)	444	422	443	451	211	32

<b>Trailing 12 Months Adjusted EBITDA</b>	Q2	Q1	Q4	Q3	Q2	Q1
<i>in 000s of CAD dollars</i>	2021	2021	2020	2020	2020	2020
Adjusted EBITDA <sup>4</sup>	3,070	2,865	2,459	2,368	2,332	1,977

<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.

<b>Balance sheet extracts</b>	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
<i>in 000s of CAD dollars</i>	2021	2021	2020	2020	2020	2020
Cash	165	513	1,137	-	107	116
Total current assets	5,008	5,357	6,408	8,836	5,448	4,391
Total current liabilities	9,095	9,887	9,779	13,385	8,901	7,532
Net working capital	(4,087)	(4,530)	(3,371)	(4,549)	(3,453)	(3,141)
Net working capital (adjusted for contract liability)	(1,263)	(853)	256	490	800	(1,570)
Total assets	13,739	14,386	14,176	15,749	12,283	11,501
Bank debt and seller notes	1,839	1,728	1,792	2,609	1,193	2,461
Total shareholders' equity	2,906	2,443	2,141	37	778	950

<b>Net cash flow</b>	Q2	Q1	Q4	Q3	Q2	Q1
<i>in 000s of CAD dollars</i>	2021	2021	2020	2020	2020	2020
Cash generated (used) in operating activities	(125)	1,266	(3,513)	1,523	1,773	472
Cash used in investing activities	(110)	(1,700)	906	(489)	(240)	(633)
Cash generated (used) in financing activities	(142)	(211)	1,601	1,092	(1,543)	165
Net cash inflow (outflow)	(377)	(645)	(1,008)	2,126	(10)	4

## Q2 2021 Material Events

- On March 29, 2021, Route1 announced that it had acquired DataSource Mobility, LLC and its wholly owned subsidiary, VetSource Mobility, LLC (collectively "DSM"). Founded in 2007, DSM is primarily a reseller of ruggedized tablets and laptops along with associated accessories. DSM offers mobile



devices to a wide range of sectors including public safety, utilities, field services, logistics and healthcare as well as state and local governments. DSM serves markets in the Southeastern United States including Alabama, Missouri, Tennessee and Texas. Route1 paid U.S. \$1.3 million in cash at closing to acquire DSM and did not assume any debt.

Route1 also agreed to share with DSM's prior owners the gross profit generated by defined DSM accounts once the actual gross profit exceeds a threshold for the balance of the 2021 calendar year and 2022 calendar year. The threshold is U.S. \$375,000 for the last nine months of 2021 and U.S. \$500,000 for calendar year 2022.

In millions of US dollars	FY 2019	FY 2020
Revenue	\$4.21	\$5.10
Gross Profit	\$0.40	\$0.49

Note: The numbers presented above are unaudited. DSM's fiscal year end is December 31<sup>st</sup>.

Route1 acquired DSM to (a) accelerate our planned expansion of its business model into Texas, a strong and growing market, (b) grow our key enterprise and public safety accounts in the energy, logistics and local government sectors, (c) provide us with the opportunity to add to the size and quality of our sales team, and (d) leverage DSM's current and future sales of rugged mobile devices to expand Route1's profitable field service installation business providing customers with end-to-end service including configuration, asset tagging and vehicle installation.

- On June 1, 2021, the Company announced that it had received US\$438,642 from its insurers, in full settlement for the cost of goods fraudulently taken from Route1 in the third quarter of 2020 and disclosed in a news release Route1 issued on November 25, 2020.
- On June 28, 2021, the Company announced that it had received an order for 197 state-of-the-art Automatic License Plate Recognition ("ALPR") systems that will be deployed in patrol vehicles. The revenue to be generated by Route1 from the 197 ALPR systems purchase order is approximately US \$1.3 million and will be recognized as the ALPR systems are delivered to the client which is expected to start in the third quarter of 2021.

### Share Capital Update

As of August 23, 2021, Route1 has outstanding: 39,709,463 common shares; 3,574,411 common share purchase warrants expiring June 16, 2022 with a Canadian dollar \$1.00 strike price; and 3,477,500 common share stock options.

### Business Update Conference Call and Webcast



The Company will hold a conference call and web cast to provide a business update on Thursday, August 26, 2021 at 9:00 am eastern.

Participants should dial Toll-Free: 844-369-8770 or Toll/International: 862-298-0840 at least 10 minutes prior to the conference call and web cast. For those unable to attend the call, a replay will be available on May 26, 2021 after 4 pm eastern at Toll-Free 877-481-4010 or Toll/International 919-882-2331 passcode #42520 until 9 am on Thursday, September 2, 2021.

The webcast will be presented live at <https://www.webcaster4.com/Webcast/Page/2167/42520>.

#### **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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