



Route1 Announces Q4 and Full Year 2021 Financial Results

Toronto, Canada, April 27, 2022 - [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, 2021.

Fiscal Year 2021

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

<i>In 000s of CAD dollars</i>	FY 2021	FY 2020	FY 2019	FY 2018
Revenue				
Device	17,432	20,038	16,169	19,972
Services	9,702	9,574	7,834	6,209
Other	137	94	7	49
Total Revenue	27,271	29,707	24,010	26,231
Cost of revenue	16,446	18,635	14,978	18,732
Gross profit	10,825	11,072	9,032	7,499
Operating expenses	9,812	9,935	8,214	6,892
Operating profit ¹	1,013	1,137	818	607
Patent litigation ²	-	1,610	1,289	841
Total other expenses ³	791	1,234	82	200
Net income (loss)	222	(1,707)	(554)	(434)

¹ Before stock-based compensation

² 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.

³ 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.

For FY 2021 and 2020, Total Other Expenses are comprised of the following items:

<i>In 000s of CAD dollars</i>	FY 2021	FY 2020
Litigation settlement	-	(163)
Reserve for goods fraudulently taken	-	597
Stock-based compensation	568	497
Interest	277	163
Foreign exchange	31	71
Other	(85)	68
Total Other Expenses	791	1,234

Q4 2021

The Company's operating results for Q4 2021 with comparatives are as follows:

Statement of operations	Q4	Q3	Q2	Q1	Q4	Q3
<i>In 000s of CAD dollars</i>	2021	2021	2021	2021	2020	2020
Revenue						
Subscription and services	1,977	2,297	2,671	2,758	2,528	2,599
Devices and appliances	5,022	4,960	3,663	3,786	4,637	6,523
Other	36	31	4	67	62	25
Total revenue	7,035	7,288	6,338	6,611	7,227	9,147
Cost of revenue	4,660	4,696	3,443	3,647	4,315	6,134
Gross profit	2,375	2,592	2,895	2,964	2,912	3,013
Operating expenses	2,382	2,437	2,451	2,542	2,469	2,562
Operating profit ¹	(7)	155	444	422	443	451
Patent litigation ²	-	-	-	-	1,058	381
Total other expenses ³	308	216	(17)	284	321	598
Net income (loss)	(315)	(61)	461	138	(936)	(528)

¹ Before stock-based compensation

² 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.

³ 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.

Subscription and services revenue	Q4	Q3	Q2	Q1	Q4	Q3
<i>in 000s of CAD dollars</i>	2021	2021	2021	2021	2020	2020
Application software	1,504	1,628	1,724	1,977	2,015	1,923
Technology as a service (TaaS)	50	150	435	293	204	241
Other services	423	519	512	488	309	435
Total	1,977	2,297	2,671	2,758	2,528	2,599

Other services revenue	Q4	Q3	Q2	Q1	Q4	Q3
<i>in 000s of CAD dollars</i>	2021	2021	2021	2021	2020	2020
Technology life-cycle maintenance and support	175	177	200	195	179	166
Professional services	248	342	312	293	130	269
Total	423	519	512	488	309	435

Adjusted EBITDA	Q4	Q3	Q2	Q1	Q4	Q3
<i>in 000s of CAD dollars</i>	2021	2021	2021	2021	2020	2020
Adjusted EBITDA ⁴	341	465	760	764	768	778
Amortization	348	310	316	342	325	327
Operating profit	(7)	155	444	422	443	451

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	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
<i>In 000s of CAD dollars</i>	2021	2021	2021	2021	2020	2020
Cash	63	727	166	513	1,137	2,226
Total current assets	5,726	7,543	5,008	5,357	6,408	8,836
Total current liabilities	10,563	11,542	9,095	9,887	9,779	13,385
Net working capital	(4,837)	(3,999)	(4,087)	(4,530)	(3,371)	(4,549)
Net working capital (adjusted for contract liability)	(2,205)	(228)	(1,263)	(853)	256	490
Total assets	15,097	16,833	13,739	14,386	14,176	15,749
Net bank debt and seller notes	2,926	2,194	1,673	1,215	655	383
Total shareholders' equity	2,728	2,982	2,906	2,443	2,141	37

As of April 27, 2022, there are a total of 2,925,000 options are currently outstanding under the stock option plan.

“The last half of calendar 2021 and into early 2022 has been a difficult period of time for Route1 as the global supply chain and computer component disruptions have had a real negative impact on the Company’s operating results”, said Tony Busseri, Route1’s President and CEO. “The Company has quickly responded to what it believes to be other than short-term market changes by reducing fixed costs, while focusing on areas of our business model where we can better control our growth and success. We expect that the first couple of reporting quarter in 2022 will be additional transitional quarters.”

Material Business Events Since September 15, 2021

September 15, 2021: The Company announced that it had acquired Spyrus Solutions Inc. (“Spyrus”). Founded in 2018, Spyrus delivers encryption, authentication and digital content security products to U.S. defense and civilian agencies, international government, financial, and healthcare enterprises. It



develops and manufactures cryptographic products including the SPYCOS smart card operating system enabling strong protection for data-in-motion, data-at-rest and data-in-process.

Route1 acquired Spyrus for the assumption of debt obligations of approximately US \$0.58 million with \$0.22 million paid at closing and the balance paid out over the next 12 months. In addition, Route1 has agreed to pay the prior owners of Spyrus additional compensation based on certain gross profit metrics being met.

November 1, 2021: The Company announced that Alex Shpurov has been hired as Senior Vice President and Chief Technology Officer ("CTO") and started on November 8, 2021. Mr. Shpurov brings more than 25 years of experience in delivering enterprise solutions in multiple domains including blockchain, information security and artificial intelligence with a strong focus on the finance, banking and capital markets verticals.

March 10, 2022: The Company issued a news release providing a business update. The update focused on how the Company plans to (a) reduce its dependency on original equipment manufacturers ("OEM") and the cyclical nature of supply chain and manufacturing disruptions, and (b) address the strong enterprise and government trend to move desktop computing to applications accessed in the cloud.

Route1's growth focus will now be tied to its *core services and engineering competencies*.

The Company will emphasize its turn-key engineering services for clients using video and sensor capture technology to deliver real-time, secure actionable intelligence. We will amplify our customers return on investment by driving outcomes through the application of advanced technological solutions and by leveraging our expertise in video intelligence data. Our continued investment in data security and user authentication technologies including our flagship software application MobiKEY and service delivery platform DEFIMNET, separate us from our turn-key engineering services competitors as we bring a unique skill set as a service to our clients.

As we first shared with the market on November 1, 2021 and updated on March 10, 2022, Route1 continues to see delivery times well beyond traditional norms for equipment that directly or indirectly rely upon semiconductor chips. We took certain actions over the summer of 2021 based on OEM guidance to mitigate the impact of the global chip shortage on our ability to deliver on purchase orders, including building inventory and encouraging our clients to place orders ahead of their traditional timing cycle. These actions were good short term actions but ultimately did not address the root issue that OEM delivery times have materially impacted our business model. The uncertainty of supply and delivery times have made it difficult to forecast operating results from this part of our business.



Route1 currently excels as an engineering and professional services provider for automated license plate recognition (“ALPR”) clients and is seeing growth in the number of accounts, increased investment in the technology once deployed by an account, and strong demand for post-sales support from these accounts.

Technology Focus: Route1 currently is or intends to be active with its turn-key engineering and professional services to support clients **investing in video and sensor capture technologies including ALPR, surveillance video, body worn cameras and drones**. Further, Route1 intends to expand on its capability to support clients adopting access control technology. [Genetec](#) will continue to be an important technology partner for Route1.

Turn-key Services: Route1’s turn-key engineering and professional services to support our clients are as follows:

- Advisory and analysis including operations assessment
- Design and engineering
- Hardware and software procurement
- Project management
- Installation and configuration
- End user and administrator training
- Technology life-cycle maintenance and support
- Operations optimization

Operations optimization is centered around data integration and intelligence. Areas of expertise are: (a) data transport, hosting and storage; (b) data presentation including cloud based software applications to deliver data captured in an actionable format; (c) data analytics including integration of multiple data sets; and (d) data and network security, and user authentication. Our focus will be scenarios where video intelligence and related environmental data can augment an organization’s capabilities – whether in the private or public sector. Building on our expertise in the video space, combined with our deep-rooted background in software development, system infrastructure operations and cybersecurity, Route1 has a significant competitive advantage and is in position to differentiate itself in the engineering and professional services arena.

The subscription-based revenue model for Route1’s MobiKEY product was one of the first in the industry. Now, Route1 will augment and solidify that recurring revenue stream by adopting the model throughout our Company. Unlike traditional turn-key engineering and professional-services organizations, the emphasis is on engaging our customers in a way that creates an on-going interaction and drives long term recurring revenue. Our investment will be in people and relationships with independent software vendors (“ISV”) and OEMs to leverage their intellectual property to *gain actionable intelligence that generates exceptional outcomes for our clients*.



Business Update Conference Call and Webcast

The Company has decided to hold a conference call and web cast with the announcement of its Q1 2022 financial results in late May 2022.

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.

For More Information, Contact:

Tony Busseri
President and Chief Executive Officer
+1 480 500-7030
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.

© 2022 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, expectations regarding the success of the private



placement and the terms on which the Company will raise funds, price and liquidity of the common shares, expected financial performance, expected subscribers and subscription-based revenue, business prospects, technological developments, development activities, the ability of the Company to obtain the supersedeas bond in order to appeal the decision to the United States Court of Appeals for the Federal Circuit, 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.

###