



## Route1 Announces Q2 2022 Financial Results

Toronto, Canada, August 24, 2022 - [Route1 Inc.](#) (TSXV: ROI) (the “Company” or “Route1”), an advanced North American provider of turn-key engineering and professional services, today reported its financial results for the three and six-month period ended June 30, 2022.

The Company’s operating results for Q2 2022 with comparatives are as follows:

<b>Statement of operations</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
<i>In 000s of CAD dollars</i>	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>
Revenue						
Subscription and services	1,854	1,911	1,977	2,297	2,671	2,758
Devices and appliances	5,251	2,781	5,022	4,960	3,663	3,786
Other	9	3	36	31	4	67
Total revenue	7,114	4,695	7,035	7,288	6,338	6,611
Cost of revenue	5,015	2,572	4,660	4,696	3,443	3,647
Gross profit	2,099	2,123	2,375	2,592	2,895	2,964
Operating expenses	1,972	2,012	2,382	2,437	2,451	2,542
Operating profit <sup>1</sup>	127	111	(7)	155	444	422
Total other expenses <sup>2</sup>	183	110	308	216	(17)	284
Net income (loss)	(56)	1	(315)	(61)	461	138

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

<sup>2</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>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
<i>in 000s of CAD dollars</i>	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>
Application software	1,402	1,483	1,504	1,628	1,724	1,977
Technology as a service (TaaS)	-	-	50	150	435	293
Other services	452	428	423	519	512	488
Total	1,854	1,911	1,977	2,297	2,671	2,758

<b>Other services revenue</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
<i>in 000s of CAD dollars</i>	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>
Technology life-cycle maintenance and support	231	209	175	177	200	195
Professional services	221	219	248	342	312	293
Total	452	428	423	519	512	488



<b>Adjusted EBITDA</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
<i>in 000s of CAD dollars</i>	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>
Adjusted EBITDA <sup>3</sup>	459	446	341	465	760	764
Amortization	332	335	348	310	316	342
Operating profit	127	111	(7)	155	444	422

<sup>3</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>	<b>Jun 30</b>	<b>Mar 31</b>	<b>Dec 31</b>	<b>Sep 30</b>	<b>Jun 30</b>	<b>Mar 31</b>
<i>In 000s of CAD dollars</i>	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>
Cash	299	481	63	727	166	513
Total current assets	4,593	3,618	5,726	7,543	5,008	5,357
Total current liabilities	9,012	8,147	10,563	11,542	9,095	9,887
Net working capital	(4,419)	(4,529)	(4,837)	(3,999)	(4,087)	(4,530)
Total assets	13,909	12,574	15,097	16,833	13,739	14,386
Net bank debt and seller notes	2,515	2,297	2,926	2,194	1,673	1,215
Total shareholders' equity	2,883	2,774	2,728	2,982	2,906	2,443

As of August 22, 2022, there are a total of 2,925,000 options currently outstanding under the stock option plan.

### **Business and Operations Update**

- Route1 is investing in the right talent to improve our ALPR client experiences. Particularly, Route1 hired Elton Crawford on June 15, 2022 as its Vice President of Operations. Prior to joining Route1, Mr. Crawford was the Assistant Director, Operations, Parking and Transportation Services with the University of Arizona. He brings significant campus parking and public safety experience and knowledge with him to his role as Route1's Vice President of Operations. In his capacity at the University of Arizona, Mr. Crawford was an end user of the Genetec AutoVu™ automated license plate recognition ("ALPR") technology for several years, which includes having worked with parking technology integrators such as T2 Systems and Passport Parking.
- Route1 continued to see improved levels of recurring revenue derived from its LPR clients through improved support contracts. The Company expects to grow the annual value of support contracts to US \$850,000 or more by Dec 31-22; Route1 started the year at a base of US \$595,000.



in 000s US Dollars	Q1-22 A	Q2-22 A	Q3-22 F
Technology life-cycle maintenance and support	165	182	198

- The Company has seen, and expects further growth, in the number of ALPR accounts it has as active clients. Route1 started the year at 143 unique end users and has grown to 148 as at Aug 22-22. The net value includes Route1 terminating four accounts.
- The Company added dedicated human resources in the first half of 2022 to support: (a) Route1’s end user client experiences, and (b) channel partners that are either technology integrators, BPOs or parking facility management service providers. The net result has been improving client experiences and demand for the Company’s turn-key engineering services.
- Route1 renewed the MobiKEY service to DISA’s Joint Service Provider (“JSP”) for an additional year albeit at a smaller level of users – 1,000 versus 4,000. JSP operates and defends the U.S. Department of Defense (“DoD”) key cyber terrain, and provides IT services to the Pentagon and National Capital Region customers. The Company expects to realize a similar outcome to that of JSP with a second, 4,000 MobiKEY user DoD account that renews in Aug-22.
- Route1 is putting in place the building blocks to grow Spyru Solutions’ PocketVault P-3X sales including: (1) sourcing additional hardware components that have been depleted by sales in the first six months of 2022 and the last quarter of 2021, and (2) closing on sales opportunities prior to committing funds for new inventory. Route1 acquired Spyru Solutions in Sep-22.

Since the closing of the Spyru Solutions acquisition, the Company has monetized the inventory acquired and realized good short-term success in selling the PocketVault P-3X technology. Route1’s contributory gross margin decrease in Q2-22 was a direct result of not pre buying components required to manufacture new inventory until sales orders are in hand. It is also worth noting that the Company spent approximately US \$580,000 to acquire Spyru Solutions.

in 000s US Dollars	Q4-21 A	Q1-22 A	Q2-22 A
Spyru Solutions Contributory Gross Margin	382	302	122

- Route1 continues to improve its relationships with important hardware OEMs including Genetec and Getac.
- The Company has solidified and will continue to expand on its rugged device sales footprint in Texas.
- Route1 moved the MobiNET from Toronto, Canada to Phoenix, Arizona.



- The Company reduced its fixed cost burden which including the reduction in the number of employees to 34 as of Aug 22-22 from 48 on Jan 1-22.

in 000s US Dollars	Q3-21 A	Q4-21 A	Q1-22 A	Q2-22 A
Total Indirect Costs not including Amortization	2,216	2,034	1,677	1,640

### ***Moving Forward***

Route1 will continue to pivot the sales model towards its core services and engineering competencies. The Company is emphasizing its turn-key engineering services for clients using video and sensor capture technology to deliver real-time, secure actionable intelligence. Route1 enhances its customers’ return on investment by driving outcomes through the application of advanced technological solutions and by leveraging our expertise in video intelligence data.

Further, the Company will continue to invest in data security, user authentication technologies, and develop new technologies that will allow Route1 end-users to integrate disparate data sets and use ALPR technology for new outcomes. For certainty, included in our investment is the Company’s flagship software application MobiKEY and service delivery platform DEFIMNET, which separates us from other turn-key engineering services competitors

Route1 currently excels as an engineering and professional services provider for 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. The Company’s turn-key engineering and professional services to support Route1 clients are as follows: (a) advisory and analysis including operations assessment, (b) design and engineering, (c) hardware and software procurement, (d) project management, (e) installation and configuration, (f) end user and administrator training, (g) technology life-cycle maintenance and support, (h) operations optimization which is centered around data integration and intelligence.

Route1’s focus is on situations in which video and sensor intelligence, and related environmental data can augment an organization’s capabilities – whether in the private or public sector. Building on the Company’s expertise in the video space, combined with its deep-rooted background in software development, system infrastructure operations and cybersecurity, Route1 has a 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 augments that recurring revenue stream having adopted the model throughout the 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 continues to 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.*

#### **About Route1 Inc.**

Route1 Inc. is an advanced North American engineering and professional services company using data capture technologies. We bring security and operations together with real-time actionable intelligence to enhance safety and security, drive greater profitability and improve operational efficiencies. With a deep-rooted background in software development, network operations, and cybersecurity, Route1 brings a unique and valuable approach to the turn-key engineering and professional services arena. Route1’s services follow a complete life-cycle model, ensuring the evolution of your technology to meet your desired outcomes. Route1 is listed 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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